Hotels Up Luxe Quotient With Mixed-use Projects

Big brands ink deals for projects that have branded real estate and luxury hotels

Divya.Sathyanarayanan
@timesgroup.com

Mumbai: While the hospitality industry is abuzz with growth of mid-market brands, luxury brands like the Leela, Four Seasons, Hyatt and Ritz Carlton are furthering their growth by stitching mixed-use development deals with builders.

The concept of mixed-use development involves a hotel, residential apartments, commercial and retail component — two or more elements under one project. Mixed-use projects help de-risk the developer's investment while helping hotel brands expand luxury portfolio, at a time when developers are cautious of putting money in free-standing luxury hotels.

"Incorporating luxury residences into the model helps to monetise real estate gains. Since payback for a hotel tends to be between 8-10 years, early real estate monetisation from apartments makes the project more viable," says Rajiv Kaul, president, The Leela Palaces, Hotels and Resorts, which has signed management contracts for three new hotels that are a part of large mixed-use development projects.

Pankaj Dugar who heads hospitality business at IREO concurs. "The developer can generate upfront cash by selling the residences which helps in planning finances better and mitigating some of the risks." Delhi-based realty firm IREO is developing luxury residences as well as a hotel in Gurgaon and has tied up with the global hotel chain Hyatt for managing the project. Trump Hotel Collection, the wholly-owned hotel management company of the US real estate billionaire Donald Trump, is also having discussions with builders who are looking to develop mixed-use projects that have a luxury hotel as well as branded real estate for sale. Builders say that combining a luxury hotel with residences fetches at least 30 to 40% premium on the apartments. On the other hand, hotel brand too benefits from the captive clientele it gets from the adjoining residences or office spaces.

"For the hotel, the business folks from adjoining offices will help drive room business, while apartment owners will drive F&B, gym and spa business," says Rajeev Menon, Marriott Hotels' area vice-president for South Asia and Australia. Ritz-Carlton, a fully-owned subsidiary of Marriott International, has a tie-up with Mumbai-based Oberoi Realty for an upcoming hotel cum residential project in south Mumbai's upmarket Worli locality.

Arjun Aggarwal, MD Bhartiya Urban and director, Bhartiya Group — which is developing the Leela hotel-cum-branded residences as a part of a township project in Bangalore — expects around 10-15% additional revenue from hotel, on account of the business from adjoining residences. Furthermore, the capital generated from sale of residences, commercial or retail space helps in subsidizing the cost of developing the hotel.

"Cost per key gets subsidised by 15-20% in certain markets," says Priyakant Amin, director, Convention Hotels India (CHI), which is developing a mixed-use project in Bangalore.