

Hospitality Meets Realty



Hilton and Embassy Group have come together for Bengaluru's largest hospitality complex at Embassy Manyata Business Park

BY RASHMI NAICKER & BINDU GOPAL RAO

May 2nd, 2022, saw a special milestone in the garden city of Bengaluru as the largest hotel complex was inaugurated in the city. Hilton's 266-key flagship-branded hotel and connecting conference facilities are part of this 619-key dual-branded hotel complex, including the 353-key Hilton Garden Inn Bengaluru Embassy Manyata Business Park launched earlier this year. Together, the three premises form the Hilton Hotels Embassy Manyata complex,

owned by Embassy REIT and managed by Hilton.

This mixed-use complex with two hotels, five food and beverage outlets, a state-of-the-art convention centre, and a class-leading retail hub is located just a 30-minute drive from the Kempegowda International

Airport. The complex has two brands - Hilton Hotels & Resorts and Hilton Garden Inn - that target the modern traveller as they effectively create business-cum-leisure or 'bleisure' experiences, which combine technology-enabled efficiencies and meeting spaces with various dining and entertainment options. The 60,000 sq.ft of convention space offers seamless scalability for physical and hybrid events; the hotel also houses a 13,000 sq.ft pillarless grand ballroom that can accommodate up to 1500 people.

POST-PANDEMIC NOTES

As a big launch in the post-pandemic era, this development is a sign of good tidings for the hospitality industry that has been grappling with the impact of COVID-19. Alan Watts, President – Asia Pacific, Hilton, explains, "Over the last two years, a lot has been spoken about leaner operating models. And some of the learnings over the pandemic helped drive this goal by bringing focus on variable operating costs. Some markets are used to trading at 80 or 90% occupancy year-round. What the pandemic has done is that it taught those markets to be flexible and deploy labour accordingly. The industry has had a decade of unprecedented-



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ed growth, and particularly in Asia, the hotel industry has done relatively well. Hence, the fixed versus variable labour cost has been an operations discussion."

While surviving the pandemic had been a challenge, like any other crisis, the industry has finally come out of it, and the pent-up travel demand is already back. "In India, April 2022 is already witnessing bookings equivalent to that of 2019. We had record signings even over the pandemic because people have been so bullish on investing in the sector. We signed 247 hotels last year, opened 100, and opened one hotel every four days during the pandemic. What had not changed is investor sentiment and the asset class but, undoubtedly, there was a disruption in short term revenues," avers Watts.

BOUNCING BACK

What this resurgence means is that the hospitality industry, in general, is back to business. "We did not lose one hotel



through the duration of the pandemic and the year-long lockdowns, nor did the industry. I have 1300 hotels, either trading or under construction in the Asia Pacific and at the peak of the pandemic, 60% of the entire Asia Pacific portfolio was closed, but they are all operational now. People were expecting the trauma in the industry to be long lasting, but that did not happen. However, there are two different issues here. While I have signings in development at a record high, no one has made any money in the last two years. What is true is that banks and investors have continued to be bullish on the industry, and unlike the global financial crisis, where the lending institutions failed, this has been a health pandemic," says Watts.

BEING DEBT FREE

Another important lesson that the pandemic has taught hoteliers is the need to reduce fixed costs, especially the burden of interest. Jitu Virwani, MD, Embassy Group, opines, "For now, we are looking



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at growing our hospitality business in conjunction with our business parks because the growth in our business parks is so humongous, but there is a captive demand that can be tapped easily. This is why we plan to continue to build our hospitality business in the area connected with our business parks. This also makes business sense and allows us to raise debt on our office rental. While everybody is amazed by the scale of this development, there is a very calculated math behind the hotel as it is nested within an industrial complex. We are repeating the same thing on Outer Ring Road in Embassy Tech Village, where we have close to about 13 million sq.ft of space and about 8 million is operational."

UNLOCKING DEMAND

An ICRA release in September last year has indicated that the industry is expected to clock at least 45-50% of pre-Covid revenues in FY2022. And this is something that Watts seconds, "when we look at India versus other hospitality markets globally, it is the third-largest lodging market, but currently, it is dramatically undersupplied. As business comes back, high hotel profits, which drive people into the industry, will be back. There are only 2.6 million rooms in India versus 1.4 billion people compared to the USA, where there are 9 million rooms for 330 million people. And with millions of people joining the workforce every





year in India, coupled with urbanisation, modernisation and high GDP growth, there will be a boom in hotel supply." International hospitality companies are known to expand from tier-one cities to tier two and three cities. Hilton has more than 400 hotels in China and 24 in India. "In China, I am now working in tier-four cities. New announcements in India have some bank conservativeness, and we are conservative about who we partner with. The second-tier market is not well established now, and there is an opportunity here. We need to ensure that that opportunity is the right piece of real estate for one of our brands," says Watts. What Hilton is looking at, is to partner with yield-based investors who are attracted to travel and tourism for a couple of different reasons. "Firstly, there is a variable return, so as the markets go up, you can increase rates accordingly, and as they go down, you can try and restrict costs. Sec-

ondly, macroeconomics ensures that India wins the demographics and the macroeconomic game," says Watts.

GOING GREEN

The focus on Environmental, Social, and Governance (ESG) and the talk around hotels going towards a journey to net-zero is a necessary discussion in hospitality. "There are things you can do in hotel design, energy efficiency and water efficiency, that will make a difference. This hotel specifically has no plastic and does a great job sourcing from local suppliers. The sustainable sourcing of food, in general, is what you can do to control waste. Every time we work on a new hotel, we try to be more mindful. The big stuff will come by being energy efficient as part of the design, and that will make a tangible difference," says Watts. Virwani adds, "In line with this principle, we've ensured that the solar plant energises this entire property. We also have a bottling plant at the hotel itself, where all the water is bottled. We have solar roofs and huge waste management setups in all our residential and commercial parks. We have rejuvenated three lakes where there was no water for 25 years, and now there is a lot of water, and we see birds coming back there too. All the recycling has resulted in surplus water."



ADAPTING TO MILLENNIALS

Hotel design and appealing lifestyle brands are making inroads in the hospitality space. But there's a reason why Hilton has steered away from an AirBnB or Oyo kind of models. Watts explains, "Hilton is a products and services company. Once you have consolidated the homestay market, it is largely done, and you end up with condo hotels, which are a challenge against the full-service branded hotels because of service propositions. Where hotel companies have adapted is that they have understood that a millennial traveller is design-led and is looking for what is called lifestyle brands. And the big four hotel companies have all introduced lifestyle brands which are design-led, loud personality hotels, often smaller boutique versions of their chain but connected with their loyalty program and distribution so that guests can get the advantage of loyalty points. The industry has evolved to it, and we, ourselves, have a brand called Canopy by Hilton in the US, which is a lifestyle brand. We also have a brand called Curio, which is another lifestyle brand." So, if a traveller is looking for a far louder, more unique design lead product, the reality is that it is still underpinned by product and service and guarantee and everything that you would expect for a brand Hilton.



In line with Embassy's ESG goals, the Group has ensured that the entire property is energised by green solar power. The hotel also houses a bottling plant where all the water is bottled. They have solar roofs and huge waste management setups across all their properties."

PARTNERING FOR SUCCESS

The partnership between the Embassy business group and Hilton stems from a space of mutual trust and respect. The hotels, for instance, have an all-Indian operating team, and at Hilton, the intent of partnership stems from hospitality, an intrinsic value of the company. "We try to provide the same hospitality to our team members, customers, and owners. We have been doing this for 100 years, which means we know what we are doing from an operations perspective. We know how to run hotels and how they function and to get best in class returns out of them. But equally, as a hospitality company, we try hard to listen and be humble and be mindful. When you are dealing with a partner, like Embassy, who knows how to build and construct business parks on the scale, our teams will sit back, listen, and learn about construction building design," explains Watts. Virwani agrees wholeheartedly: "We have an excellent working relationship with Hilton and have been extremely happy with our experience in terms of their standards, training methods and even their inputs are designed to keep costs down." Truly a partnership that is all set to change the hospitality scene in the country.

PURPOSEFUL RESIDENCES

Embassy Group Olive is a brand of co-living spaces to fill a gap for a



good accommodation at reasonable price points. With a fundamental premise that 'Life's better when shared', Olive will be purpose-built for young working professionals and students. Olive is an asset-light new-age hospitality company that aims to organise and institutionalise India's accommodation market and cover the three verticals of hospitality, student housing and co-living.

With an investment of ₹2000 crore in the first phase, the project targets young working professionals and students across India. With millennials forming the most significant population at 34%, India is set to become the youngest country, with a median age of 29. The need of the hour is organised, affordable and thoughtfully planned communities that will disrupt the market and address the social issue of non-existent purpose-built co-living supply for this growing segment of consumers.

Olive by Embassy is currently present across eight locations in Bangalore. The expansion plans cover Bangalore, Hyderabad, Mumbai, Pune, and Delhi NCR. The first phase will see the launch of 20000 beds in total, 15,000 in Bangalore, 2500 in Chennai and 2500 in Pune. Future projects in Bangalore include extensive facilities at Embassy Manyata Business Park and Embassy Techvillage, Magarpatta and Hinjewadi in Pune and OMR in Chennai.

The rooms and living spaces at Olive by Embassy are designed efficiently for members to socialise comfortably with a quality palette of furniture, furnishings and functionality to elevate the communal living. Each Olive property features wellness centres, cafes, recreational areas, cook and share kitchens, cinema, gaming, music and karaoke rooms, laundry, convenience stores, and co-working areas. A cutting-edge mobile application will allow members to manage their contracts, pay bills, avail of maintenance services, connect with other members, join activities and take advantage of exclusive offers and services. ■