

ITB Berlin 2019: Robust and resilient

The ITB is our window into the global engine that we call the Hospitality industry! And the ITB Berlin is a reliable economic indicator



....Uninterrupted growth at a high level: despite a slowdown in the world economy demand within the world's travel industry remains extremely stable. The economic outlook for the global industry in 2019 is positive once again.

The results of the five-day exhibition on the Berlin fairgrounds: trade visitor numbers rose to 113,500, a three per cent increase compared with last year, underlining the fact that even in times of widespread uncertainty due to geopolitical and economic events such as Brexit and trade conflicts, ITB Berlin has retained its position as the World's Leading Travel Trade Show.

ITB Berlin is of great importance, particularly in times of widespread uncertainty. Even in a digitalized world, it is not possible for hi-tech communications to replace the confidence-building measure that face-to-face meetings and a direct exchange between business partners on issues concerning the global industry represent.

In 2019, The ITB continues to involve from its roots in 1966. It involves with not only hotels but also new segment at ITB Berlin 2019: Technology, Tours & Activities, Networking events, workshops, conference sessions and a new exhibition area – Technology, Tours & Activities now has its own platform at the World's Largest Travel Trade Show

Technology, Tours & Activities (TTA) is one of the tourism industry's fastest-growing segments.

According to Phocuswright, the international travel research institute, tours and activities make up around ten per cent of the global travel market – more than rail travel, car hire and cruises combined.

The brand new Technology, Tours & Activities segment is the first of its kind in Europe and gathers the tourism industry's most important groups at ITB Berlin who all share the same goal: promoting and selling in-destination services. Both major players and small startups will be showcasing their innovative products in this new exhibition and meeting area in the Adventure Travel Hall.

Highlights for 2019 includes

Future Mobility, VR Lab, Brexit, TTA, Payment Solutions, maritime pollutions, luxury, Gender Equality and KI

Berlin, Germany and McLean, USA – 5 March, 2019: Hilton and Shomoul Holding Company announced today the signing of a landmark agreement to develop and operate four hotels in The Avenues – Riyadh, the largest mixed-use development project in the Kingdom of Saudi Arabia. The development will include one of the world's largest malls, with a leasable area of approximately 400,000sqm housing more than 1,300 stores.

The 22nd International Hotel Investment Forum (IHIF) opened in Berlin today with Alexi H. Khajavi, Managing Director EMEA & Chair of Hospitality + Travel Group, Questex LLC and Jonathan Langston, Chair, IHIF Advisory Board welcoming over 2,500 delegates to the InterContinental hotel in Berlin.

The Economic Overview was delivered by Thanos Papasavvas, Founder and CIO, ABP Invest Ltd who opened his presentation with the statement, in reference to the global economic crisis, "we have just survived a hurricane". He noted that one tool that drives the economy is Federal Reserve Fund Rates and looking at the economies of China and the US said "neither were a concern" and would maintain economic growth with Trump likely to stay in power until 2025. On the other hand, "Europe is my biggest concern". Papasavvas said that Merkel "has been keeping the Europe Zone and Germany together and she is about to depart with no one ready to replace her leadership."

Looking at UK and specifically Brexit, Papasavvas said in his view, “May will deliver Brexit” and the weaker EU economy will have significant impact in the UK. There will be opportunities for non-Sterling investors to invest in the UK and for medium to longer term investors, the UK represents a good opportunity. Providing the central banks maintain an ample level of liquidity, Papasavvas is positive about the economic outlook but warns of social and political unrest if the global economy, specifically the European economy, weakens.

Robin Rossmann, Managing Director, STR took to the stage to look at the markets, Past, Present and Future in A Global Hotel Market Overview. Rossmann opened by looking at the rise of brands and said “owners are choosing more branded hotels than they are independent hotels. In the last 10 years there has been a massive shift towards branded hotels.” He cited OYO as a brand to watch as in contrast to other franchise hotels, all their hotels are required to give 100% of their pricing control to OYO, thereby giving them total control.

Rossmann mentioned Germany as one to watch as it should be stable in 2019 but with 100,000 hotel rooms in the pipeline, the supply growth could negatively impact the market. Unfortunately, a World Cup hangover for Russia is unavoidable and many feared Spanish resorts hit a peak in pricing capacity in 2018. The latter is largely due to the huge capacity in Istanbul and the Red Sea (Sharm El Sheikh) and Marrakesh all offering a compelling alternative to Spanish resorts at better value now the safety concerns have abated.

Rossmann concluded by stating the “drivers to travel remain strong and whilst 2018 was amazing, 2019 is still expected to be strong.”

Chris Day, Global Managing Director, Christie & Co delivered the next presentation on Buyers and Sellers: The Global Picture on Hotel Transaction Trends. Day opened by saying “less than 20 years ago it was almost impossible to convince institutional investors to consider hotels as an investment opportunity. How times have changed.” He stated yields are continuing to sharpen with increased activity being seen in the Middle East and buoyant hotel investment in Spain. Regarding the UK market Day said “some overseas buyers, particularly from Asia have withdrawn from the market until the uncertainty around Brexit has reduced”. Statistics support this with Asian investment 46% down compared to 2017. Institutional investors represented nearly 50% of the 2018 capital mix demonstrating hotel assets are now seen as a serious asset class by this group. Day cited risks to the market as new supply, geo-political risks and cost pressures and predicted that asset management will become increasingly important in our markets. He noted that banks have a better understanding of the asset

class, with specialists deployed within their teams. He said that “we will continue to see low yields in prime locations with increased demand for opco/propco structures” and “investors will seek leaner and more cost effective models and hostels and serviced apartments provide these.” Day concluded by saying “savvy investors already see the hotel market as mainstream. Demand for quality assets in our market continues to grow. The hotel market has come of age.”

The IHIF Lifetime Achievement Award was presented to Sol Kerzner (KCMG) – Founder, Kerzner International and collected by his daughter on his behalf. Michael Hirst OBE, Consultant, CBRE Hotels presented the award to Chantal Kerzner. Hirst said during his meeting with Kerzner in London he confirmed his life lessons were; keep going, good enough never is and we can do even better. Kerzner was credited as an innovator and perfectionist and we all wish him a safe and speedy recovery to full health.

The highly anticipated Investors’ Panel: Money Makes the World Go Around: Identifying the Key Trends in Global Money Movement followed moderated by Michael Fishbin, Global Hospitality Leader, EY in conversation with Mai-Lan de Marcilly, Director and Head of Hotels Europe, KKR, Cody Bradshaw, Managing Director and Head of International Hotels, Starwood Capital Group, Abhishek Agarwal, Managing Director, The Blackstone Group, Khaled Bichara, Chief Executive Officer, Orascom Development Holding and Christophe Vielle, CEO & Co-Founder, GCP Hospitality (Gaw Capital Group) Bradshaw said, “the majority of hotel deals done over the last few years have been done by investors who invest across all asset classes, so they don’t have to invest in hotels if they don’t want to” with which de Marcilly agreed by saying “we don’t need to invest in hotels if we don’t believe the dynamics are good.”

Vielle believes “Some of the investors will be a little bit more careful. They believe there will be better deals to come at the end of this year.”

Looking at the investment options across real estate, de Marcilly said: “retail is challenging, office is very expensive which leaves beds and sheds. We are investing a lot in beds – hospitality, student accommodation and hostels.”

WHY IS THE WORLD’S LARGEST TRAVEL TRADE SHOW IN BERLIN? WHY DID IT START THERE?

When the Second World War ended West Berlin was an island surrounded by East Germany. In order to help recognize it’s neutrality and make West Berlin self-sufficient (as they were afraid it would be taken

over by the Russians) the German Tourism Association and the Government of 5 countries decided in 1965 to start an overseas import trade show. The original five participating countries were those whom participated in liberating West Berlin from the Nazis. The ITB means International Tourist Exchange.

In the early days of the ITB Berlin had all the intrigue a modern day Casablanca. It was then the end of the cold war and there was a wall dividing East and West Berlin. During ITB we would hear about those who tried to escape from East Berlin and were shot outside the wall. As well, West German taxi drivers, who had roots in East Berlin, were afraid to drive to East Berlin as they weren't certain they would be allowed to return to West Berlin.

In 1966 the first trade show opened and there were 250 trade visitors and that has now increased to almost 180,000 trade visitors in 2016 and the Exhibition space which was in 1966 just about 600 meters in 1966 is now over 200,000 meters. In 1996 six countries and several hotel chains participated; in 2016 – 180 countries participated and hundreds of hotel groups.

I have attended the ITB for 40 consecutive years. On my first trip to the ITB there were only 6 halls and now in 2016 there was 28 halls. (ITB provides buses to take you from hall to hall). Each hall is as big as the Sky Dome surface. In 1966 I was with the Canadian Delegation where our booth was in the hall way between two buildings. This space was shared by Canada, USA and Holiday Inns. At that time the airlines who could fly into West Berlin were limited to the airlines from countries that liberated West Berlin. East German traffic controllers were responsible for letting these flights pass through the East German air space into West Berlin, which meant that they at their own leisure could keep planes on the ground for hours without giving permission to fly to West Berlin.

In West Berlin, if you walked around the city you would see a building and then a space between and another building. This was as a result of the fact that the building that was not there had been bombed and destroyed during the war and there were still buildings with bullet holes marking them! At night if you went to the top floor of your hotel you could see where East Germany started as it was all black while East Berlin was all lit up.

With the lack of hotel rooms and the growth of the ITB many exhibitors and business travelers had to go East Berlin to find accommodation. This was challenging as they had to enter through East German police check points and "check point charley" (quite scary and very intimidating). Returning to West Berlin from East Berlin was also quite a challenge as cars were inspected very closely as were the passengers to ensure that they were really who they said they were on their passports.

The hotels on the East Berlin side were not luxury 5* hotels, built generally by the Russians and most were many years old and poorly managed; but people needing rooms stayed there.

Some countries in the world (almost every country in the world is represented at the ITB now spend their entire 100% tourist budget for one trade show; especially those whom do not have access to the internet due to political reasons. Saying that, any hotelier who works in our industry and who haven't been to the ITB is missing a great opportunity to see who their competitors are and be educated, and of course, be entertained.

At Renard, customer service is not a "Department" it's an "Attitude"!