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ASSET  
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At Global Asset Solutions, we pride ourselves on the depth and breadth of our expertise across the luxury hotel industry, coupled with an unwavering enthusiasm for its dynamics and innovations. Our commitment to not only recognising but also actively participating in the discourse surrounding emerging trends underscores our role as thought leaders in asset management, and hotel investment. We engage vigorously with the broader market community, fostering a culture of innovation and inspiration.

As the preeminent independent asset manager spanning Europe, the Middle East, Asia, and the Pacific, our portfolio boasts accolades, including the stewardship of upper-tier luxury hotels such as the Rosewood Phnom Penh and the Four Seasons Madrid. Our strategic asset management growth of a diverse portfolio comprising nine hotels in the Middle East in mid-2023 has expanded our luxury hotel collection to include prestigious names under the W, Ritz Carlton, JW, InterContinental, and Alila brands.

Furthermore, our collaboration with the internationally renowned luxury lifestyle and hospitality brand, Nikki Beach Hotels & Spa, signifies our support for its forthcoming growth trajectory. Leveraging our distinguished legacy within the luxury sector, we aim to assist the brand in formulating a robust growth strategy, thereby ensuring the delivery of unparalleled operations that remain congenial to ownership interests.

Enclosed are select insights that reflect our current perspectives. We invite you to engage with us further in these discussions. Your thoughts and inquiries are highly valued, and we eagerly anticipate the opportunity to exchange ideas.

## Find your specialist guide to luxury hotels

Travel today is about the unique, the never-before-seen. You may be traveling to a location that is very deeply on the beaten track, but you want to return with a fresh tale. Something no one has heard before.

Demand for local guides who can deliver that knowledge no one else has - whether it be a backstreet bar with the best jazz band or the only cake shop to make the regional specialty - is on the rise. It is at a premium because it cannot be faked. If you know, you know. That information comes from hard-earned, on-the-ground experience.

The same is true when it comes to your luxury hotel. There are few businesses in any sector, with so many moving parts and so many of them requiring specialist knowledge.

As hotels have moved into the mainstream as an asset class, with the owner/operator model becoming ever rarer, that specialist knowledge is in growing demand. The search for profit is increasingly challenging, and the pace of change is accelerating. For too long, investors have assumed that an understanding of the real estate is sufficient, but delivering on a luxury experience is more than just the cherry on that hard-sought cake.

## Operational Asset Management

An operational asset manager concentrates on creating value through the day-to-day business, working closely with the operator to obtain a much higher return, through above-average revenue and greater flow-through.

We work with the operator to help optimise performance and strategic direction, support operations, increase the brand's value, and keep an eye on costs and whether they can be rerouted or reduced. A good asset manager will steer the property to increase operating profit and cash flow, with the goal of growing the property's value and maximising the ROI on exit.

An expert operational asset manager must have knowledge of the brands and of regional variations in the sector so that the owner is reassured that the decisions made are based on in-depth experience and market knowledge. As the hospitality offer varies, from economy up to luxury, information and understanding become more complex.

Good operational asset management must also encompass the wider investment strategy of the owner and their plans for the asset. Is now the time to sell, invest, rebrand, or reposition, to look at other locations for expansion to drive scale efficiencies? We are seeing an increase in demand for asset managers in the hotel sector, not only from owners, but also from lenders, who need reassurance as the sector recovers from difficult times.



## Cost of doing business

The luxury sector is particularly vulnerable to cost pressures, be that labour, energy, or via F&B. Full-service operations at the high end cannot be skimmed on if they are to create memorable luxury experiences.

The current high-interest rate environment is putting additional pressure on owners, with asset managers needing to be creative to keep hotels in profit. For operational asset managers, it is imperative to prove worth and add value. A good operational asset manager can work on the pull and the push, shaping the distribution model so that rates are maximised but also ensuring the costs are kept low so that pressure is taken off margins and profit targets can be met. The operational expert knows where to expand money to make money, deploy effective strategic CapEx, and maximise a property's positioning to compete effectively, draw guests, and maximise revenues.

## The evolving role

In the wider world of finance, the asset manager looks after the investor's total portfolio. There are, increasingly, echoes in the world of the luxury hotel asset manager, who may be looking after not just a single asset, but a wider group. The interplay between these is critical for the health of the total holding, with timings over CapEx investment and repositioning - even disposal and acquisition - increasingly a key part of the asset manager's role. In addition, applying lateral thinking to the way in which hotels and operational platforms are funded, whether for growth or positioning for sale, is an important part of our work.

## For example...

We work with a Middle East sovereign fund to asset manage nine luxury hotels in the country, helping the government to build a reputation as leading luxury destination, with a vibrant cultural heritage and exceptional nature and adventure tourism offering.

The sovereign fund owns hotels branded under prominent global flags, including W, Ritz Carlton, InterContinental, and Alila amongst others. Future openings include hotels under the Four Seasons and Nikki Beach Hotels flags.

They own, manage, and invest in 26 hotels and resorts with over 3,800 hotel rooms, ranging from luxury hotels and large-scale beach resorts to conference and business hotels. It is also developing its own brand.

In addition to asset managing the hotels, GAS advises this sovereign fund on future developments and acquisitions, as well as supports its goal of becoming a leading hospitality company and supporting the growth of sustainable tourism in the country.

Furthermore, the role of GAS is pivotal in the opening of hotels, such as the W Ibiza or JW Marriott Muscat. It involves navigating the unique challenges and responsibilities inherent in launching such dynamic establishments.

Working closely with luxury hotels, GAS brings invaluable flexibility, particularly in light of the evolving definition of luxury. Attention to detail and personalisation are paramount in the luxury experience, and GAS ensures these aspects are seamlessly integrated at concept stage and throughout the project's development phases.

With its Project Management division, GAS acts as a bridge between development aspirations and operational realities, facilitating informed decision-making, emphasising practical considerations alongside aesthetic allure. Our current projects include 5-star hotels in Antigua, Marrakesh, Cannes, Baku, Ras Al Khaimah, Mauritius, Maldives, Goa, Phuket, and Bali.

Ultimately, the involvement of GAS underscores the importance of holistic planning and execution in creating not just aesthetically pleasing, but also functional and profitable hotel ventures.

The hotel sector has, traditionally, been isolated from the wider investment community, often represented by real estate funds as "other" among other CRE classes, such as office, retail and industrial. It has been seen as a small diversification play, a way of lending a bit of variety to a portfolio otherwise dependent on yield compression and managed by real estate experts.

Those days are gone, with institutions seeing the benefit of an operational asset able to generate regular income but also able to benefit from long-term asset appreciation as a result of active asset management influencing and affecting the outcome in both operational and real estate terms. Brands and OTAs help take the stress out of filling beds; however, working with an asset management team means having partners able to understand and interpret the myriad complexities of running a hotel.

## Softly, softly - riding the wave of soft brands.

Growth, growth, growth is the endless cry of the big hotel companies, whose businesses are now focused on fees rather than a combination of daily revenue and appreciating asset values. And when you have only fees to bolster your share prices, bolting on more hotels by adding flags is the only way to reach those targets.



The most recent results season saw this play out in Technicolor. Both Hilton and Marriott International were eager to display to the analysts that they were on the rise. Both groups forecast that net unit growth - the KPI favoured by the markets - would be between 5.5% to 6.0%.

Both would be looking to add brands to help them achieve this: Hilton has signed a partnership with Small Luxury Hotel (SLH), which it hoped would add 25 to 50 basis points of growth, and Marriott - which has a new exclusive long-term strategic licensing agreement with MGM Resorts since July 2023 - hinted at a new brand.

Whether you like to build existing brands yourself like Hilton, or create a partnership like Marriott, the message from the big brand stables has been more brands are better and that such strategic agreements such as those mentioned above are even better - given their low relative cost. After all, in those cases, the brand has already been built.

The other highly-favoured low-cost route to growth is the soft brand, which works for both the owner and the brand. Indeed, the Marriott/MGM deal came with a side of soft brands: as part of the agreement, four MGM properties joining the Marriott Collection with Marriott Bonvoy stable will also be affiliated with a Marriott soft brand. These include the Bellagio Resort & Casino, which joins The Luxury Collection; the Aria Resort & Casino, which joins the Autograph Collection; the Park MGM, which joins the Tribute Portfolio; and The Cosmopolitan of Las Vegas, which will remain part of the Autograph Collection.

The benefits for all parties are clear: a cheap route to market. No need for an expensive renovation, no need for weighty brand books, and costly inspections. It is plug-and-play. It's so popular that everyone is getting in on the act: hotel representation group HotelREZ launched Elegant Hotel Collection at the end of last year, looking at the booming luxury hotel sector for inspiration.



As part of our work with Nikki Beach Global, we are helping the group develop a strategy for growth and deliver best-of-breed operations in a very owner-friendly way, which can deliver the flexibility associated with the soft brands. This operator really knows how to deliver in terms of F&B, from the service to the profit margin. Nikki Beach is quite exceptional. It is a unique flag with a remarkable heritage and a legacy that deserves to be nurtured and cherished, and enjoyed by a loyal customer base.

And these comments underpin the issues, which face hotels in the luxury segment looking at the soft brands. This sector is one in which there is likely to be more reticence than most to join a brand, even a light-touch, franchise-driven flag. Unlike the economy and mid-market, many luxury hotels can stand alone and run their business on direct bookings or feel they should.

The soft brand has the advantage that it does not detract from the hotel's existing character. On the contrary, it should be the final polish on that property to help it stand out.

However, many hotels remain wary about joining a huge network at a time when the large branded players are pursuing growth. Indeed, the current Choice/Wyndham merger battle served to highlight owner fears of becoming a small fish in a large pond. AAHOA President & CEO Laura Lee Blake said of the potential deal that members have "raised the alarms that a hostile takeover by Choice Hotels will limit competitiveness, dilute the merged brands in this segment, and decrease the value offered to guests."

As asset managers, we work for the hotel, which means seeking the best possible results for that hotel. This means ensuring that the brand does not see the hotel as just another number and building a strong relationship with the brand owner.

Just because a brand is described as 'soft', it should not be seen as the easy option. A soft brand should work as hard as a traditional one for the hotel. And, as with a traditional brand, it should not be viewed as a quick fix for any underlying issues. All parties want to see growth; they must work in alignment to achieve it.

## If you build it, they will come

This year will see Paris host the Olympic Games and, according to forecasts from Lighthouse, the average hotel room rate is expected to peak at €574, representing an 89% increase compared to the same period in 2023. Similarly, the average price for a short-term rental is projected to rise to €401.

The Olympics has traditionally been one of the greatest demand generators that the hotel sector has ever seen, so great that hotels are built purely to serve it. Paris has already been performing very strongly after the pandemic, and the rates hotels can command in the City of Lights have already been rising as many of the palace hotels have been renovated in time for the Games.

The Olympics is not a guaranteed win for the host country; some have failed to meet expectations, but for a city as seasoned in dealing with visitors as the French capital, the forecasts look likely to become reality.

But Paris can't have an Olympics every year, nowhere can. Hotels cannot rely on a once-in-a-lifetime event, the securing of which is largely out of their hands. If you want to add demand, you have to create it yourself. And, while that might sound hard if you do it yourself, it comes with the added advantage that you can control it - which means lower OTA commissions by driving direct bookings, as well as building a relationship with the guest, which may result in repeat bookings or, in the case of a group of hotels, brand loyalty. Or, preferably, both.

What lies at the core of successful demand generation is strong local knowledge. If your team is embedded in the local area, they will know about food festivals, arts fairs, unique happenings, which will delight the guest and help them feel special, help them feel that they have enjoyed a unique event.

Meeting conferences and events are the main driving forces of destinations. They can move many clients, and we see that every day in our business. The marketing department is the cornerstone of this plan.

If a hotel is feeling adventurous - and there is huge potential upside, so why not - then they can create their own event, especially during the low season. This has the additional bonus of being tailored to your clientele. Not every local event is going to be to the tastes of your guests, but if you start by looking at what your guests would enjoy, then you know you will be able to fill rooms and be able to push up rates. If done correctly, it will become a standalone event, which will have a life of its own outside filling beds during the low season.

## Here are some steps that hotels can take to create a successful event

- 1) Identify the target audience: Hotels should identify the audience for the event and tailor the event to their needs and preferences. For example, Cannes Festival is a good fit with the luxury hotels in the market.
- 2) Plan the event: Hotels, together with industry partners, should plan the first event in detail, including the date during the low season, location (on-site or off-site), and activities. They should also consider partnering with local businesses and organisations to enhance the event and attract more attendees. The idea here is to initiate the event but don't necessarily own the event in the future.
- 3) Promote the event: Hotels can team up with event marketing agencies and support the event the first years by promoting it through a variety of channels, including social media, email marketing, and advertising. They can also leverage their existing customer base by offering special promotions or discounts to guests who book a room during the event.
- 4) Provide accommodation: Hotels should ensure they have enough rooms available for the event and consider offering package deals that include accommodation and event tickets. Here again, it is important to select dates during the low season.

Events such as the Olympic Games date back to the days when javelins and discuses were still used as weapons. When looking to create your own events, don't forget that the modern world also offers its own new ways of attracting guests in the form of influencers.

While the myriad array of influencers available may be off-putting, think of it more as you would when choosing a hotel brand. Rather than having a limited pool of Hollywood actors or famous athletes to invite to your hotel, the range of influencers means that you can pick one who suits your hotel and target guests perfectly. There's one there for every hotel.

Creating your own demand generators helps to bring in more business, but it also helps create the character of your hotel on top of any brand you may already have and work in concert with it. It allows you to stand out, creating an appetite for your property away from the cookie-cutter hotels of which the modern guest is so tired. So, give everyone a boost and start creating.

## Conclusion

In conclusion, Global Asset Solutions stands at the forefront of pioneering asset management and hotel investment, driven by a profound understanding of the intricacies and the ever-evolving nature of the luxury hotel sector. Our endeavours extend far beyond the conventional boundaries of asset management, embedding ourselves deeply within the fabric of the communities and markets we serve. This approach not only enriches our portfolio with distinguished properties across Europe, the Middle East, Asia, and the Pacific but also aligns us with esteemed partners such as Nikki Beach Resorts, fostering growth and excellence within the luxury hospitality domain.

Our expertise, underscored by strategic asset management and operational excellence, ensures that our properties not only meet but exceed the expectations of the modern traveller, seeking unique and authentic experiences. The demand for such personalised, high-quality service underscores the importance of operational asset managers who bring a wealth of knowledge, strategic insight, innovative funding structures, and a proactive approach to navigating the complexities of the luxury hotel industry.

As we look to the future, we recognize the importance of innovation, the adoption of sustainable practices, and the need for strategic partnerships that enhance our offerings and ensure long-term growth. Our work in Oman, alongside our efforts to redefine luxury hospitality through events, operational excellence, and strategic repositioning, highlights our commitment to not just participating in the market but leading it.



The evolving role of asset managers, the strategic importance of operational excellence, and our commitment to creating demand and unique experiences reinforce our vision. As Global Asset Solutions continues to navigate the challenges and opportunities of the luxury hotel sector, we remain dedicated to achieving excellence, creating awareness, protecting hotel owners' interests, fostering sustainable growth, and delivering unparalleled experiences to our guests. Our hotel asset management online course also supports our commitment to this ever-growing field of asset management.

We invite our partners, investors, and stakeholders to join us in this journey, as we continue to set new benchmarks in luxury hospitality and asset management. Together, we will not only anticipate the future of luxury travel but shape it, ensuring that our legacy of innovation, excellence, and unparalleled guest experiences continues to thrive.





GLOBAL ASSET SOLUTIONS is the leading Hotel Asset Management Company serving Europe, Middle East and Asia Pacific. The Asset Management and Advisory division provides a comprehensive range of hotel services. Contact us for more info on how we can help you make the soundest investment decision and grow your asset value.

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