

BRANDED RESIDENCES

ASIA'S ULTIMATE TROPHY PROPERTIES

The rising number of HHWIs is fuelling demand for globally recognised branded residences with all its accompanying prestige and bespoke services.

There are now 2,000 billionaires in the world, growing at 13% per annum, according to Forbes. Many of them have homes all over the world and typically stay in different countries in a year. Their choice of homes – global branded residences. This is why the number of such residences has increased tenfold over the past decade.

These are homes in prime locations that offer bespoke luxury services and prestige associated with an established brand. Branded residences started about 100 years ago in New York but only became a trend in the mid-1980s beginning with Four Seasons followed by Ritz-Carlton. When it became a success, other hotel brands came in such as Starwood, Fairmont, Kempinski, Aman, St. Regis, Hyatt Regency, Six Senses, Banyan Tree, W Hotels, Viceroy and Mandarin Oriental.

However, it is in Southeast Asia and the Far East that resort branded residences have reached a matured phase and become the ultimate in luxurious accommodation.

In Southeast Asia, Thailand leads the way with Amanpuri Phuket in 1988 followed by The Four Seasons Chiang Mai in 1995. Thailand still leads today with the biggest number of such residences in the entire SEA region.

According to Bill Barnett, Managing Director at C9 Hotelworks, large luxury hotel brands like Ritz-Carlton and Four Seasons are seeing a high proportion of their hotel pipeline being generated in mixed use or project with branded residences; they tend to favour gateway cities and key well-known leisure destinations with strong airift.

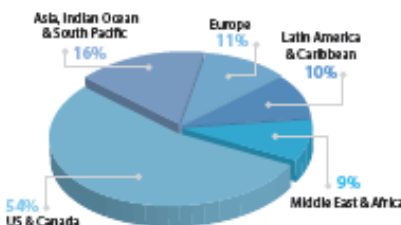
"Japan has been active in top end projects like the Four Seasons Kyoto or Park Hyatt Hanazono near Niseko. Overall, the urban push is strong, interestingly two key Asian resort brands, Aman and Six Senses, have city branded residences coming up in New York City."

According to research by Barnett's C9 Hotelworks, the hotel branded residences market in Southeast Asia has now

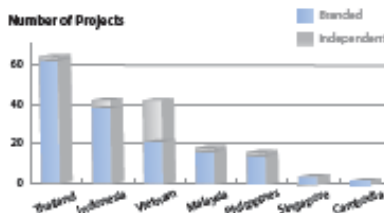
topped US\$16 bil and is still growing at an unprecedented rate. Across the region, C9 Hotelworks estimates there are about 94 mainstream hotel residence projects with more than 21,000 units on line, with 78 properties expected to complete between 2018 and 2020, representing an 8.9% increase over the inventory in 2015.

"Asia is also the testing ground for pioneering iterations of the concept with regards to scale, business models and levels of service/supporting amenities," according to Bruce Wright, Senior Vice President and Principal of SB Architects.

BRANDED RESIDENCE DEVELOPMENTS BY REGION



BRAND AFFILIANT VS. INDEPENDENT



Room angle, Anantara Phuket Layan



Joanne Kua



Bill Barnett



Dato' Sri Gavin Tee



Bruce Wright

WHY BRANDED?

Branded residences tick all the right boxes – for the buyers, there is assurance of quality in construction, design and service; secure environment, bagging rights, "Lock up and leave" capability and the potential for investment returns from a rental pool (notably in a resort context).

Says Joanne Kua, CEO of KSK Group Berhad and Managing Director of KSK Land Sdn Bhd "Ultimately, when people buy a branded residence, they are looking at buying more than just a property, they want unique experiences that are often anchored on four key attributes –

- ✦ Opulent design by a renowned designer
- ✦ Luxury services and facilities offered by a 5-star hotel brand
- ✦ Unique architecture by a celebrated architect
- ✦ Brands associated with a level of quality and trust these brands can deliver"

"Expatriates or HHWIs prefer branded residences, particularly famous international brands because these

brands inspire confidence and provide the kind of bespoke services that they are used to. The brand carries the guarantee of quality and services as well as safety and security," affirms Dato' Sri Gavin Tee, President of SwireGroup.

Adds Wright of SB Architects: "Usually the access to ownership comes at a higher cost, but the return is a deep emotional connection to the brand philosophy, culture and often the related hotel amenities."

Other reasons include hassle-free ownership, owner benefits, e.g. residents' discount card, access to the operator's properties in other locations and like-minded neighbours. Indeed, some leading designers such as Luciano Pavesi at HKS and John Hitchcock at YOO are talking about creating "modern day communities" of like-minded people – a sort of exclusive residents club.

From the standpoint of the developer, having a brand associated with its property enhances sales by as much as 30%. The resale value is higher or maintained while at the same time, it can fetch higher rentals.

Furthermore, these residences yield a typical premium of between 20% - 40% with some fetching as much as 50% - 100% more, for example, the branded residences at The Ritz-Carlton Dosado Beach in Puerto Rico sold at up to 250% above the average per sq foot price of non-branded units in the same development. The Armani Penthouses in Dubai were selling at more than 50% higher than when they were launched five years previously, according

Hotel Branded Residences: Market Participants

	Banyan Tree	Hyatt Place	One & Only	Shangri-La
1	Bulgeri	Hyatt Regency	Onyx	Sheraton
Accor	Canyon Ranch	Independent	Paramount	Six Senses
Address	Chedi	Intercontinental	Park Hyatt	Starwood
Aloft	Conrad	JW Marriott	Piazza	St. Regis
Allie	Dusit Thani	Kempinski	Radisson Blu	Sukhothai
Aman	Edison	Kimpton	Raffles	Taj
Ameri	Fairmont	Le Meridien	Regent	Thompson
Anantara	Four Seasons	Louvre	Renaissance	Trump
Andaz	Gansevoort	Mandarin Oriental	Ritz-Carlton	Versace
Angsana	Golden Tulip	Millennium	Rock Resorts	Viceroy
Armani	Grand Hyatt	Montage	SLS	Vida
Atlantis	Hard Rock	Novenpick	Setai	W
Baccarat	Hyatt			Waldorf-Astoria
Baglioni				Westin



Chris Graham Glen Chan Arianna Leopold

to a report by Chris Graham, Founder and MD of Graham Associates.

Interestingly, it is not just hotel brands which are the players, luxury brands from the fashion and jewellery industry such as Bulgari, Versace, Moschino and Armani and those from the automotive sector such as Porsche and Mercedes Benz have also licensed their names to developers. Royalty fees typically range between 3-5%, according to HVS and Savills.

According to data from Savills, 65% of branded residences around the world are located in urban locations and 35% are in beach/resort locations. Many experts believe that this urban-dominant trend will continue. "Prime urban branded developments have greater appeal because they are perceived as less risky," observes an insider.

However, Wright from SB Architects believes that despite the urban-centric focus, there is a growing number of thriving ultra-luxury branded resort real estate in destinations like the Maldives, Caribbean or Turks & Caicos.

THE DESIGN FACTOR

Apart from location which is the most important factor for branded residences, architects and interior designers are also a critical part of the mix. "Branded residences need to have a high-degree of personalization and the accent is on interiors that tag the buyer's lifestyle and wrap around emotion and feelings. We seamlessly merge architecture, interior design, and lifestyle in a way that speaks to the aspirations of the buyer, explains Arianna Leopold, Director of SB Architects.

Wright concurs: "Consumers are more design conscious than ever before; they want to work in creative spaces and holiday in unique hotels. They want that bespoke design aesthetic to continue through their personal lives into their homes."

Yoo's founder John Hitchcock says: "This can really be attributed to the growth of the design savvy consumer, the ever-increasing importance of brand trust in our society and ultimately, developers recognizing the importance of the home as a high involvement purchase."

Yoo is a leading designer in this sector with a portfolio of over 80 projects around the world and a stable of top designers including Philippe Starck, Jade Jagges and Kelly Hoppen.

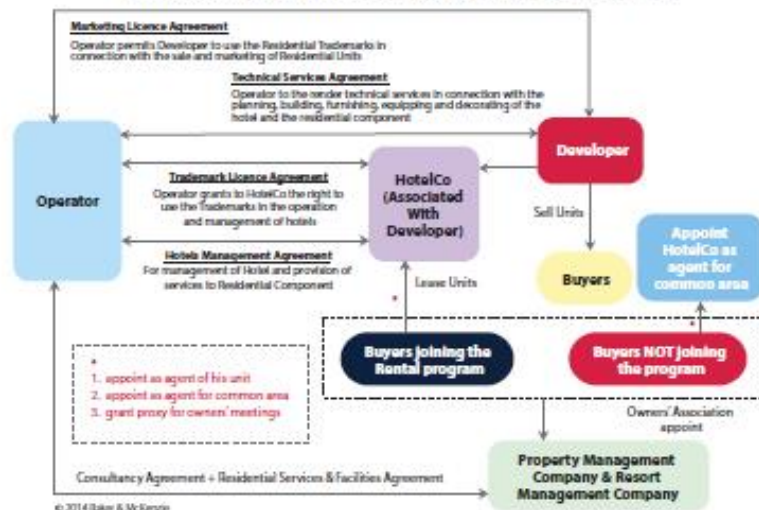
The ultimate design differentiation is of course to engage "stars/architects" for example WATG's St. Regis Hotel & Residences in Singapore and the residences by Norman Foster and Frank Gehry at Battersea Power Station in London.

BRANDED RESIDENCES - DRIVERS OF PREMIUM

Factors commanding price premium above unbranded residential product



STRUCTURE OF A TYPICAL BRANDED RESIDENCES PROJECT



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Clearly, the quest to differentiate is a constant race to imbue the residences with the best and most unique qualities – this has shifted to more experiential lifestyle.

Says Graham: "Whilst buyers' priorities remain consistent in terms of location, design and access to world-class amenities, very much in line with trends in the hospitality sector, it is increasingly more about the intangible 'added value' lifestyle benefits associated with a brand. Increasingly, the shift is towards creating an emotional connection with residents through experiences."

An example is a residence with access to a private marina a few steps away. Pan Pacific Serviced Suites Puteh Harbour together with Puteh Cove Residences and Quayside, are the only luxury waterfront project with both private-marina (300 berths) and sea views in Iskandar. Developed by Pearl Discovery, a joint venture by Singapore-based real estate developer Pacific Star and DBJ, the 205-suite Pan Pacific Serviced Suites Puteh Harbour is scheduled to open in the third quarter of 2018. The marina facility will be managed by Singapore's award-winning Marina and Lifestyle operator, One 15 Marina.

In fact, says Glen Chan, President and CEO of Pacific Star Development: "The private marina in Iskandar will be modelled after the one in Sentosa Cove which is also managed by One 15 Marina."

WHAT'S NEXT?

The supply of branded residences is currently limited around the world. However, given that more and more of such residences are being built, it runs the risk of oversupply. That has already happened in Thailand and Vietnam, where branded residences are now becoming so engrained and numerous in the market that they risk being the norm rather than the exception, cautions Graham. Barnett agrees saying that there will be more and greater diversity in real estate grade from luxury to entry level. "Even budget chain YOTEL is talking branded residences."

This then is the challenge for the branded residences segment today – to push that differentiation factor even further as competition begins to heat up. ■

Unless otherwise stated, all charts and tables are courtesy of Chris Graham.



Pan Pacific Serviced Suites Puteh Harbour

DESIGNING A BRANDED RESIDENCE

Asian Property Review talks to Arianna Leopard (Director) and Bruce Wright (Senior Vice President and Principal) from SB Architects on what it entails to design branded residences.



Ocean Drive Residences

- 1.** How important is design for branded residences? How different would you approach a branded residence compared with say, a typical serviced apartment or condominium?

All brand owners set guidelines and design specification to architects and developers so that they accurately reflect the brands down to the smallest details. We approach the design of branded residential differently than traditional serviced apartment. The unit sizes are generally larger than non-branded equivalents, reflecting the trophy positioning. Branded residential needs to have a high-degree of personalization and the accent is on interiors that tag the

Arianna Leopard

- 2.** What are examples of the branded residences that you have designed? What are each of their unique characteristics?

We have worked on several Ritz-Carlton properties over the years including Dorado Beach, A Ritz-Carlton Reserve, Ritz-Carlton, Rancho Mirage and The Cove, Ritz-Carlton Reserve Residences. We are working on two St. Regis properties, which will both include a residential component. For St. Regis Bahia Beach, we designed the Ocean Drive Residences and a series of custom estate homes.

buyer's lifestyle and wrap around emotion and feelings. We seamlessly merge architecture, interior design, and lifestyle in a way that speaks to the aspirations of the buyer. Branded Residential uniquely differs from unbranded real estate in that the buyer of a branded property becomes a stakeholder in the brand. Usually the access to ownership comes at a higher cost, but the return is a deep emotional connection to the brand philosophy, culture and often the related hotel amenities.



DORADO BEACH, A RITZ-CARLTON RESERVE RESIDENCES, PUERTO RICO

These luxurious waterfront residences follow the contours of the beach to provide the most complete and private beachfront experience imaginable. The three- and four-story structures feature two and three-bedroom units with a rooftop pool and covered living space. Some buildings include a fourth-level penthouse with terraces on three sides to provide outdoor living space to all three bedroom suites. Expansive terraces or balconies for each unit connect to the indoor living spaces with retractable doors.



OCEAN DRIVE RESIDENCES AT BAHIA BEACH

Bahia Beach offers the tranquility and purity of a private island amid an unspoiled, lush tropical haven with spectacular beachfront views. These three- and four-bedroom residences are serviced by The St. Regis and feature spacious interiors, ample terraces, etc.



Ocean Drive Residences



LIHU COLD SPRINGS GOLF ESTATES, HAINAN ISLAND, CHINA

This expansive resort development is sited along the shores of NanLiHu Lake, a stunning jewel on Hainan Island near the city of Haikou. Encompassing 122 ha, the master plan utilizes the site's hilly topography to weave the golf fairways through existing valleys. Residences, lodging and public spaces are sited to capitalize on views of the golf course and lake. Residences range from single-family villas, to townhomes, to apartments in five and six-story buildings.



ONE St Petersburg

3. How much of the local materials or culture do you appreciate for the design despite the typical standardization of such designs? Do the design owners (e.g. hotel or luxury brands) allow any deviation from their standard cookie cutter design?

Our process begins with a deep respect for the site, the history of the land and the culture of its people. We are fully aware that to create authentic destinations, we must preserve the elements that have drawn us there in the first place.

We always like to work with topography and use materials indigenous to the location. Develop in Asia can be somewhat pragmatic about introducing new materials, but we try to tie the design back to the history of the site, utilizing sustainable design and

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The Lodges at Calistoga Ranch were formed around the trees, with many lodge terraces built with ancient trees growing up through the terraces.”

construction methods, which generally also makes financial sense. Combining destination specific material choices, and working so closely with these branded design details we can create properties that both embrace local qualities and exemplify the aesthetics of the brand owners.

4. What sustainable features or construction methods/materials do you employ in your designs?

We partner with a broad spectrum of consultants and certifying organizations to ensure that we deliver projects that are both ecologically and socially sustainable. Our experience working with organizations such as the USGBC and Audubon International give us the tools to create unique projects that live in harmony with their surroundings.

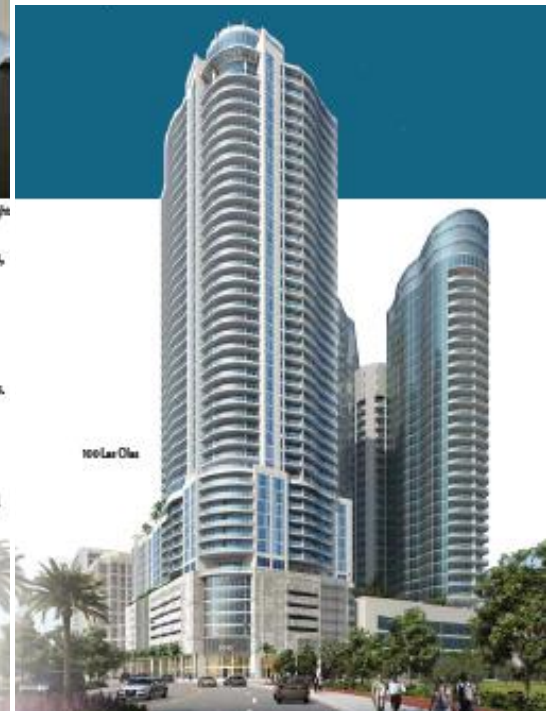
In the initial design phase, we think about a myriad of elements that will inform our approach that includes everything from sunlight aspect placement that allows for maximum solar orientation for photovoltaic panels, to passive heating and cooling systems. Local availability, recycled content, and sustainable production drive the selection of each material, appliance, and detail.



Bruce Wright

5. What are the branded residences in the pipeline that you are working on?

Most of our resort projects included branded residential into the program such as St. Regis Los Cabos at Quivira in Mexico and Mandarin Oriental in Boca Raton.



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