

## The footprint that stays forever

New approaches, lots of discussion, hard facts: Looking back at HITT 2021 - Digitally controlled sustainability will dominate real estate & concepts in future

### US Zombie Debt – a big problem as rates rise

**Undead Debt**  
Zombie firms are sitting on an unprecedented \$2 trillion of obligations

Source: Bloomberg  
Note: 2000 figures are as of most recent quarterly data

**Struggling Sectors**  
Over 700 firms in the Russell 3000 face interest-coverage ratios below 1

Bloomberg  
Note: Based on analysis of trailing 12-month operating income relative to interest expenses

With macro glasses: Wes Paul, virtually connected from London, unsparingly addressed the major mistakes and threats from the economy, politics, environment and technology that are currently affecting the world. / Photo: HI

Munich (September 17, 2021). Will the "Carbon Footprint per Available Room" become the new benchmark? Very likely. Must hotel real estate be retrofitted in order to meet sustainability requirements or built differently in order to find guests or operators at all in the future? Yes. "I haven't been negative enough yet," said Keynote Speaker Wes Paul. He wasn't the only one shaking up the hotel industry: With their critical, demanding and challenging impulses, 16 speakers pushed operators and investors not only to think further - but also to act! This week's HospitalityInside Think Tank (HITT) provided executives a content-rich, intensive forum, devoting two days to the crucial topic of the future: "Sustainability & Digitalisation: The Change Drivers."

The time has come. When it comes to sustainability, the hotel and real estate industries can no longer afford to sit things out and simply say "it's always been this way". In Europe, 800,000 people die each year from the effects of air pollution, the world's biodiversity is being lost, and by 2050, 173 million people will be affected by floods or lose their homes: These are just a few of the endless solidly proved facts brought to the table by investment professional and futurist **Wes Paul, founder and chairman of Gemin-i Analytics**, in HITT's first keynote presentation on Monday. Facts like these are already shaking up the world population and causing great consternation.

**QUOTE** "The entire industry still has a very long way to go, especially on the topic of ESG, which can only be successfully tackled together." **Hans-Peter Hermann, Senior Director Asset Management Hotels, Invesco Real Estate**

Solutions for more sustainability have been around for a long time: **Six Senses CEO Neil Jacobs** demonstrated how hotels can be both sustainable and attractive at the same time at HITT, and also revealed that IHG is planning to launch a new sustainable brand with Six Senses' values at a lower price point. The most important approach to sustainability, Jacobs said, is recruiting, engaging and training employees.



Relaxed, but highly concentrated: Questions and answers helped to break down the complex topic. / Photo: HI

Depending on the location, it may also be possible to build a sustainable hotel without higher costs. "We make it clear to owners that sustainable hotels cost more in certain locations. But sustainability also saves money - for example, via digitalisation." The former wellness pioneer, who has simultaneously dedicated himself to the topic of CSR (with a focus on employees) since 1995, can now appear self-confident thanks to his experience: Investors who do not accept concept and standards are rejected.

### Europe is a negative hotspot

The sustainability pressure on real estate owners is growing. Buildings today should be built sustainably and powered by alternative energy sources, and older buildings should be retrofitted accordingly.

Europe is the negative hotspot par excellence: This region, with its ancient buildings, is one of the biggest emitters in the world. In the future, real estate should therefore focus more on the cradle-to-cradle

**QUOTE** "Digitally, the event was also a win. I thought it was great that HospitalityInside dedicated two days to the probably most important future topic of sustainability. What I missed was the young generation, who will ensure that this topic is really taken seriously." **Matthias Niemeyer, Managing Director, Adina Germany**

economic cycle, another speaker later commented. In any case, solar energy, the price of which has fallen

sharply in recent times, can be integrated more quickly. In general, power generation will become a mega issue - though this will also be accompanied by falling prices due to the permanently increasing demand worldwide.

According to Wes Paul, the biggest obstacles to implementing the important sustainability measures are globalisation, capitalism and democracy. Politicians in democracies are only elected for a short time and therefore do not develop long-term visions.

**Thomas Schlereth, architect, developer and owner of the Soulmadebrand** with his first hotel in Munich-Garching (since 2016), had a whole litany of complaints about the unwillingness of politicians to accept new ideas in a later discussion round: "We were forced to convince the authorities of our timber construction method. But regulations, especially on fire safety, made the battle for the product Soulmade really tough. We built the first four-storey hotel in Germany in modular construction. However, our second hotel will be in Finland, where the whole country wants this product." The construction process for a Soulmade is quick and simple. The pre-produced wooden modules are placed on a cement foundation, so a 140-room hotel like the one in Munich can be completed in 13 months.

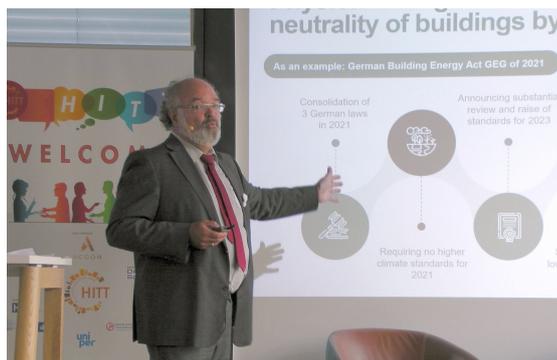
**QUOTE** "Eye-opening presentations with a hopeful outlook. It was great."  
**Caro Brauer, Management, QR Hotels**

Others are also relying on an optimised construction process with pre-fabricated modules. Member of the board of **Zech Group, Olaf Demuth**, underlined: "Digitalisation will help optimise mechanical steps. We're more into the idea of combining prepared and pre-constructed products." The objective of the globally active Zech Group is not only the use of wood, but also recycling or upcycling, the reuse of used materials, so that when properties are rebuilt, there is not so much waste. Demuth confirmed: "Currently

applicable legislation is a big problem for innovation in our industry, we have a strong focus in Germany on traditional buildings with stone and concrete."

#### International investors drive it forward

Although the majority of customers are not yet willing to spend money on CO2 compensation for their stay, both Schlereth and **Adrian Flück, Director Hotel Asset Management Invesco Real Estate**, explained who exactly will demand this in the future: Generation X, the guests of the future. "My son accused me one day of polluting his environment when I took him to school in the car," Schlereth reports, describing the crucial moment in the development of Soulmade. And Flück explained that Invesco Real Estate began addressing sustainability years ago because "we're all fathers, too."



**Lawyer Dr Ulrich Hennigs called on the owners to discuss with the with the operator to draw up apportionment concepts for sustainability measures for the building.** / Photo: HI

At Invesco, he said, a focus group on sustainability was set up first and external consultants have now also been engaged. "International investors are pushing the sustainability agenda, German investors are a bit slower," Flück said. On the part of the operators, the demand for sustainable building optimisation is still very low. He cited Radisson as one company that has this issue on its agenda.

At HITT 2021, **Alex Duckworth, Principal Consultant AECOM Sustainable Development Group**, also highlighted the role real estate plays in emissions: "Emissions from building use and construction account for nearly 40% of global emissions each year (all buildings, not just hotels). And commercial real estate represents two-thirds of that," he said. These - real estate-related - emissions would presumably tend to stagnate in the future, whilst they increase in the operational area. As far as real estate is concerned, it is important to consider its entire life cycle, including the economic cycle of the materials (cradle-to-cradle).

**QUOTE** "Great Event. Great exchange with industry peers and partners... very well structured program and line-up of great speaker providing the impulse for exchange and knowledge sharing."  
**Andreas Lackner, Regional Head Brand Management EMEA, Hilton**

#### Sustainability only works with IT

**Gesa Rohwedder, Head of Hospitality at project management company Drees & Sommer**, criticised the construction industry for taking too long to adapt new ideas and technologies. Now though, it's catching up. In her company, the motto is BIM (IT-supported building modelling), BAM (prefabricated components), Boom. "Technology can reduce both the production costs and energy consumption of buildings," Rohwedder stressed.



**A self-confident operator: Investors who do not accept the Six Senses concept and standards are rejected. CEO Neil Jacobs answered the questions from Singapore by Maria Puetz-Willems and the audience.** / Photo: HI

Today, Drees and Sommer is developing new districts or properties with state-of-the-art technological support, also by incorporating demographic data. Rohwedder is convinced that the hotel industry must completely reorganise itself, especially in the cities - and become even more imaginative in the redesign and revitalisation of vacant conference spaces. There will be a post-event for the HITT participants in early 2022.

**Accor's Chief Technology Officer, Floor Bleeker**, explained how closely sustainability and technology can be linked in companies: "We don't own real estate, but we do have standards for buildings, such as energy and water consumption. The way we run hotels and the technology we use can go a long way in terms of sustainability. This also includes data analysis and the introduction of innovations. We don't do it

ourselves, we work with start-ups." Accor owners would always be asked for two important things: an ROI management system and sustainability factors. The points of contention here are structural measures that

have a negative impact on the ROI if they are not in place.

#### CO2 footprint as a new component

**Andreas Ewald, founder and CEO of the hotel division at Engel & Völkers**, attested that international hotel brands have higher sustainability requirements than German ones. IT is not only capable of determining building information and calculating construction costs but can even predict the life cycle of a property.

**QUOTE** "All in all, extremely interesting and stimulating, especially with regard to ESG - I don't want to be driven by politics." **Dr. Michael Hartung, Managing Director & Development Director Premier Inn Germany**

IT facilitates sustainability. Basically, technological solutions can be found for everything, says **Klaus Kohlmayr of Ideas**: At the moment, he said, big data problems are being solved primarily in the fields of profit optimisation, pricing and forecasting. But developments, for example in resource management, are not a problem at all. The more data collected from the buildings, but also from the behaviour of guests and employees, the more problems could be solved.

If you can measure elephant flows in Africa, then you're also in a position to provide data for measures that are good for the environment, he says. Kohlmayr is convinced: "In the future, the sustainability index of a property will influence the price and the decision of the customer." So far, no one has asked for KPIs other than the known ones but integrating the CO2 footprint is certainly feasible.

#### Guests and the economy demand new standards

Especially in the corporate sector, the demand for sustainability criteria of hotels is increasing enormously, as **Renée Nicole Wagner, Project Manager Corporate Social Responsibility Northern Europe at Accor** revealed as a participant: "Every single RFP in this area crosses my desk and it takes me a long time to answer questions on this topic. Companies have a growing need for information," she said. Topics like plastic elimination or food waste come up particularly frequently, but water and energy consumption are also regularly asked about. "If we don't respond, we lose guests."

**Xenia zu Hohenlohe from Considerate Group** said she was pleased to hear that even Deutsche Bank CEO Christian Sewing was now giving

sustainability very high priority. She chaired the 8th keynote speech on the measurability of measures, together with **sustainability consultant Tony Williams** from Dubai. Sewing had said at a congress: "Sustainability will play an ever-larger role. I firmly believe that in the future it will become as important for companies as the credit ratings of the rating agencies - not only with regard to refinancing, but also when it comes to winning business. For example, as Deutsche Bank, we will require our larger suppliers to have a sustainability rating from 2022 - and other companies will act similarly."

Zu Hohenlohe and Williams not only led the audience through the jungle of international sustainability regulations and quality seals, but also used practical examples to show how measures can be derived and money saved by taking data measurements, such as energy and water consumption. In this way, Edwardian Hotels from London, for example, with a total of 12 hotels, saved GBP 100,000 within half a year, they reported. Xenia zu Hohenlohe also believes: "The CO2 footprint per overnight stay will become the currency for customers - that is, it is the simplest yardstick".



**Teamwork: Xenia zu Hohenlohe live in Munich and Tony Williams in Dubai analysed certifications and know: The carbon footprint per overnight stay becomes the currency for customers.**

/ Photo: HI

**QUOTE** "A circle peppered with top international speakers and top participants who did not come from the usual filter bubble of the industry... The idea that I will implement for all future projects of mine, for example, is the CaFoPaR - Carbon Footprint Per available Room." **Marco Nussbaum, Managing Partner, Next Hotel Accelerator**



**Wolfgang Neumann, Chairman of the Sustainable Hospitality**

**Alliance**, which now includes 14 leading hotel companies with a total of 30,000 hotels, including Marriott, IHG, Hilton, Accor and Dorint, described industry collaboration as the most important goal on sustainability issues. On the Alliance's homepage you will find, among other things, a numerical example of how sustainability reduces costs.

Other panels dealt with national and international regulations on the subject of sustainability and the question of how these can be contractually regulated between owner and operator. "If hotel developers have higher investment costs as a result, there will be higher capex costs going forward. Will rents then rise and with them operating costs? And does this then lead to higher rates for the guests?" asked **Ulrich Hennigs of Baker McKenzie** from Berlin and added: "I have been invited to many meetings over the last 15 years and have been asked if there are any new components to contracts between owners and operators. There was nothing new. The general rules are still those developed by the Augsburg Fugger families in the 16th century."

**Wolfgang Neumann made a passionate appeal to the managers: True leaders live sustainability and responsibility!** / Photo: HI

There is a need to include sustainable components in the contracts, he said. After all, no builder simply omits fire protection. And creativity is needed when it comes to allocating the costs of sustainability measures. "The owner needs to start doing this and create concepts together with the operator for sustainability measures for the building and share the cost."

As for guests, HITT 2021 participants were quick to agree that they should not be punished for being wasteful with resources during their stay, but rather rewarded for not doing so. For example, with drinks or loyalty points if they decide that they don't need daily

**QUOTE** "Renowned Wes Paul put the topics and their likely impact on global developments in the coming decades in a different light once again, even if some of his predictions will hopefully not come to pass in such rigor." **Philipp von Bodman, Managing Partner, Achat Hotel Group**

room cleaning. / Susanne Stauss

**Editor's note:** The short quotes in this article can be found in full length on the - publicly accessible - front page of [hospitalityinside.com](https://www.hospitalityinside.com). For our readers, we will deepen various aspects from the two-day think tank in the magazine in the coming weeks and months. All HITT participants will exclusively receive further summaries from the individual discussion rounds.

## Food for Thought Statements from the HITT 2021 (excerpt)

### > **Wes Paul, Gemin-i Analytics:**

We have missed a number of opportunities.  
We need governments to regulate. We need someone to say you can't do something.  
Capitalism needs to be moderated.  
We need to think big here.  
Stand up, don't wait.  
Collaboration, yes! At the moment, everyone is just working in isolation.  
The hospitality industry can be an example of change. For how to do it right. We can show how leadership works. But we have to start now.

### > **Fflur Roberts, Euromonitor:**

65% of consumers say they are concerned about the climate, but 48% use the same travel deals they always have. There is great potential here.

### > **Ulrich Hennings & Xavier Junquera, Baker McKenzie:**

My problem is: basic building regulations were already developed by the Fuggers and have changed little since then.  
There is no discussion about fire safety, not even about costs.  
It is absolutely clear who has to start: the owner - and he then has to share the risk. The solution must be that the costs are shared.  
In the future, it will be much more about transparency, stronger reporting.  
Owners and managers are usually not partners. More than ever, agreements are necessary.

### > **Andreas Ewald, Engel & Völkers Hotel Consulting:**

We have more possibilities on the real estate side than on the management level.  
After all, the point is that we all benefit.

### > **Neil Jacobs, Six Senses Hotels Resorts Spas:**

With us, everything is a process, no one needs to be persuaded.  
We don't accept anything less.  
We are chosen by investors because of our values.  
We often don't have to explain anything. We can make it clear that investors also save costs with energy, water etc.

### > **Gesa Rohwedder, Drees & Sommer:**

We have to be able to reuse empty hotel spaces, with shops in the lobby etc., as a marketplace for the neighbourhood.  
We have to rethink the role of hotels.

### > **Wolfgang Neumann, Sustainability Hospitality Alliance:**

The climate crisis has become the new normal.  
Sustainability is not a competition.  
There is also Social in ESG, it is about a lot of social diversity ... We can no longer focus on profit.  
Investors have changed their perspective... ESG is moving to the centre.  
Technology is a game changer.  
It's not the planet that needs to change, it's the people, especially if we think about young people who want to see meaning in something.  
We simply have to make it happen. It's time for leaders to take action. Stop talking - act!

*Composed by Sylvie Konzack.*

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