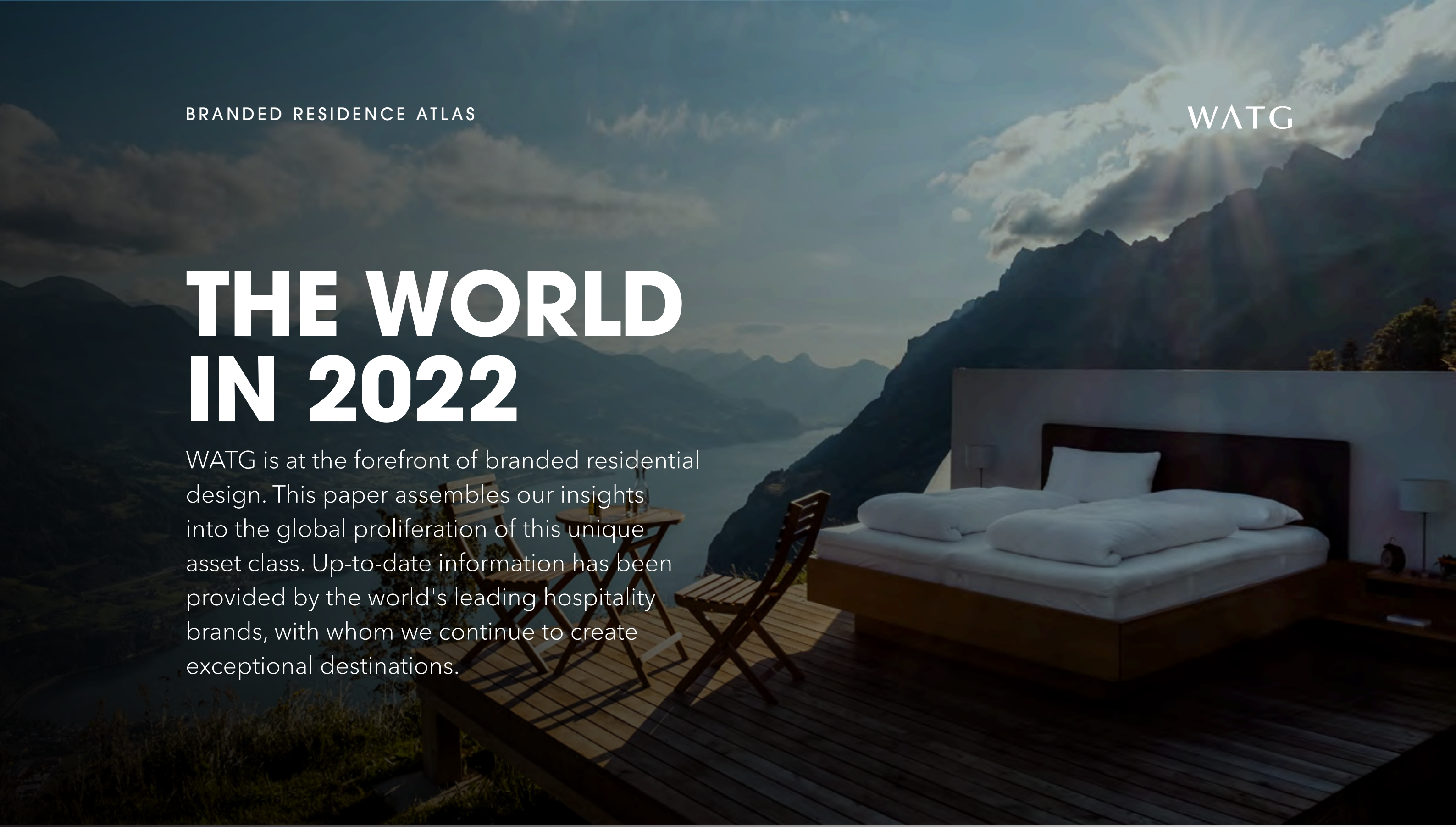
WATG

2022 EDITION

BRANDED RESIDENCE ATLAS

WATG



THE WORLD IN 2022

WATG is at the forefront of branded residential design. This paper assembles our insights into the global proliferation of this unique asset class. Up-to-date information has been provided by the world's leading hospitality brands, with whom we continue to create exceptional destinations.

The first edition of WATG’s Global Branded Residence Atlas was published in early 2020, just as the world was coming to terms with the greatest 'Black Swan' event of the 21st century. Two years later, we are emerging from a public health crisis that has created shockwaves through global economies. Yet, the growth of branded residence development has, if anything, accelerated rather than slowed.

There have been many shifts and transformations - some temporary, and others permanent - as we have been forced to reconsider our priorities, including how we travel, live and work. The international tourism and hospitality market is being forced to adapt to a new reality.

It is an appropriate time, therefore, to re-assess the landscape of the global branded residence market. The pandemic emerged at a time when branded residences had truly broken into the mainstream for hospitality developers, operators and buyers alike.

Today, branded residences are a core part of many luxury hospitality and mixed-use developments, especially as developers seek to boost viability in challenging circumstances. Indeed, WATG has multiple projects involving branded residences on the drawing board that are not yet captured by the 'official' data.

WATG Strategy advises a broad range of clients in the sector, including investors, operators and developers, across different regions. As a result, we have gained deep expertise in the segment, across a range of geographies and settings.

This paper profiles the geographical trends and supply characteristics in the sector, reflecting on how these are indicative of broader societal, economic and industry shifts. We hope to offer a comprehensive snapshot of the branded residential sector in 2022.

Rob Sykes
Director, WATG Strategy

WATG Strategy work to optimise the real estate economics of our clients' projects. To discuss how we can help you make the most of your branded residence project, contact rsykes@watg.com.

WATG: DECADES OF EXPERTISE

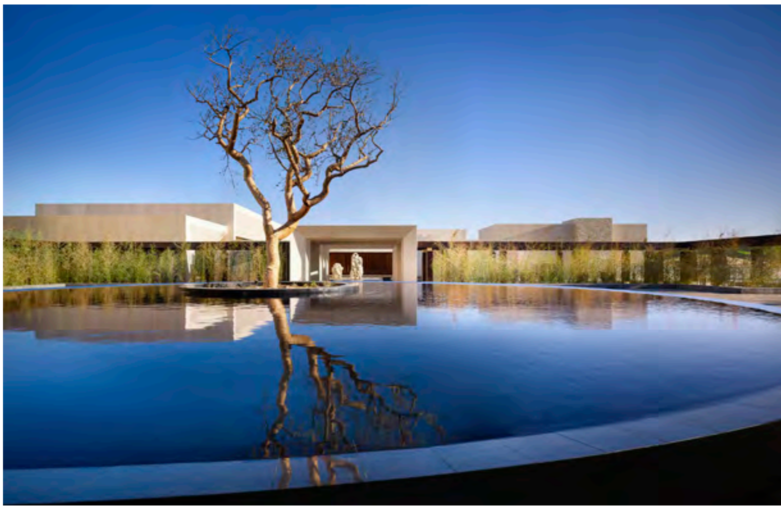
Since 1945, WATG has been a leader in hospitality design. We have been at the forefront of the sector's evolution up to and including the emergence of the branded residence concept.

WATG has established itself as the leading designer of branded residential projects, including advisory services, master planning, landscape, architecture and interior design.

It is clear that designing for branded residences requires a different approach from traditional hospitality and residential projects. It demands a deep expertise of both luxury hospitality and residential spaces, two nuanced segments within which WATG has specialised in over the years.

This also includes a full understanding of the web of inter-relationships between the hospitality and residential elements. There is a need to develop synergies and ensure efficiencies between the two functions operationally, while ensuring market appeal, enhancing values and containing CapEx.

A successful mixed-use project requires all functions to be optimised, as well as the creation of an exceptional destination through place-making. An experienced, creative approach, which runs all of the way through projects from pre-development strategic advice to interior design, is paramount. WATG's credentials in this regard are proven.



THE WORLD OF BRANDED RESIDENCES

The global reach of the branded residential sector is ever-increasing, with projects in new markets every year. It is now a truly global phenomenon.

WATG has tracked more than 700 hospitality-branded residential projects, accounting for in excess of 95,000 completed and planned residences. Projects have been completed in 50 countries across the world, with another 24 countries having projects in the pipeline.

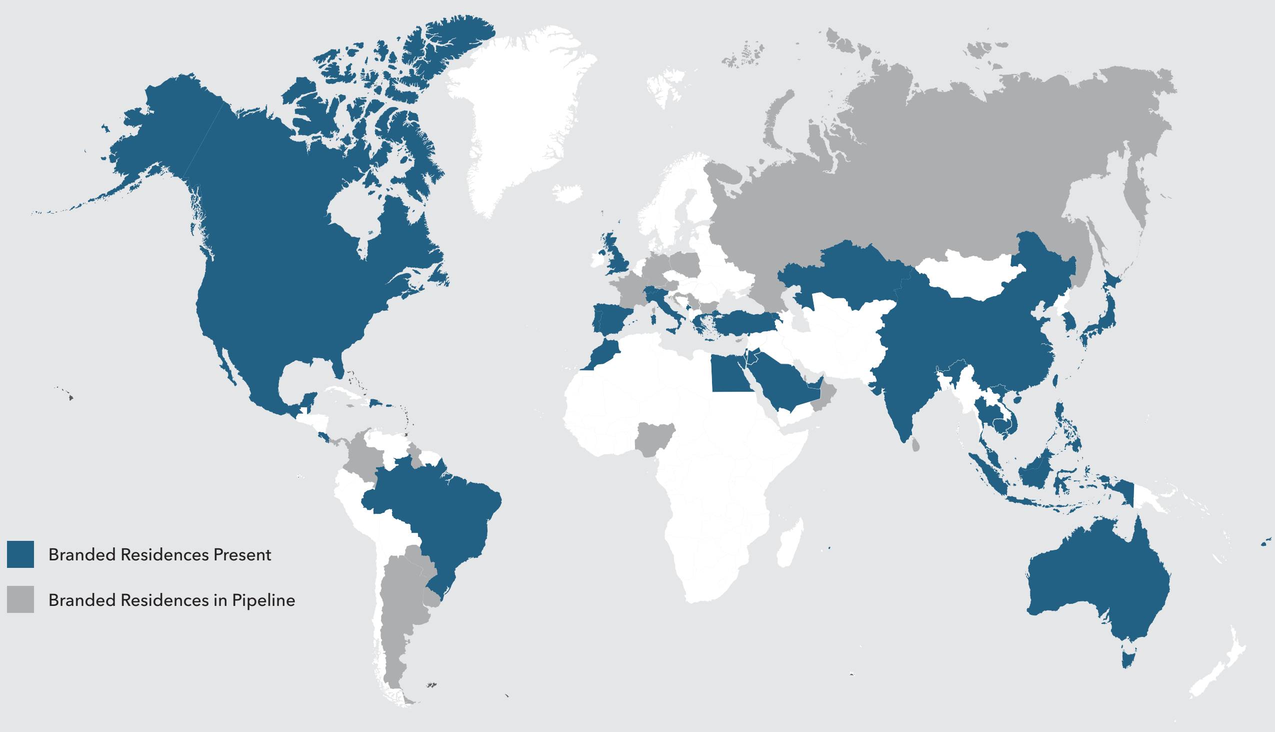
Indeed, since early 2020, 84 new projects have opened and 123 deals have been signed. This equates to 34 openings and 49 confirmed annoucements per annum.

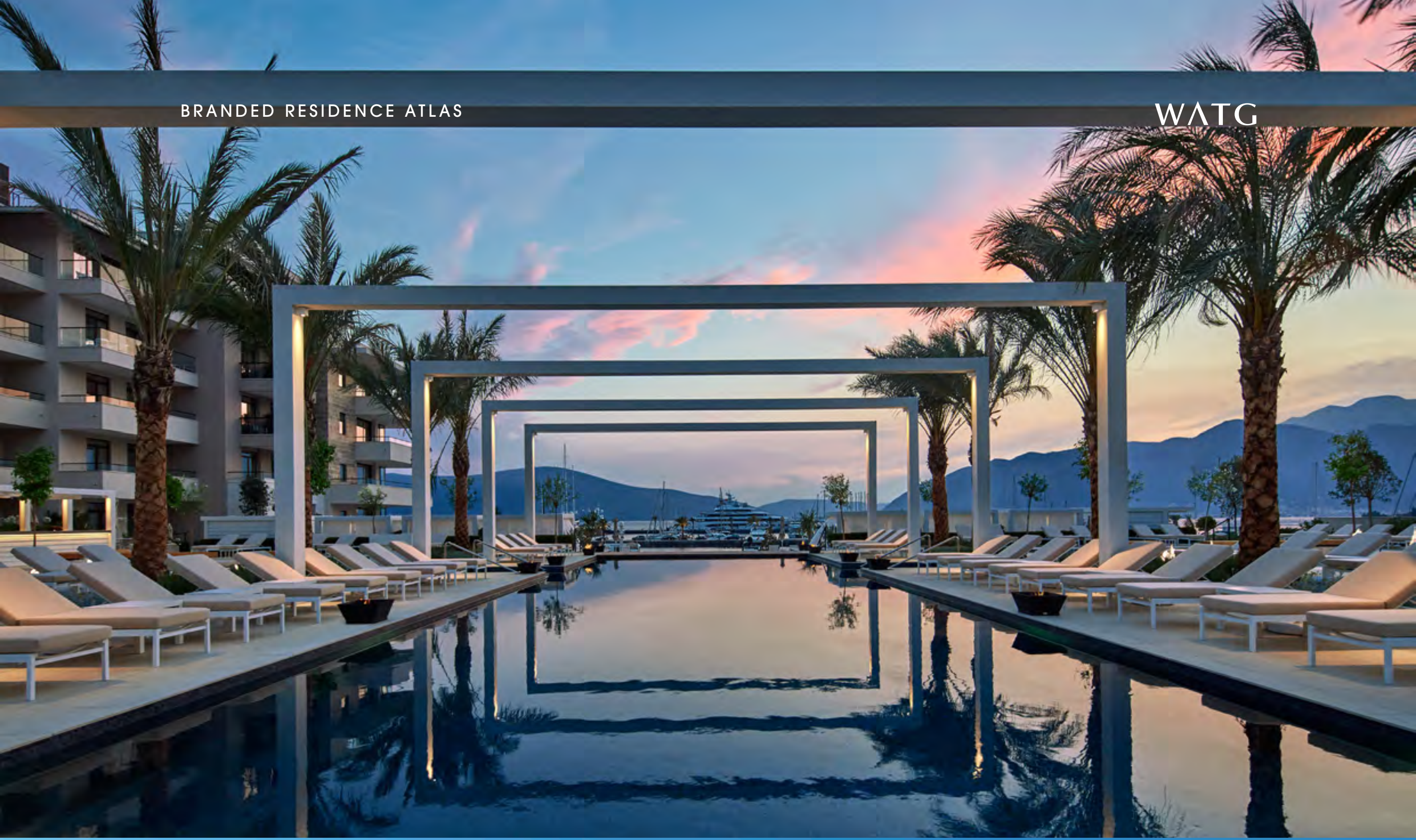
The sector is well-developed in multiple regions, ranging from North America to Southeast Asia, and from the Caribbean to the Middle East. Projects have proliferated in both urban and resort settings, as well as emerging in rural locations, desert destinations and luxury ski resorts. Branded residences are no longer limited by specific locations, project types or buyer markets.

Countries as diverse as Argentina, Austria, Colombia, Guyana, France, Nigeria, Oman, Poland and Sri Lanka are set to debut their first schemes in the coming years. Barring a few notable absences, such as Paris and Scandinavia, branded residences are a truly global phenomenon.

The global pipeline is set to double the number of branded units in the market today. However, this is an under-representation of the true strength of the market.

For every project that has been announced with a brand attached, there are multiple projects that are being designed with branded residences in mind. Our advisory and design studios are collaborating with clients in this space on a daily basis.





REGENT PORTO MONTENEGRO

TIVAT, MONTENEGRO

WATG's Architecture studio proudly designed the Regent Pool Club Residences at Porto Montenegro on the Adriatic Coast.

REGIONAL SHIFTS

Emerging from North America, the geography of branded residence development is not just expanding, but the centre of gravity also continues to shift.

Branded residences have historically been a North American phenomenon, driven by the traditional powerhouse brands of the luxury hospitality sector – Four Seasons and Ritz-Carlton. North America is by far the most significant region for completed branded residences units and projects.

However, the tide is turning. As the global economy has shifted, we have seen development momentum move towards Asia and the Middle East. Branded residences have proliferated in these regions' key resort destinations and gateway cities.
European markets were initially tentative to embrace the concept, but this has given way to unabated enthusiasm. The region now has a strong pipeline that far outweighs the current inventory, especially in the heavyweight destinations of Portugal, Spain and Greece, as well as Eastern Europe.

Likewise, the first projects have been announced in multiple South American and Sub-Saharan African markets. For example, two branded residences are planned for Lagos, including from Fairmont.

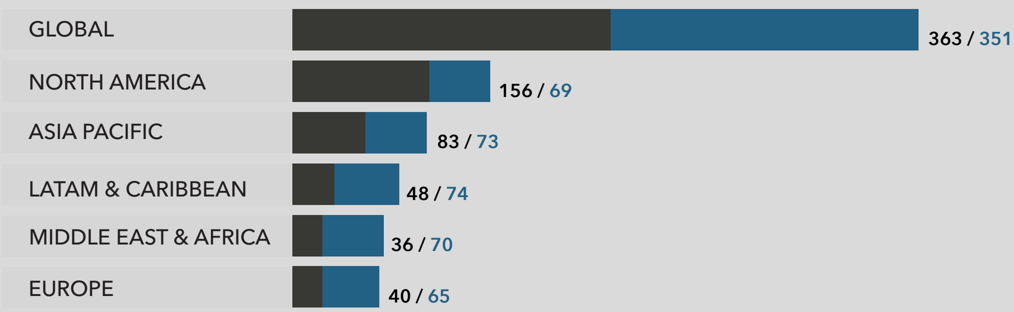
The branded residence concept is not homogenous, however. The range of models reflects the breadth of hospitality concepts and locations. Our approach to branded residence design varies between resort and urban settings and different regions. This includes the unit typologies, the scale of projects, rental programmes and buyer expectations.

For example, projects in Asia, the Middle East and North America have, on average, twice the number of branded units as in Europe and Latin America, where development sites may be more physically constrained and market depth may be shallower.

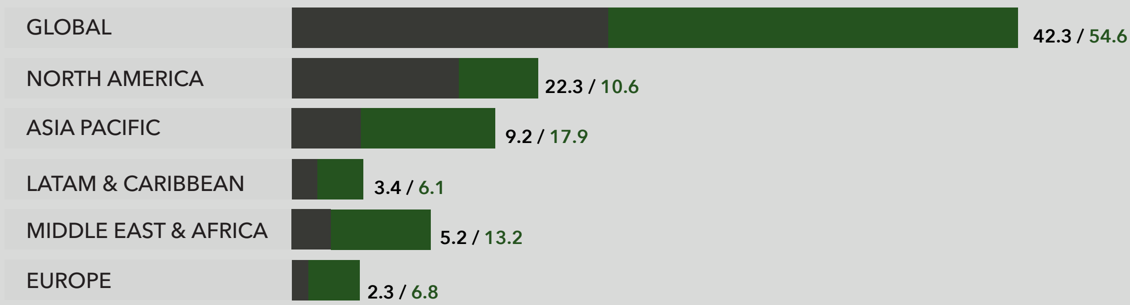
INTERCONTINENTAL HA LONG BAY
HA LONG BAY, VIETNAM

GLOBAL HEADLINES

EXISTING & PIPELINE PROJECTS



EXISTING & PIPELINE UNITS (000s)



AVERAGE NO. OF UNITS PER PROJECT

	ASIA PACIFIC	MIDDLE EAST & AFRICA	EUROPE	LATAM & CARIBBEAN	NORTH AMERICA
EXISTING	164	170	81	71	144
PIPELINE	111	144	58	83	153

INTERNATIONAL HOTSPOTS

Miami and Dubai are overwhelmingly the world's branded residential hotspots, but a look further down the rankings of major locations reveals a mix of diverse locations.

The ‘rankings’ of branded residential hotspots, by both number of projects and volume of units, reveals a multitude of narratives and trends around the sector’s development.

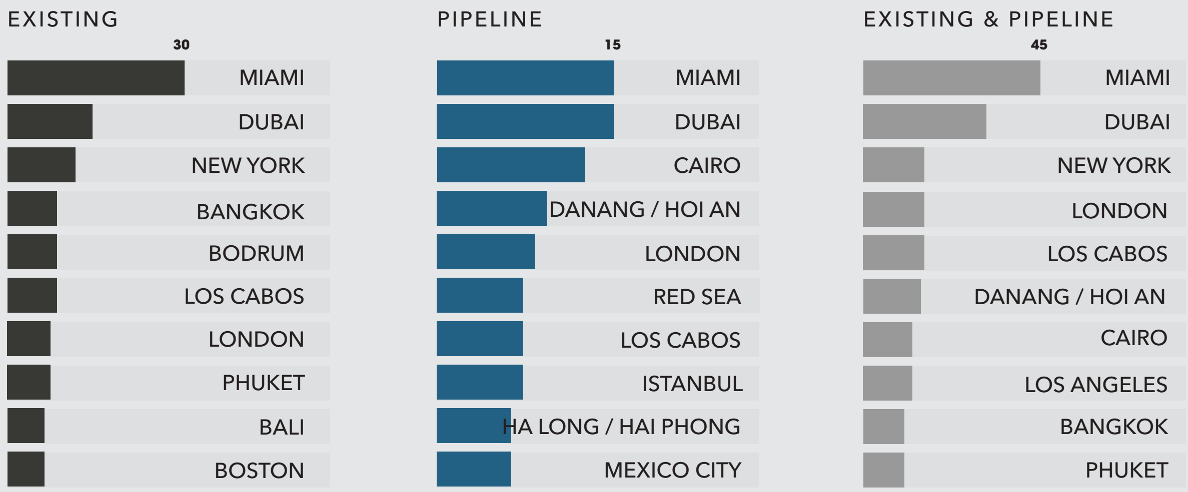
Miami and Dubai are without dispute the dominant global locations. These are highly internationalised cities, at the centre of global flows of both people and capital. They have attracted brands of all kinds, being at the forefront of a growing cadre of fashion, automotive and other lifestyle brands seeking to associate themselves with luxury residential real estate. They have also led the way internationally for the emergence of lifestyle hotel brands in the sector.

The diversity of branded residence hotspots includes both urban gateways and resort destinations. The sector is well established in ‘early mover’ markets such as Thailand (Bangkok and Phuket), Turkey (Istanbul and Bodrum) and Indonesia (Bali and Jakarta).

The pipeline shows that the next wave of branded residence locations includes Egypt, Mexico, Vietnam and Saudi Arabia, with a flurry of activity in each.

In many cases, developers are tapping into growing middle class populations and rising domestic tourism expenditures, seeking to enhance their offer in highly competitive markets, through affiliation with international brands.

BRANDED RESIDENCE HOTSPOTS: NUMBER OF PROJECTS



So what defines a suitable market for branded residential development? One could list a multitude of factors, but it boils down to a handful of fundamentals: an aspirational destination for either domestic or international buyers; a shortfall of supply and evidence of pent-up demand; and a robust, or growing, tourism sector.

As the sector matures, the range of destinations deemed suitable for branded residences is expanding. Activity is no longer concentrated in a handful of high-profile destinations.

In Vietnam, for example, branded residences are being developed across the country, from Hanoi and Ha Long Bay in the north to Ho Chi Minh City and Phu Quoc in the south. Branded residences are a core part of the development of new tourist destinations. These projects are often of exceptional scale.

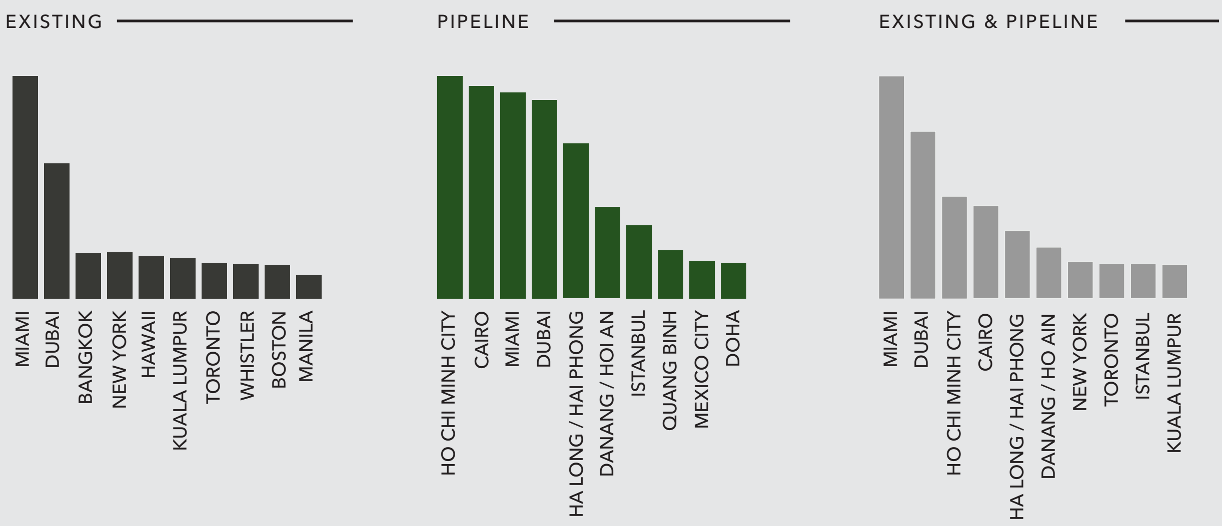
In Saudi Arabia, extensive hospitality development is being driven by the country's Vision 2030. Many of the most exclusive operators have been attracted to the rapidly emerging market. Branded residential projects extend from the ambitious Red Sea Project to desert destinations (e.g. AlUla) and major cities, including Jeddah, Riyadh and Al Khobar. Instead of being considered a risk in a relatively untested market, branded residences are considered a positive in terms of both viability and place-making.

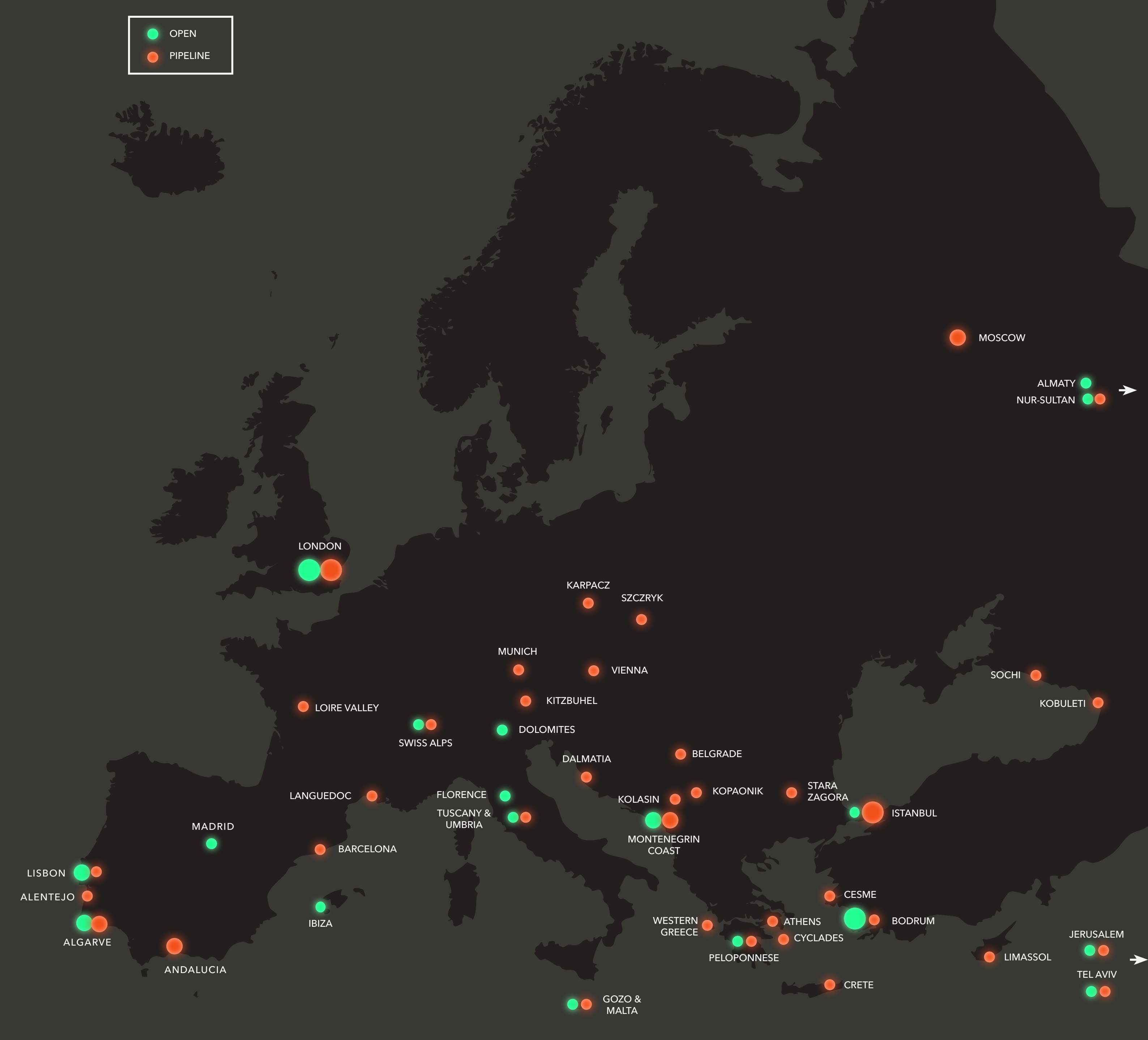
In most cases, the number of units within Saudi projects is limited, as brands and developers test the market.

London is another market which has attracted multiple high-profile branded residence projects while the overall number of units is low. Of completed projects, the average number of units is just 29. The development constraints of the city places significant limits of the volume of branded units in historic European cities. For example, there are no completed or planned branded units in Paris. In more established markets, the ability to attract significant premiums for brand association is more limited.

At the other end of the spectrum, Vietnam, Egypt and Dubai have seen projects announced with in excess of 1,000 branded units. Most notably, this includes the 4,200 JW Marriott and Marriott-branded residences at Saigon Grand Marina and a further 2,259 at The Mercure Residences Ha Long. Projects of this exceptional scale are turning these markets into major branded residence hubs.

BRANDED RESIDENCE HOTSPOTS: NUMBER OF UNITS





EUROPE

The tide has turned for branded residential development in Europe. The continent is now embracing the model in its major resort destinations, while the phenomenon is expanding eastward into new markets.

PROJECTS

CURRENT	PIPELINE
40	65

UNITS (000s)

CURRENT	PIPELINE
2.3	6.8

EUROPE: IN FOCUS

Previously limited to gateway cities, notably London and Istanbul, and a smattering of resort destinations (e.g. Bodrum, Montenegro), there is now a significant pipeline across the continent.

The continent is moving away from the 'Golden Visa' schemes that fuelled previous waves of resort residential development. The well-established Spanish, Portuguese and Greek resort markets are seeing significant branded residential activity, in a mix of urban and resort settings. These markets have lagged in the adoption of the model, but are now set to take centre stage.

Six Senses and Mandarin Oriental have been among the brands leading the charge in Europe, making inroads in urban and resort settings. Mandarin Oriental has introduced the concept to a number of new cities, with projects in Munich, Vienna and Barcelona. Six Senses has been active in Alpine ski resorts and previously unexplored rural resort destinations (e.g. Loire Valley and Umbria).

Robin Chalier, Head of Development EMEA at Six Senses, states that "we see increasing demand for destinations easily accessible from European capital cities, where owners can stay longer and more often", citing the proximity of Six Senses Crans Montana to Geneva and Six Senses Loire Valley to Paris.

While most activity is focused on the luxury segment, there are moves from midscale and upscale brands in Eastern Europe, particularly by Accor. There are proposed Mercure, Swissotel, Movenpick and MGallery projects in Poland, Georgia and Bulgaria.

BRANDED RESIDENCES: PERCENTAGE OF GLOBAL TOTAL

OPEN

11% PROJECTS

5% UNITS

PIPELINE

19% PROJECTS

13% UNITS

REGIONAL MIX (NO. OF PROJECTS)

49% URBAN

51% RESORT

EUROPE: KEY MARKET SNAPSHOTS

The continent's major leisure destinations are now playing catch up in the branded residence game - and are making up for lost time.

Southern Europe's traditional tourism markets - Greece, Spain and Portugal - were slow to fully embrace the branded residence concept.

Well-established residential resorts, an aversion to branded product and limited high-calibre greenfield development sites have combined to slow the branded residential expansion in the region.

It appears there is now a newfound confidence in the market around the suitability and success of branded residences, in tandem with an influx of new luxury hotel operators in traditionally independently-skewed markets.

GREECE

Greece has emerged as a leading destination for branded development, in both resort settings and Athens. The Greek tourism market is in a strong position, attracting international investment and new brands.

Costa Navarino, the world-class golf destination developed by TEMES, has been at the forefront of the movement, attracting Westin and, now, Mandarin Oriental to the destination (including branded residences).

1 Hotels (Crete), Banyan Tree (Lefkada) and One&Only (Kea) are also progressing with branded residences in the country. For these American and Asian brands, these projects represent the first forays into the European residential market. Athens has also seen deals being made by Conrad and Waldorf Astoria, while the much-heralded Hellinikon project will include at least two branded residential addresses.

PORTUGAL

Portugal has also seen a number of deals, with activity split between the Algarve and the capital, Lisbon. While branded residence concepts have been present for many years, the space has expanded rapidly. Projects in Lisbon include one of the first moves into the residential sector by The Standard hotel brand of hotels. We are also aware of interest from international brands in the less-developed Alentejo region, reflecting an industry-wide shift towards accessing nature and embracing natural assets.

SPAIN

Spain has seen a handful of high-profile projects, although the pipeline remains more limited. Projects in Madrid from Four Seasons and Barcelona from Mandarin Oriental have been high-profile, landmark projects.

After years of delays, there is now confidence that development sites in Andalusia will finally be unlocked, with projects by Four Seasons, Fairmont and W in the pipeline, amongst others that are yet to be announced.

ASIA PACIFIC

Southeast Asia is one of the global hotspots for development, notably Vietnam. Rising middle class populations are attracting major brands and boosting development opportunities.

PROJECTS

CURRENT 83

PIPELINE 73

UNITS (000s)

CURRENT 9.2

PIPELINE 17.9

ASIA PACIFIC: IN FOCUS

The rising middle class population in Asia's key markets has fuelled development from domestic real estate developers and gained the attention of international hospitality brands.

The activity of Asian brands, including Aman, Six Senses and Banyan Tree, should be highlighted. James Mabbutt, Development Director at Hong Kong-based Mandarin Oriental states that "following the success of our recent residential project in Bangkok, demand has been strong across the region as developers recognise the value added by partnering with Mandarin Oriental and seek to leverage our network on UHNWIs. In the Asia Pacific region in particular, buyers know our brand well and the lifestyle our residences offer resonates strongly."

The Southeast Asian markets of Vietnam, Indonesia, Malaysia, The Philippines and Thailand have been at the epicentre of development in recent years. Activity in these markets is geographically diverse, spreading beyond gateway cities and international resorts, to new destinations which cater more strongly towards domestic and regional travellers. This has resulted in greater presence from upper upscale and upscale brands in the segment, squarely targeting the emerging domestic, middle-class market for second homes and investment properties.

Activity has slowed significantly in China. This is partly due to the 'Zero Covid' approach to the pandemic and a longer-term turn away from international investment in the country. This has limited both the appetite and the ability of major international brands to enter the country.

BRANDED RESIDENCES: PERCENTAGE OF GLOBAL TOTAL

OPEN

23% PROJECTS

22% UNITS

PIPELINE

21% PROJECTS

33% UNITS

REGIONAL MIX (NO. OF PROJECTS)

41% URBAN

59% RESORT

ASIA PACIFIC: KEY MARKET SNAPSHOT

Vietnam is one of the most active branded residence destinations, with a host of diverse projects throughout the country.

VIETNAM

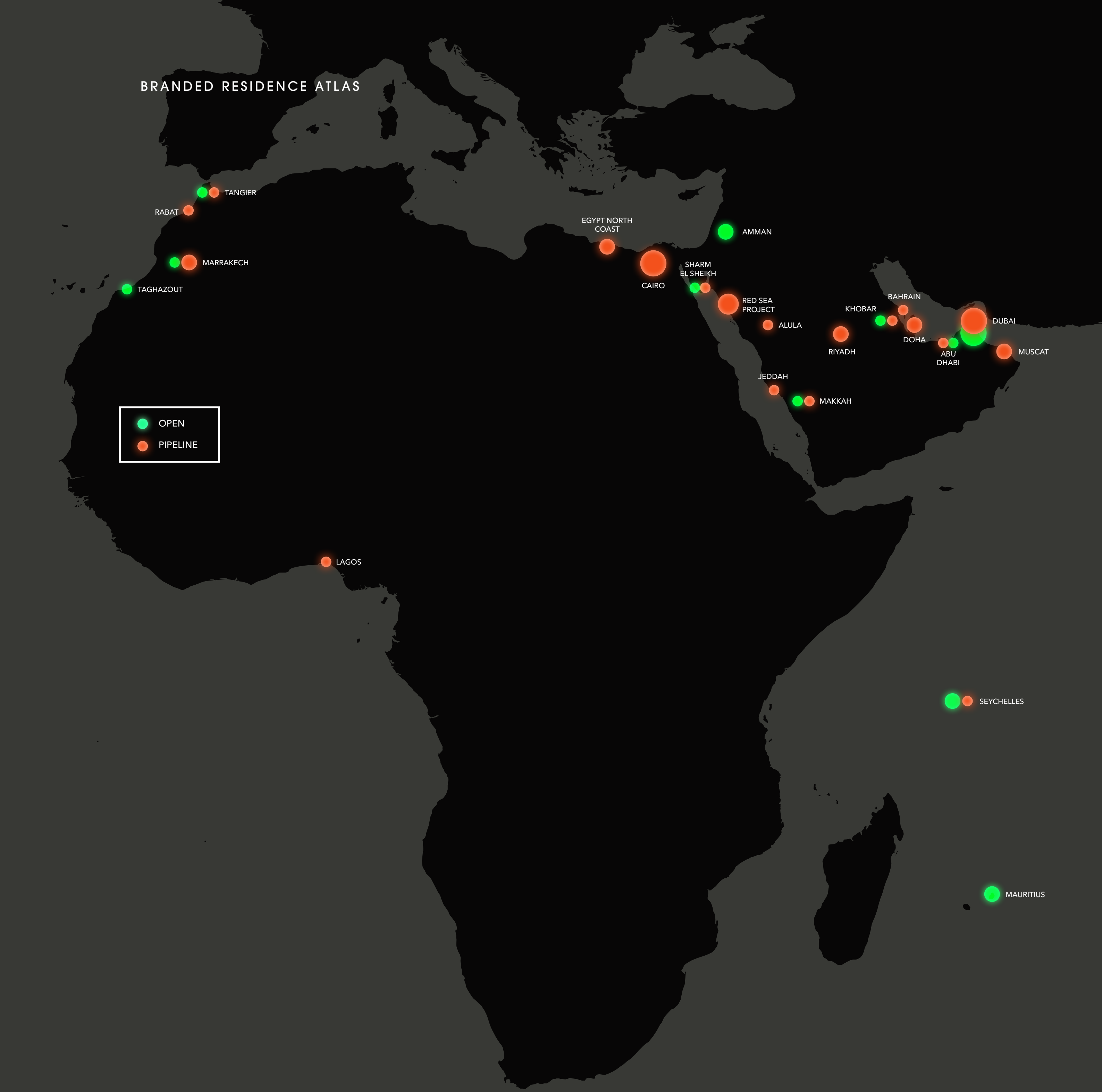
Traditionally a resort dominated market, branded residences have been present in Vietnam for over a decade. A selection of pioneering, modestly-scaled luxury concepts from brands such as Six Senses and Four Seasons were first to enter the market. This was typically villa product operated as hotel inventory, with a mandatory rental pool.

Developers, having recognised the opportunity to tap into domestic investors for the financing of large-scale integrated resort projects, then turned to branded real estate on a significantly larger scale. A wave of new product swept across the country's resort locations, characterised by mandatory rental pools, modest unit sizes, midscale to upscale brands, guaranteed returns and a strong focus on maximising rapid off-plan sales. Sales have often been prioritised at the expense of long-term strategic planning. As these projects complete construction and open their doors to tourists, the operational efficiency and end-user experience of these hybrid concepts will be tested.

Following high-profile defaults in the condotel space, we are now entering a new phase of development. A range of luxury brands are bringing new concepts to market, including the likes of InterContinental, Regent, Park Hyatt, Mandarin Oriental and Rosewood. These, once again, are more modestly-scaled and typically villa-driven. Notably, these concepts are attracting a small, but growing, number of buyers looking for the lifestyle proposition of a second home, rather than the investment motivation that has driven demand to date.

It is the upscale space that is most active, with more palatable construction costs, a deeper investor pool and brand standards that can flex to the needs of the developer and location. These upscale and softer brands are a valuable tool in the hands of the operators and the result is a rapidly growing pipeline for brands such as Melia, MGallery, Wyndham and Voco.

The urban markets of Ho Chi Minh City and Hanoi, slower to embrace the branded residence concept than some other Asian gateways, have seen a significant uptick in deals. Marriott has struck landmark deals, including the 4,200 Saigon Grand Marina apartment project (Marriott and JW Marriott) and the 104-unit standalone Hanoi Ritz-Carlton Residences. Both schemes have quoted substantial price premiums on unbranded luxury product in their respective markets, potentially paving the way for a substantial influx of new urban supply looking to follow suit.



MIDDLE EAST & AFRICA

With the draw of Dubai well-established, Saudi Arabia, Egypt and Morocco have strong pipelines, while the first projects are planned for Sub-Saharan Africa.

PROJECTS

CURRENT **36**

PIPELINE **70**

UNITS (000s)

CURRENT **5.2**

PIPELINE **13.2**

MIDDLE EAST & AFRICA: IN FOCUS

Dubai continues to rival Miami as the world's leading branded residential destination, but the appeal of the concept has spread far beyond the emirate. Abu Dhabi, Bahrain, Qatar, Oman, Saudi Arabia and Jordan have all attracted leading brands, as these markets continue to invest heavily in new construction and infrastructure. Qatar, in particular, has attracted a range of international operators in the lead up to the FIFA World Cup 2022. As a result, the Middle Eastern and African pipeline far outweighs the existing inventory.

Morocco has been the first branded residence location in North Africa. However, the market will be rivalled by Egypt, which is experiencing significant levels of ongoing and planned development, particularly around Cairo.

The first branded residential projects in Sub-Saharan Africa have also been announced, with two planned projects in Lagos, Nigeria's largest city.

James Price, VP Residential at Four Seasons, highlights the brand's growth in the region. He states that Four Seasons is "expanding in established and highly sought-after locations, as well as in new markets, where there is strong domestic demand. The buyers in these markets travel widely and understand the value and experience delivered by Four Seasons. They are eager to get this same level of service delivered in their home country. Our residential projects in Cairo (New Capital at Madinaty), Muscat and Doha reflect this demand - and each one is set to raise the residential bar in their respective locations".

BRANDED RESIDENCES: PERCENTAGE OF GLOBAL TOTAL

OPEN

10% PROJECTS

12% UNITS

PIPELINE

20% PROJECTS

24% UNITS

REGIONAL MIX (NO. OF PROJECTS)

74% URBAN

26% RESORT

MIDDLE EAST & AFRICA: KEY MARKET SNAPSHOT

Egypt and Saudi Arabia have exceptional pipelines of new mixed-use and tourism mega-projects under ambitious public-led development programmes.

EGYPT

Egypt's hospitality market has experienced a number of booms and busts in the past decade, including terror attacks, uprisings and economic crises. In recent years, development has been on the upswing, as the country experiences a surge in construction activity.

While recent economic turbulence, including the devaluation of the Egyptian Pound, may temper this, the number and scale of signed branded residence deals is significant, with the powerhouses of Accor and Marriott International both highly active in the market. Accor, for example, has twelve projects in the pipeline, with the Swissotel (three) and Fairmont (five) brands at the forefront.

Activity is concentrated in three major locations – Cairo, the North Coast and Sharm el Sheikh. In Cairo, a total of thirteen pipeline projects have been announced, concentrated in New Cairo and the New Capital City.

Accor has also announced multiple deals on the North Coast and Sharm el Sheikh. The North Coast has traditionally been focused on the domestic market, with few international brands of note. This appears to be changing, with a number of master planned projects in progress in order to transform the region into an international destination. In Sharm el Sheikh, normality may be resuming after many years of challenges. The Four Seasons, with interior design by Wimberly Interiors, added new residences in 2022.

FOUR SEASONS SHARM EL SHEIKH
SHARM EL SHEIKH, EGYPT

SAUDI ARABIA

The rapid development of Saudi Arabia's tourism and hospitality sector has coincided with the era of the branded residence. The country is on an ambitious journey away from a reliance on hydrocarbons as part of the Saudi Vision 2030. Many of the planned giga-projects and tourism developments include branded residential components - and the projects announced so far account for just a fraction of the pipeline.

Thousands of new branded units are set to enter the market in the coming years, with the majority of these at the highest end of the market. As of Q3 2022, almost 1,000 units have been announced across 17 projects.

The high-profile Red Sea Project is at the leading edge, including three of Accor's luxury and lifestyle brands. Numerous additional brands are expected as the project progresses.

Branded residences are also set for desert resort locations (e.g. AlUla), as well as the country's leading cities, including Riyadh, Jeddah, Makkah and Al Khobar. These urban destinations have seen deals from emerging lifestyle brands, including Nobu (Al Khobar), Faena and Armani (both Riyadh).

Many of these projects have been included a small number of branded residences. The only exception has been in Makkah, where three projects will offer more than 750 branded units. This includes upper upscale brands, including Novotel and Hyatt Centric, which are yet to make inroads in other Saudi markets, where the focus is on the ultra-luxury market.

The success of the first wave of projects will be closely monitored by the industry. The branded residence model is largely untested in the market, while there are question marks around the depth of the buyer market, particularly in terms of the appetite of foreign buyers for Saudi real estate. Time will tell if domestic buyers will invest in this 'new' type of residence, but early market testing in The Red Sea Project is said to be positive.

The WATG-designed Ritz-Carlton Amman,opened its doors in 2022. This was an integrated project between our Architecture and Interior Design Studios. The project includes 200 hotel keys and 90 branded residences.

THE RITZ-CARLTON AMMAN

AMMAN, JORDAN

LATIN AMERICA & THE CARIBBEAN

Mexico is one of the world's leading branded residence markets, but the region as a whole is marked by continued expansion into new territories.

PROJECTS		UNITS (000s)	
CURRENT	PIPELINE	CURRENT	PIPELINE
48	74	3.4	6.1

LATAM & THE CARIBBEAN: IN FOCUS

The Caribbean has traditionally been a strong second home market, particularly attractive to North American buyers seeking winter sun.

During the coronavirus pandemic, the region saw a significant wave of interest in luxury residential communities, as many markets successfully controlled the spread of the virus. This was despite the significant negative impacts of the pandemic on the tourism industry, on which many island economies remain heavily reliant.

In Caribbean markets, Marriott International is the most active operator, led by its Ritz-Carlton and St. Regis brands, while Rosewood is an active player in the market.

In Central America, Mexico is the major market, with more than 50 projects complete and in the pipeline, second only to the U.S. globally. There has been a range of developments across the country in both urban and resort settings. There are major concentrations of branded residences in Los Cabos, Mexico City and Quintana Roo (including Tulum, Mayakoba and Playa del Carmen).

In South America, branded residences are planned in new markets, beyond the megacities of Sao Paulo and Rio de Janeiro. There are projects in the pipeline for destinations including Buenos Aires, Georgetown, Cartagena and Punta del Este.

BRANDED RESIDENCES: PERCENTAGE OF GLOBAL TOTAL

OPEN

13% PROJECTS

8% UNITS

PIPELINE

21% PROJECTS

11% UNITS

REGIONAL MIX (NO. OF PROJECTS)

22% URBAN

78% RESORT

LATAM & THE CARIBBEAN: KEY MARKET SNAPSHOT

Mexico is the second largest branded market, with more than 50 planned or completed branded residence developments.

MEXICO

Mexico is experiencing a significant volume of branded residence development across a wide variety of markets and settings.

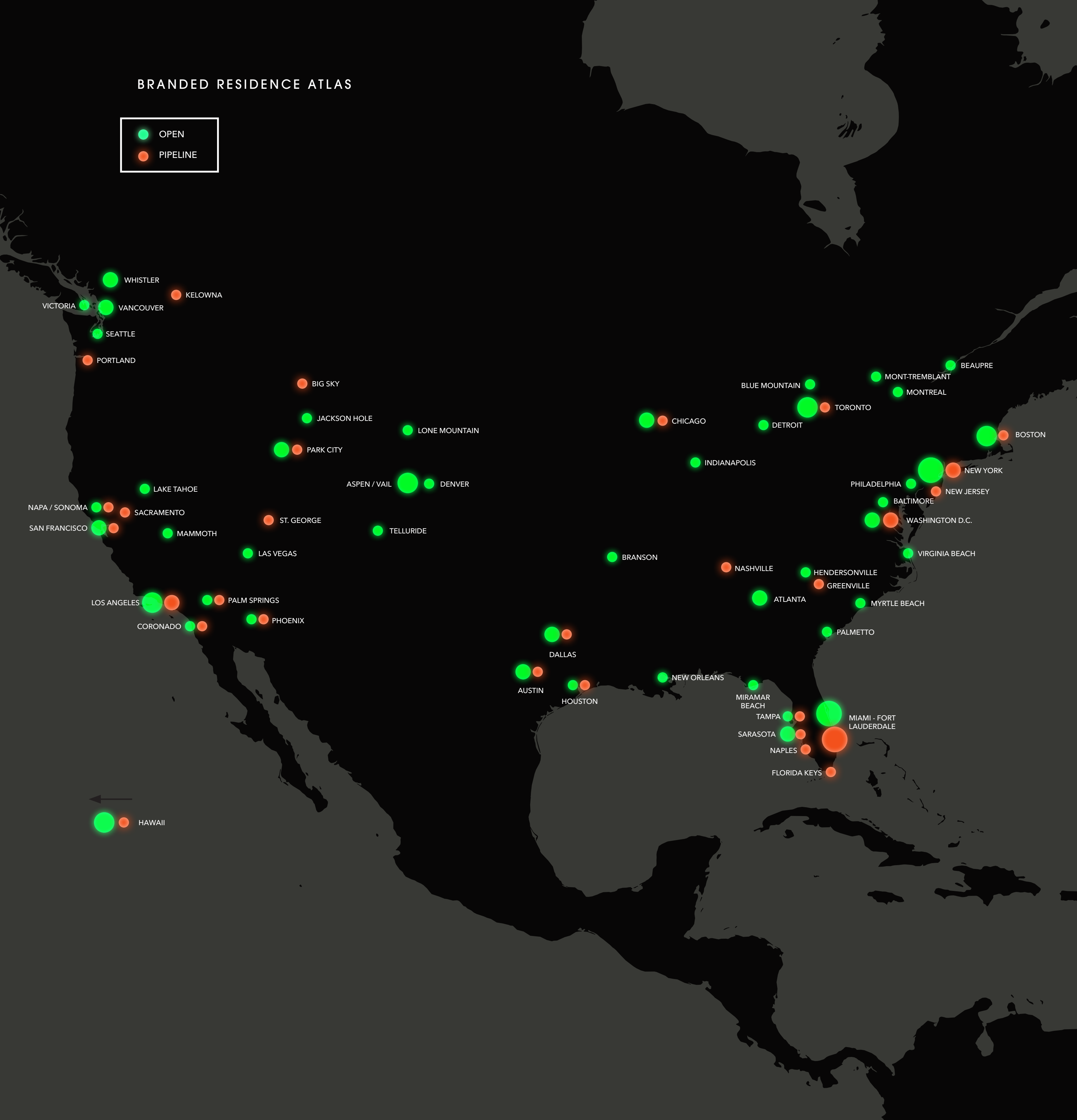
Los Cabos is at the centre of this development boom, with 15 projects completed and in the pipeline. This includes residences branded by a number of emerging lifestyle brands, such as 1 Hotels, SO/ and Nobu, alongside more traditional players (Four Seasons, Ritz-Carlton, St. Regis and Waldorf Astoria).

Similarly, there is a strong pipeline of projects in Mexico City. There is a significant play from two Ennismore brands - SLS and Mondrian. Between these two brands, four projects will supply almost 700 new residential units in the city. There are additional SLS projects in both Zihuantejo and Cancun, with the lifestyle brand making a splash in the market.

Other major hotspots are Quintana Roo's Gulf coast, with projects in the likes of Costa Mujeres, Cancun, Tulum, Playa del Carmen and Bacalar, and Riviera Nayarit, on the Pacific Coast. Interest has spread even to secondary cities, including San Miguel de Allende and Queretaro.

As outlined above, the proliferation of lifestyle brands is notable, including 1 Hotels, EDITION, MGallery, Mondrian, Nobu, SLS and SO/. Much of the interest in resort markets is driven by American buyers.

BRANDED RESIDENCE ATLAS



NORTH AMERICA

The U.S. is the world's largest market. Florida alone has more projects than any nation in the world.

PROJECTS

CURRENT **156**

PIPELINE **69**

UNITS (000s)

CURRENT **22.3**

PIPELINE **10.6**

NORTH AMERICA: IN FOCUS

The diversity of second home destinations marks the American market out from other regions. Branded residences have made their splash in the country's urban cores, beach resorts and ski destinations, but we have also seen development in less expected rural and suburban locations. For Jaidev Menezes, Regional VP, Mixed-Use Development EMEA, suburban locations "present an interesting growth opportunity, as developers of mixed-use communities typically create modern and vibrant lifestyle destinations which appeal to a wide range of affluent homebuyers from millenials to baby boomers".

High-profile standalone residential projects are also more common. Four Seasons (Los Angeles, San Francisco and Austin) and Mandarin Oriental (Beverly Hills and New York) have focused on urban locations, while Ritz-Carlton has multiple standalone locations in Florida alone. The luxury hotel is no longer a pre-requisite, especially in more established locations and from well-established brands. This may represent the next phase in the evolution of the segment.

One notable project is The St. Regis Residences, Rye. The 92 condominium units are only available to over 55s, marking the first foray of luxury brands into the active adult living sector. This could mark the start of the entrance of hospitality brands into more niche residential segments.

BRANDED RESIDENCES: PERCENTAGE OF GLOBAL TOTAL

OPEN

43% PROJECTS

53% UNITS

PIPELINE

19% PROJECTS

19% UNITS

REGIONAL MIX (NO. OF PROJECTS)

60% URBAN

40% RESORT

WATG

NORTH AMERICA: MARKET SNAPSHOT

Miami is the largest location for branded residences globally, although the spread of branded units in Florida goes well beyond this.

FLORIDA

Miami, as well as the neighbouring cities of Fort Lauderdale, Boca Raton and West Palm Beach, is the global hotspot for branded residences. The state alone has 39 completed projects, as well as a further 24 in the pipeline. It is a test-bed for new hospitality brands and concepts.

Ritz-Carlton is the dominant brand, with twelve completed projects and a further four in the pipeline across Florida. This includes multiple standalone locations, with no associated hotel.

However, activity is not limited to Miami and its surrounding areas. For example, both Tampa and Orlando have attracted multiple branded projects, as well as Sarasota, Naples and the Florida Keys.

High-profile lifestyle brands, such as Nobu and Pendry, have not yet entered the Miami market but have pursued opportunities in Orlando and Tampa respectively.

The presence of emerging lifestyle brands is notable. Two standalone residential projects from such brands are currently in the pipeline in Miami. These are The Standard Miami Residences (228 units) and NoMad Residences Brickell (329 units).

Accor's acquisition of SBE Entertainment Group has given the brand a significant presence in Florida, despite a relative lack of presence in the broader North American market. This includes projects under the Faena, SLS, Hyde, Mondrian and Morgans Originals flags.

THE MAJOR PLAYERS

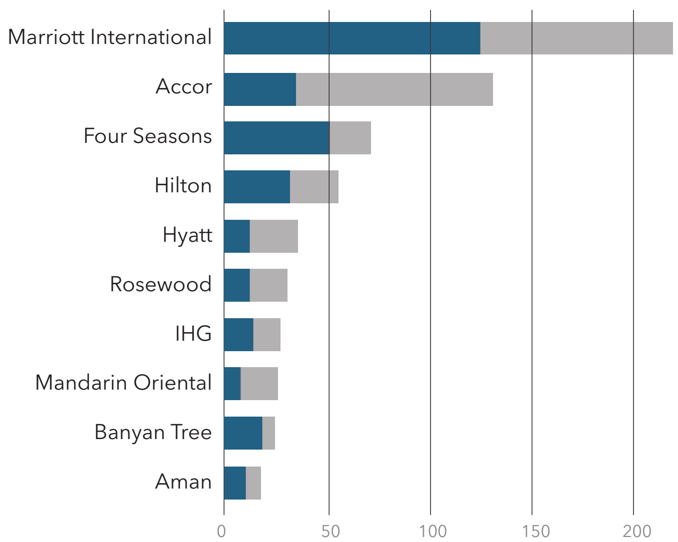
Two major global hotel operators dominate, each with multiple brands offering residential product. However, the range of players in the market is rapidly growing.

Marriott International has the most substantial track record. The brand's presence is well-established through the Ritz-Carlton, St. Regis and W flags. More than 50 percent of Marriott's completed projects are in the U.S. alone, while the company's pipeline (excluding the U.S.) is strongest in Mexico. Jaidev Menezes highlights the growing trend towards standalone residences by Marriott brands, adding that "by the end of 2022, we are targeting three new standalone Residences and have 28 more in the pipeline, account for almost 30 percent of our residential growth".

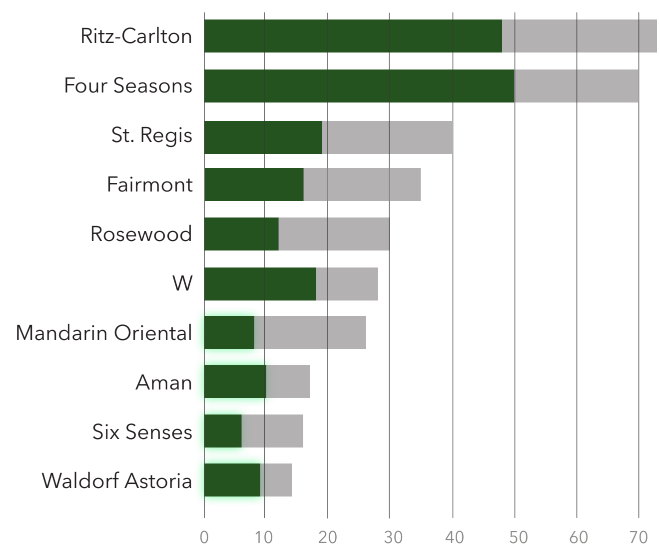
Accor has the most significant pipeline of new projects. Jeff Tisdall, Senior Vice President Development, Residential & Extended Stay Hotels, states that "our mixed-use business continues to accelerate globally. We now brand and operate private residence communities under 22 brands". This includes lifestyle brands, as part of the Ennismore division, which now account for more than 20 percent of Accor's total residential activity. Accor is becoming particularly active in emerging markets such as Vietnam, Egypt, Mexico and Saudi Arabia, with an increasing focus on the premium segment.

Despite operating just a single brand, Four Seasons remain the third largest operator, in terms of open projects (50), and have a robust global pipeline. There are a number of other players making a significant mark on the segment, including Six Senses, Rosewood, Aman and Mandarin Oriental. For these brands, residential development has gone hand-in-hand with their expansion.

LEADING HOSPITALITY PARENT BRANDS BY NUMBER OF PROJECTS



LEADING HOSPITALITY BRANDS BY NUMBER OF PROJECTS



NEW ENTRANTS

The universe of brands involved in the sector is rapidly growing, as lifestyle, upscale and non-hospitality enters the market.

BIG PLAYERS EXPAND RESIDENTIAL BRAND SELECTION

As noted, the major hotel operators are expanding the range of their brands which can be deployed for residential projects.

While 75 percent of Accor's operating network is in the luxury segment, premium brands (e.g. Pullman, Mondrian, Swissotel) now account for more than 40 percent of projects under development. For Marriott International, projects in the premium segment have increased by 107 percent since 2016.

This gives operators access to opportunities in a broader range of destinations, many of which may not have been suitable for luxury brands. It also allows brands to tap into emerging markets with growing middle classes, without diluting the strength of luxury brands.

EMERGING LIFESTYLE PLAYERS ENTER THE RESIDENTIAL SPACE

Boutique lifestyle operators, even those in the early stages of their expansion, are entering the residential market. These brands follow in the footsteps of more established players, notably the residential activity of Accor's lifestyle joint venture Ennismore.

Emerging brands in the sector include 1 Hotels, The Standard, Proper Hotels and NoMad. This includes standalone projects, such as The Standard Residences in Miami. For these brands, residences are another integral element of an increasingly broad and multi-faceted lifestyle offering and demonstrates the centrality of residential product to the hospitality segment in the current era.

NON-HOTEL BRANDS LEND THEIR NAME TO RESIDENTIAL PROJECTS

While our focus in this report is on hospitality-branded projects, non-hospitality consumer brands are also gaining prominence in the residential sector. Design, automotive, restaurants and even entertainment companies are associating their brands with residences.

Brands involved include the likes of Missoni, Fendi, Porsche, Aston Martin and Paramount. This extends to museums - with new branded Louvre Residences on Abu Dhabi's Saadiyat Island.

Beyond these consumer goods brands, restaurant brands have expanded into the hotel space - and are now adding residences. Nobu is perhaps the standout brand of this type. The lines are becoming increasingly blurred between different elements of the hospitality and real estate sectors.

Whilst some non-hospitality brands have successfully delivered residential addresses with a strong lifestyle offering, there are many examples where brand involvement has been more limited. It may be that the brand's identity is simply applied to a project, alongside a degree interior design input. However, it is challenging for such brands to offer the breadth of experience, service and operational know-how of a leading hotel brand.

LOOKING FORWARD

With uncertain post-pandemic recovery and economic headwinds, what is the future of the branded residence sector?

The branded residential sector is on a positive trajectory. The product has significant appeal to developers, hotel brands and prospective buyers alike.

In the economic environment of 2022, new hospitality development is becoming more challenging. Construction cost inflation and rising interest rates are putting significant pressure on developers. Lenders are becoming more selective. For developers, adding residential units to their projects can boost cash flow and overall viability. While residences need not always be branded in these instances, opportunities for branding will grow.

However, there is a danger of saturation, with projects losing their sense of exclusivity. To combat this, branded offerings must continue to innovate, offering amenities and services that remain above the wider market. Operators are walking a tightrope between expanding their presence and diluting their exclusivity. Careful strategic consideration of new opportunities are as important as ever.

Expansion to incorporate lifestyle and upscale brands, as well as non-hospitality brands, is an area that is already being explored by operators and developers alike.

There may be potential for expansion into niche sectors, including senior living. However, there may be limited overlaps between the luxury hospitality and niche residential sectors. Disney's new 'Storytelling' communities will include neighbourhoods for over 55s.

We may also see international developers respond by establishing their own luxury residential brands. Discovery Land, for example, has emerged as one of the leading luxury residential developers in the Americas, taking the golf community into the next generation. The brand is now expanding into Europe and the Middle East, and the company may serve as a blueprint for international developers to create their own brands, rather than rely on the pull of a hospitality brand. However, this will be a slow process, with buyers and lenders alike seeking strong development track records before expansion.

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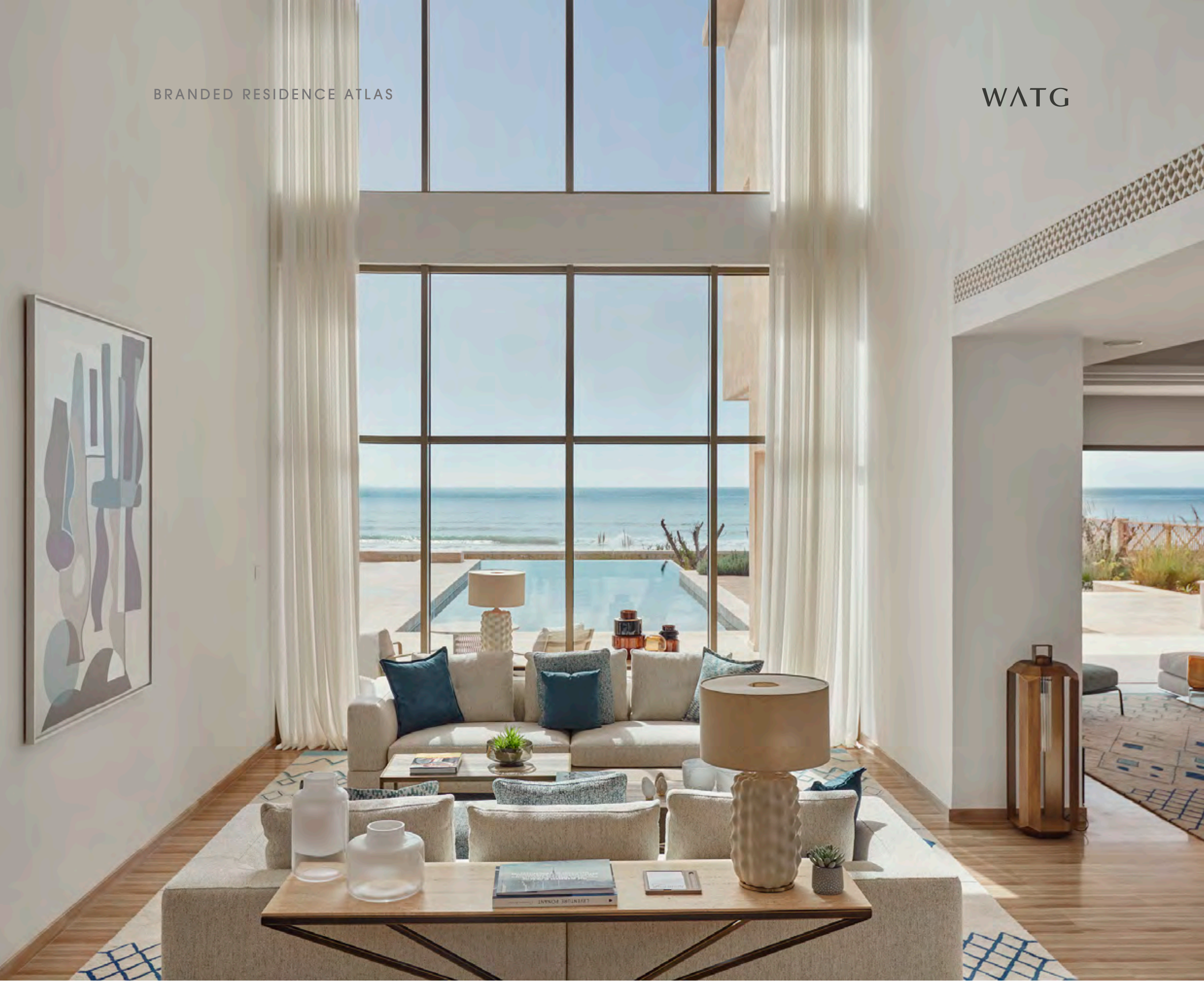

WATG STRATEGY

BESPOKE STRATEGIC ADVICE FOR YOUR PROJECT

At WATG, we understand that each project is unique, tailoring our approach for every assignment. We provide strategic services and advice to ensure our clients have a solid base for long-term success. WATG Strategy can provide in-depth market studies, help define your branded residential concept and optimise your development's value through detailed financial analysis, based on primary research and years of experience. WATG Strategy allows developers to transition to the design phase with confidence.

For additional information please contact Rob Sykes, WATG - rsykes@watg.com