



# Creating a Vision for the Resort of Tomorrow

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## Challenges and Opportunities

November 4<sup>th</sup> 2008  
Calouste Gulbenkian Foundation  
Lisbon

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## Introduction



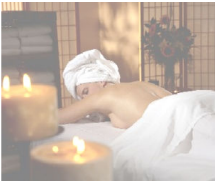
The resort of tomorrow will be influenced by a number of factors, including:

- The Economic Cycle – the slings and arrows of the current turmoil will hamper aspirations in the medium term
- Demographics – the growing influence of Gen X and Y – we have all focussed on the lucrative boomers but what is around the corner?
- Environmental Challenges – the demands of consumers for more responsible development coupled with a more stringent legislative framework
- Geographic Influences – emerging economies with aspirational travel behaviour
- Lifestyle Trends – shaped by socio-political issues, the media and those perceived as role models

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# The Economic Crisis

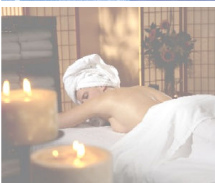


- A triple impact of lack of liquidity in the banking sector, an erratic stock market globally and falling residential real estate prices have shaken the world and created an unprecedented level of timidity in the market.
- The implications for residential tourism in southern Europe are severe.
- The UK market, the powerhouse behind Portugal's holiday home market in places like the Algarve, is particularly badly hit.
- UK housing market unlikely to begin recovery until late 2010, a return to the house prices achieved in 2007 predicted for 2012 at the earliest.
- Portugal faces challenges in the holiday home sector for 18 months to 2 years, then slow recovery.

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# The Economic Crisis



## Implications

- Slow recovery from late 2010, but ambitious pricing strategies will require re-assessment as consumers seek value and quality.
- Movement of equity funds out of the market as resorts increasingly regarded as 'exotic and high risk investments'.
- Debt providers reflect this timidity leading to the resort funding challenges of the early 1990s.
- Sovereign wealth funds from the Gulf will remain players in the market, but more cautious and will focus on emerging destinations.
- Vulture Funds will seek to acquire distressed assets.
- The period of dynamic growth in the resort development sector is over – prudent business planning, value-related pricing strategies and innovative resort concepts are required to succeed in the medium term.

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# The Winner Takes It All



History has shown that those destinations that sustain high prices and aspirational values in the resort real estate sector are those with limited pipeline development, an outstanding environment and a strong, positive image.

## Short-Term Recovery

Verbier  
Courchevel  
Tuscany  
Mallorca  
Barbados  
Mauritius  
Cote d'Azur

## Medium-Term Recovery

Portugal  
Rural France  
Sardinia  
Cyprus  
Croatia  
Montenegro

## Slow-Paced Recovery

Southern Spain  
Bulgaria  
Dubai  
Morocco  
Egypt  
Mature Caribbean

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# The Winner Takes It All



## Overview of Prices Per Square Metre in Prime Resort Destinations

Destination	Average Price Per Square Metre (€)
Monaco	49,900
St Jean Cap Ferrat, France	49,600
Courchevel, France	39,900
Portofino, Italy	22,800
Verbier, Switzerland	19,700
St Tropez, France	17,900
Gstaad, Switzerland	13,800
Florence, Italy	10,100
Barbados	9,800
Cote D'Azur, France	8,800
Mallorca, Spain	8,200
Bermuda	8,200
Chianti, Italy	7,400

Source: Knight Frank

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# Conspicuous Consumption Goes Undercover



- In almost all developed and emerging economies, there were significant gains in the number of HNWIs (High Net Worth Individuals) and the growth in their worth was undimmed throughout 2007.
- This geographically diverse segment of the market, with their fondness for large residential property portfolios (30% of their wealth) were widely believed to be immune from the negative impacts of economic recession.
- In 2007, as residential markets slowed overall, price appreciation in the €6 to €12 million price band hit 44 percent.
- However, even those with the money to spend are holding back – some sensing a real estate bargain sale, others conscious that conspicuous consumption has temporarily gone out of vogue.
- This market will bounce back and ahead of mid-market.

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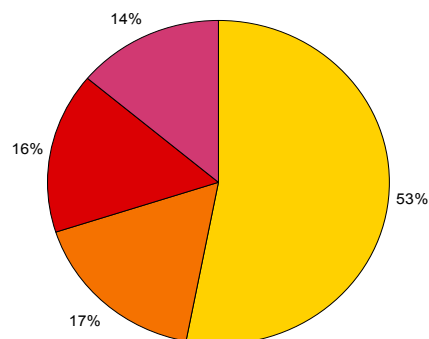
# Demise of the Investor Buyer



## Reasons for purchasing overseas property (2007)

- Over 30% of buyers in 2007 were investment / speculative driven

■ Holiday home ■ Fly-to-let investment ■ Capital growth / Resale potential ■ Retirement



Source: Holiday Rentals Survey and Savills Research

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# Demise of the Investor Buyer



- Rapid growth in the last five years of investor / speculator buyer seeking property in the €100k to €250k price range.
- A price sensitive, but highly leveraged market segment, they would seek out compact units with perceived short-term capital appreciation potential.
- In many cases unsophisticated, this market failed to contemplate where the end user would materialise from or how bold developer projections of rental income would be achievable.
- This market will be slowest to recover and it is questionable whether it will indeed return to the market in such volumes in the foreseeable future.

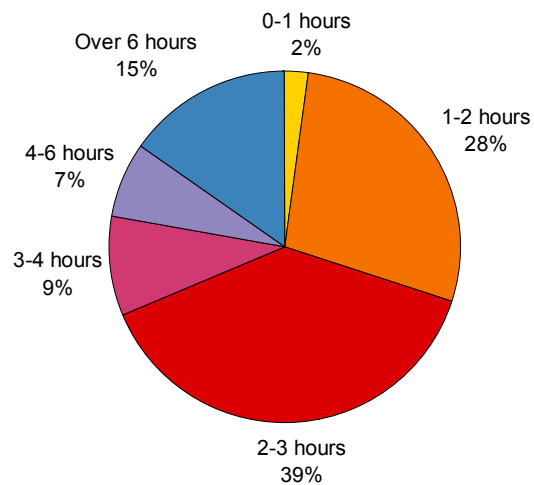
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# There Is No Place Like Home



**Flight Times to Overseas Properties  
UK Buyers (properties bought in 2000-2007)**



Source: Holiday Rentals and Savills Research

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# There Is No Place Like Home



- Short haul destinations have always attracted the bulk of second home buyers.
- The ongoing demise of budget carriers, rises in energy prices and 'green issues' are further emphasising the trend of staying close to home.
- Developer focus on domestic and drive-to markets will pay off, though in many cases, notably Portugal, the domestic market is significantly more price sensitive.

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# The Impact of Demographics



## The Impact of Demographics

Baby Boomers Born 1946-1964, Ages 44-62	Generation X Born 1965-1979, Ages 29-43	Millennials / Generation Y Born 1980-2000, Ages 8-28
<b>Characteristics</b> <ul style="list-style-type: none"> <li>• Diversity as a cause</li> <li>• Idealistic</li> <li>• Mass movement</li> <li>• Conform to the rules</li> <li>• Killer job</li> <li>• TV</li> <li>• Have technology</li> <li>• Mix with other boomers</li> <li>• Travelled since teens</li> <li>• Peter Panism – want to stay forever young.</li> </ul>	<b>Characteristics</b> <ul style="list-style-type: none"> <li>• Accept diversity</li> <li>• Pragmatic/Cynical</li> <li>• Self reliant/Individualistic</li> <li>• Reject rules</li> <li>• Killer life</li> <li>• PC</li> <li>• Use technology</li> <li>• Friends – not family</li> <li>• Travelled since childhood</li> </ul>	<b>Characteristics</b> <ul style="list-style-type: none"> <li>• Celebrate diversity</li> <li>• Optimistic</li> <li>• Self inventive/individualistic/confident</li> <li>• Rewrite the rules</li> <li>• Killer lifestyle</li> <li>• Internet</li> <li>• Assume technology</li> <li>• Multi-task fast</li> <li>• Nurtured by parents</li> <li>• Friends = Family</li> </ul>
<b>Travel Influences</b> <ul style="list-style-type: none"> <li>• Aspiration for life-long learning and drawn to cultural pursuits.</li> <li>• Seek out mixed itineraries incorporating sport, culture and soft adventure</li> <li>• Drawn to wellness, holistic pursuits, spas, eco-chic</li> <li>• Intention to travel intensely in retirement, though increase in retirement age across Europe will have some impact</li> <li>• High quality venues with high levels of service are key beneficiaries</li> </ul>	<b>Travel Influences</b> <ul style="list-style-type: none"> <li>• Seek out diverse environments and adventure – holiday pioneers – with or without children</li> <li>• Drawn to active sports, outdoor pursuits, new cultures</li> <li>• Hotel junkies – core market for lifestyle hotel product</li> <li>• Love quirkiness and innovation</li> <li>• Demand flexibility of service</li> <li>• Children do not alter their historic travel patterns</li> </ul>	<b>Travel Influences</b> <ul style="list-style-type: none"> <li>• Influenced by celebrity and lifestyle</li> <li>• Follow in parents footsteps</li> <li>• Drawn to tribing/reunions</li> <li>• Holidays must offer multiple pursuits</li> <li>• Seek out value but will pay for quality</li> <li>• Victims of fashion/ design-driven</li> <li>• Low levels of destination/ brand loyalty – 'brand sluts'</li> <li>• Seek options, not predetermined packages</li> <li>• Social and eco-conscious</li> </ul>

Source: Enterprising Museum.com and Economics Research Associates

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# The Green Tipping Point



## The Trend

- In 2005, 35 percent of Britons believed climate change was being exaggerated by pressure groups. In 2007, 80 percent identified it as an important issue that would influence the way they voted.
- Media coverage and celebrity endorsement have brought the issue of environmental responsibility into the public eye globally.
- It has stirred a passion amongst children and teens – and they in turn are driving parental behaviour, including travel patterns.

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# The Green Tipping Point



## The Implication

- Responsible resort development will move from a USP to an assumed given: green building technologies, rainwater harvesting, bio-gas regeneration, renewable energy sources... consumers will look to resorts that are leaders in the field.
- Eco-chic resort products that tip their hat to sustainability will be overtaken by eco-iconic brands that allow their eco-conscious owners to visibly tout their eco-credentials to peers.
- The legislative framework globally will create challenges for golf and marina development, as well as higher density resorts.
- We will see the evolution of 'less is more' resorts – boutique, unspoiled environments with less environmentally intrusive development.

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# Stepping Off The Treadmill



“Today’s tourists view travel as a form of self expression. They do not want to come back with an object, or even a picture. They want to come back with a story.”

- Navin Sauhney, Tauck World Discovery

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# Stepping Off The Treadmill



## The Implication

- Growth in new market segments that sell experiences that are bold, innovative and have a learning element to them.
- Retro Travel – ‘slow lane travel’, with multiple modes of transport, nostalgic journeys reflecting a by-gone age.
- Connoisseur Travel – dedicated vacation time focussed on personal passions – culture, the natural environment, the built environment, well being, food and wine. Resorts need to reach out to these markets through extensive soft programming.
- Volunteerism – blurring of lines between volunteerism and activity holidays. Over 25 percent of travellers are interested in taking a service-based holiday – potential to offer multiple faceted holiday experiences.

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# Family Values



“As we become increasingly affluent, people are realising you cannot buy your way to happiness. Longer life expectancy will lead to more multigenerational travel. A luxurious holiday will be about the intangible: experiences that engage you and stir you internally, and reconnect you with the people you care about.”

- Dave Varty, Owner, Londolozi Game Reserve

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# Family Values



## The Implication

- Multi-generational travel already emerging and driving demand for larger holiday homes and forms of lodging that can accommodate large family groups.
- Need for resorts to offer broad based amenity to appeal to all age cohorts.
- Threat for golf resorts that do not grasp the challenge as working parents struggle to justify time on the golf course and younger generations turn away from outdoor pursuits in favour of in-home technology.
- Emergence of dedicated children’s club houses and adventure camps, teenage chill out zones and intense programming focussed on joint family pursuits will all be key trends.

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# The Search for Intimacy and Privacy



“Within 50 years, we will be able to travel further and faster than we ever imagined and will crave refuge from this hectic existence. The world will get more busy, so we will seek space and the rejuvenating tranquility of the road less travelled.”

- Christina Ong, CEO, Como Holdings

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# The Search for Intimacy and Privacy



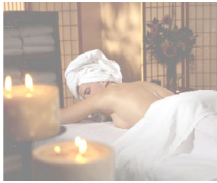
## The Implication

- Lower density resorts in more natural landscapes offering privacy and escape.
- Ranch-style retreat resorts with fewer homes on larger plots.
- Disaggregated amenity, much of it focussed on enjoying the natural environment.
- Downsizing of hotels to all-suite driven properties with more tailored personal service or more rustic forms of lodging that offer a ‘simpler way of living’.
- This trend represents a higher risk development strategy that needs to have integrity and innovation to capture the market’s attention.

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# Brand Overload



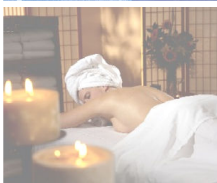
## The Trend

- There are now around 160 plus hotel brands, up from 80 a decade ago.
- Are more brands better or are we merely creating more confusion for an already perplexed consumer? Probably yes and yes.
- Many new brands in the hospitality sector are ill-conceived and lacking clear definition – likely to be absorbed by stronger ones over time.

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# Brand Overload



## The Implication

- Too much emphasis on fashion, rather than substance in the form of service and comfort will shorten the lifecycle of some hospitality brands.
- Trend towards rejection of generic brands in favour of products that offer exemplary service, a sense of intimacy and quirkiness. New brands like Aquapura in Portugal are breaking the mould and developing quirky concepts in outstanding environments.
- Generation X were hotel junkies, supporting the lifestyle hotel genre, but Generation Y are emerging as ‘brand sluts’ with little sense of fidelity. This will create challenges for resorts.

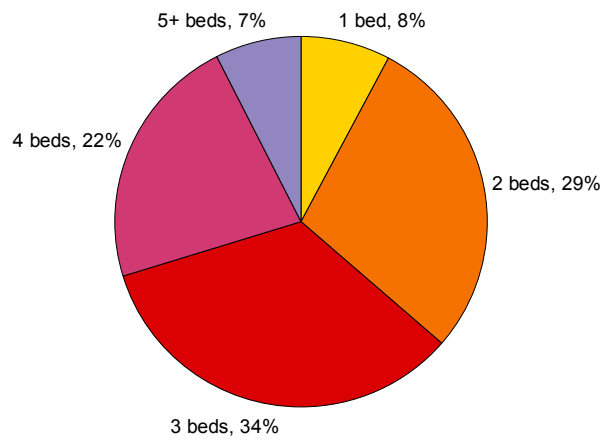
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# Product Trends Summary



**Number of Bedrooms**  
UK Holiday Home Buyers (properties bought in 2000-2007)



Source: Holiday Rentals and Savills Research

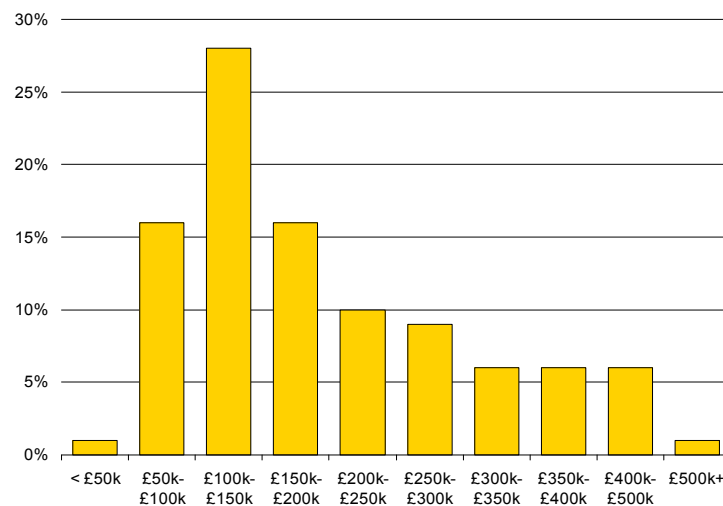
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# Product Trends Summary



**Proportion of UK Holiday Purchases by Price Bracket**



Source: Holiday Rentals Survey and Savills Research

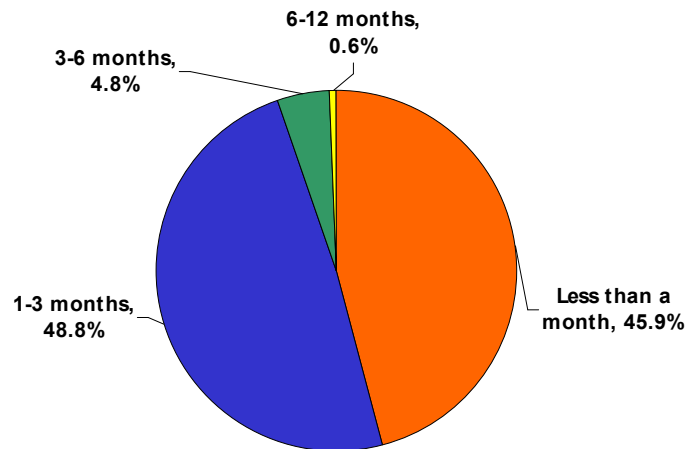
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# Product Trends Summary



## Personal use of overseas property per annum UK Buyers



Source: Holiday Rentals Survey and Savills Research

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# Product Trends Summary – Anticipated Trends



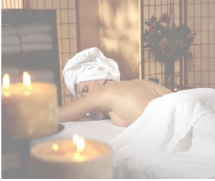
## Residential Real Estate

- Multi-generational travel leading demand for larger homes – four- to six-bedroom units now highly popular.
- Sedentary urban lifestyles make us lust for the great outdoors – extensive outdoor living spaces a prerequisite.
- Greater product customisation demanded as people want a sense of buying a bespoke product.
- Growth in desire for villa product – need to create hybrid products that meet this expectation.
- Movement back to lifestyle buyers and away from speculators means a need for higher specification interiors.
- Buyers will be more streetwise – the price / value relationship will be examined closely.

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## Product Trends Summary – Anticipated Trends



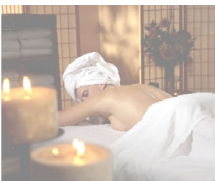
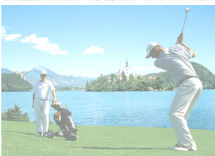
### Hotels – contradiction abounds!

- Small, boutique, upscale – privacy and service are king.
- Rejection of bland brands in established (not emerging) destinations in favour of quirky, innovative and individual properties of character.
- Rustic retreats and luxury detox boot camps.
- Spartan vacations focussing on survival skills in dramatic natural surroundings.
- Family-focussed hotels with appeal to multiple generations.
- Holistic Spas and Wellness Concepts will continue to grow in popularity.

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## Product Trends Summary – Anticipated Trends



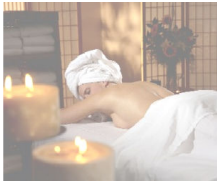
### Amenity Provision

- Golf faces many challenges – participation rates falling, environmental hurdles. No longer the ideal solo anchor for a resort.
- Adventure Clubs and Camps for children with dedicated clubhouse facilities.
- Dedicated teen amenity focussed on multi-media facilities and ‘chilling out’.
- Family sports and tuition.
- Lifelong learning facilities.
- Bootcamp programmes for fitness, weight loss, stress management.
- Diagnostic centres / medi-spas.

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# I Guess That's Why They Call It The Blues...



- Survey reveals that over half of adults in the UK are not happy with their lifestyles – this presents an opportunity and a challenge for tourism development.
- Movement away from consumerism towards a more 'meaningful' existence driven by experiences and a desire for wellbeing. The economic woes in the world will heighten this desire for the simpler things in life.

## What did you want for Christmas?

### 1980

- Clothes
- Books
- Electricals
- Toiletries
- More fattening food
- More alcohol

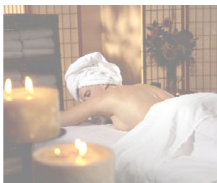
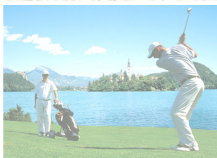
### 2006

- Time
- Sleep
- Holiday
- Rest
- Sex
- Calm and quiet

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# Capturing the Vision



“Vision is the art of seeing what is invisible to others.”

- Jonathan Swift



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