European serviced apartments boom as operators head towards new markets, says HVS survey

10 July 2018, London: The European serviced apartment sector has boomed in the past year, with approaching 20,000 units planned for the next five years and some operators within the region interested in expanding into new markets such as Eastern Europe and even the US.

According to a survey of leading serviced apartment operators undertaken by global hotel consultancy HVS, the sector saw impressive growth in 2017 with increases in RevPAR (rooms revenue per available room) in London, the UK regions and across the rest of Europe.

While operators say their biggest challenge is competing against hotels for central sites, growing demand for serviced apartments and increasing interest from investors has nearly doubled the pipeline across Europe. Some operators surveyed say they are now considering expansion into Austria and Poland.

The survey, published in the report The Serviced Apartment Sector in Europe: Alive and Kicking, reveals a growing similarity to the hotel sector with the use of hotel-inspired structures and operating models.

?We are seeing more management and franchise agreements in serviced apartments, rather like that of the hotel sector. This is largely because these two operating models offer operators more flexibility, the ability to expand to readily and less risk,? said report co-author Magalí Castells, associate, HVS London.

?Brands with a larger inventory tend to use management agreements over leases. This shift in operating models reflects the growing importance of using more dynamic operating structures that sustain rapid expansion.?

The growth of serviced apartments, and the increasingly crowded nature of the sector, has prompted some operators to revamp their brands. It has also resulted in the emergence of trendy offers such as Cuckooz nest, with its fusion of co-working spaces with childcare, and Cotels 7Zero1 fitness-focussed serviced apartments. Staycity has launched a new premium brand, Wilde Aparthotels by Staycity.

According to the survey, over half of respondents are planning to open new properties in markets such as France and The Netherlands, with the US and Eastern Europe starting to appear on the wish list. However, the majority of operators said they would like to consolidate their presence in the markets in which they already operate, such as Germany, the UK and Western Europe.

London remains the top location for developing serviced apartments in the UK, accounting for just under 40% of the country's pipeline. Manchester is also popular, accounting for 25%. Germany was revealed as operator's second country of choice when it comes to expansion, with the cities of Hamburg, Berlin and Munich mentioned as key locations.

The HVS survey reveals that the top three brands in terms of expansion are Adagio, Staycity and SACO. Adagio Aparthotels, the joint venture by Accor Hotels and Pierre & Vacances, accounts for approximately a third of the total pipeline for expansion over the next five years.

?Last year marked the true consolidation of this industry, which has now found its place in the investor community,? commented report co-author Arlett Hoff, director, HVS London.

?The continued positive trend demonstrates increased demand and need for this product type, as well as a growing interest from investors in this real estate asset class.?

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Download a copy of The Serviced Apartment Sector in Europe: Alive and Kicking by Camille Mouret, Magalí Castells and Arlett Hoff at https://www.hvs.com/article/8315/the-serviced-apartment-sector-in-europe-alive-and-kicking/

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About HVS

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