WELLNESS REAL ESTATE REPORT

Tracking the financial impact of wellbeing and wellness on real estate performance

wellnessrealestatereport.com

2021 edition

RLA Global

Foreword

The objective of this report is to support industry stakeholders in evaluating the tangible impacts of wellbeing and wellness on the performance of real estate and identifying key factors they should consider when planning these activities within real estate projects.

The Covid-19 pandemic had a twofold impact on resorts, hotels and other real estate assets with a wellbeing and wellness proposition. It cut revenue and profit in 2020 due to lockdowns and restricted airlift, but at the same time it created a stronger customer focus on health, both mental and physical, translating into an increased demand for wellbeing and wellness offerings.

The 2020 data reflect the overall disruption the pandemic had on hotel performance, with closures for varied lengths of time, rescheduled openings and adjustments to comply with health restrictions. This made it more difficult to assess how wellbeing and wellness features impacted the bottom line of the entire asset and turned benchmarking the competitive set of lodging units with wellbeing and wellness offerings into an even more complex process. However, our data mining revealed some very interesting performance observations that we believe will help investors, developers, operators and hospitality stakeholders better understand how wellness and wellbeing influences property-level performance.

In order to provide factual context to the publication, we have used HotStats data to enable us to analyse the various angles necessary in understanding performance from a total revenue and, ultimately, a profit standpoint. We hope you will find the latest edition of the Wellness Real Estate Report an indispensable tool to help navigate the current unsettled markets and evaluate expected trends in a post-Covid era going forward.

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Wellbeing & wellness in real estate

Definitions and distinctions

Differentiating between wellbeing and wellness can help investors and developers assess the value and impact of wellbeing activities and facilities on real estate, including hotels, resorts, active living and real estate communities as well as mixed-use developments[1]. This may provide higher transparency on the expected financial returns of such investments, which are following a Wellbeing Hospitality® approach[2].

Wellbeing and wellness are both multidimensional concepts, but they are based on different assumptions: while wellness is seen to relate to action and has a strong physical dimension, wellbeing is perceived as a state of being with a key mental or emotional aspect. Wellbeing can be considered a holistic approach to improving health and achieving happiness through forms of leisure, recreation, sport, spa, wellness, healthcare, better social interactions and higher eco consciousness.

Calculating wellbeing value

Investors and developers need to be cautious with wellbeing investment as it spans an ever-broadening range of activities and specialties.

Corresponding the wellbeing activities to the specific characteristics of the property is important, whilst understanding the direct internal rate of return (IRR) on investments related to wellbeing is fundamental.

The EBITDA analysis of a real estate development with wellness should include all direct operating expenses and revenue streams. Revenues may also include the spa utilization credit (SUC) as an allowance for hotel guests to use spa facilities without charge, calculated on a per-occupied-room basis.

When all revenues and costs are correctly listed, the profits method can be used for valuation — it brings measurability and transparency to identifying the contribution of wellbeing operations or facilities to the overall property performance and value[4].

Data methodology

The Wellness Real Estate Report evaluates average hotel performance based on data from P&L benchmarking company HotStats covering 3,200 properties of all classes worldwide. Our tables break down and compare revenue, cost and profitability data for three groups of hotels, differentiated by the revenue amount of their wellness operations in 2020.

Hotels with major wellness represent properties, which generated wellness revenue exceeding US$1mn and 10% of total revenues, while hotels with minor wellness include units that had wellness revenue of less than US$1mn and 10% of total property revenues. Hotels with no wellness did not generate wellness related income.

The classification of the wellness data referenced follows the departmental categorisation of health club and spa according to the Uniform Systems of Accounts for the Lodging Industry (USALI), the standard way of reporting trading data for the industry. For evaluating the performance of hotel leisure departments, our data sample incorporates all leisure services and activities including membership programs and golf.

Impact of wellness on hotel performance

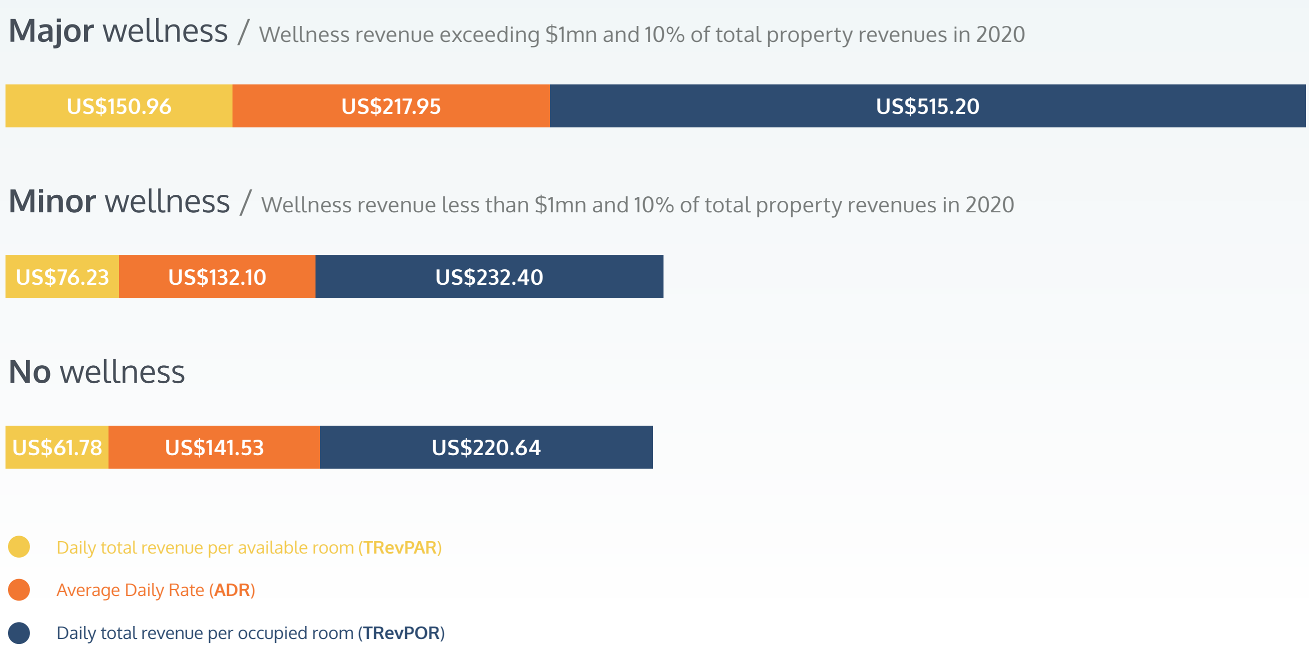
To understand the impacts of wellness on the overall hotel performance, we have evaluated the main financial line items for revenues, operational expenses and profitability as indicated by the HotStats data we analysed.

HOTEL REVENUES

Hotels with major wellness offerings generated nearly 144% more in total revenues per available room (TRevPAR) on average compared to hotels with no wellness in 2020, according to data from HotStats. Hotels with major wellness services are typically upscale and luxury properties that expectedly drive higher levels of spending, notably average daily rates (ADR). However, the huge difference is partially due to a 54% gap in ADR, to the advantage of major wellness hotels.

Investors assessing the potential extent of wellbeing or wellness offerings at their future hotel should consider that properties with extensive wellness operations benefited from 65% higher ADR and generated 98% more in average revenues per room last year compared to hotels with a minor wellness operation. Although the difference in ADR drives the gap in total revenues, the leisure department accounts for 17.7% of the difference in revenue between major wellness hotels and hotels with minor wellness operations.

ROOM PRICING & REVENUES



source: HOTSTATS

Hotel revenues continued.....

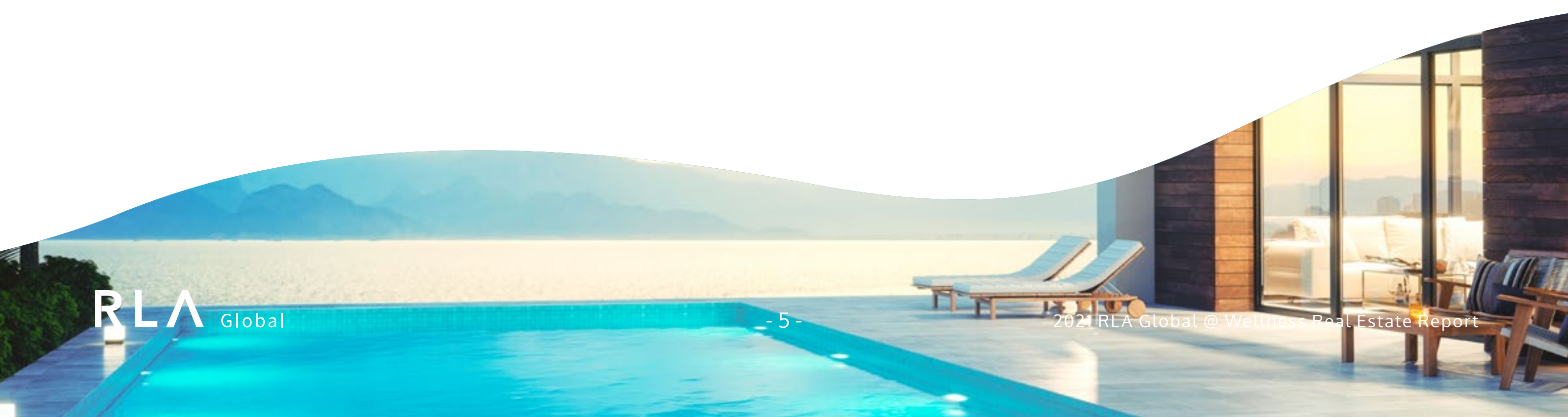
Hotels with major wellness are more successful than properties in the other two categories in terms of overall revenues per room sold (TRevPOR), which include guest spending on all types of services, including food and beverage and room service. It is particularly striking that hotels with minor wellness generated less than half in TRevPOR than properties with extensive wellness offerings. Hotels with major wellness operations had significantly more resources to drive income than minor wellness hotels in 2020. Whilst rooms remained offline for many months, hotels with major wellness took advantage of their extensive F&B, spa and extra leisure facilities, such as pools and beaches, to attract external guests from the local surroundings. Minor and no-wellness properties are generally more reliant on MICE (Meetings, Incentives, Conferences & Exhibitions) and internal guests and did not have the means to maintain a reasonable revenue stream in 2020.

In 2020, this huge difference is not only the result of more significant wellness operations and services. Indeed, the number of rooms sold in major wellness hotels was significantly lower due to their typical reliance on leisure guests compared to minor or no-wellness hotels; leisure guests were less wary to take on the travel red tape due to Covid-19 than corporate travellers. However, wellness hotels have the ability to increase their room rates significantly to partially offset the lack of occupancy.

Simply adding wellbeing or wellness features doesn't necessarily translate to higher revenues per room, properties with minor wellness generated less in total daily revenues per room than hotels with no wellness. Average room rates of minor wellness hotels were almost 7% lower than those of hotels without wellness offerings. However, a 7% drop is only significant if the context of the investment made to the wellbeing department is considered.

The pandemic may have further marked this trend. First, as local tourism is booming due to the major travel constraints brought about by the pandemic, tourists tend to save on flights and transfers — budget that they have reallocated to afford better quality hotels along with leisure and wellness experiences during their trip. Second, a significant part of the wellness department revenue may have been contributed by the local community, notably in urban hotels. As the pandemic hit, and the number of tourists dropped, hotels with wellness operations were able to recover quickly, driving revenue from the local communities using their F&B and leisure facilities.

> *"Historically, properties at the very high end and those at the low end have outperformed industry averages in challenging times. During Covid-19, higher-end hotels with diverse revenue sources, including golf, gyms, tennis, and hiking our outdoor activities, outperformed. After being confined to their homes, guests sought fresh air, lower densities, and amenities that got them out of the house, and moving."*
>
> Rachael Rothman, Head of Hotels Research & Data Analytics, CBRE



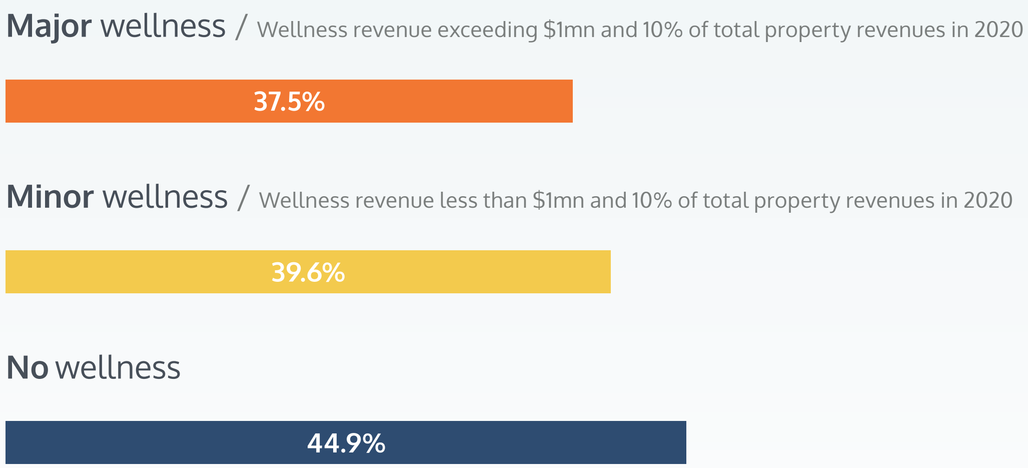
Operating costs

Hotels and resorts with more extensive wellbeing or wellness offerings typically have higher operating costs because of increased energy, maintenance, utility and payroll expenses.

Total Departmental Operating Expenses to Total Revenue, including Cost of Sales and Direct Payroll, are higher in hotels with major wellness (56%) than in properties with minor wellness operations (50%). Hotels with no wellness recorded 53%, but this is measured against a lower revenue.

Undistributed expenses carry an important statistic for wellbeing and wellness, given many of the related operating expenses are captured within these line items (including Administrative, Sales & Marketing, Maintenance and Utilities) are 45% in no-wellness hotels, which is higher than in properties with major wellness operations that shows undistributed expenses up to 37.5% of total revenue.

UNDISTRIBUTED EXPENSES AS % OF TOTAL REVENUE

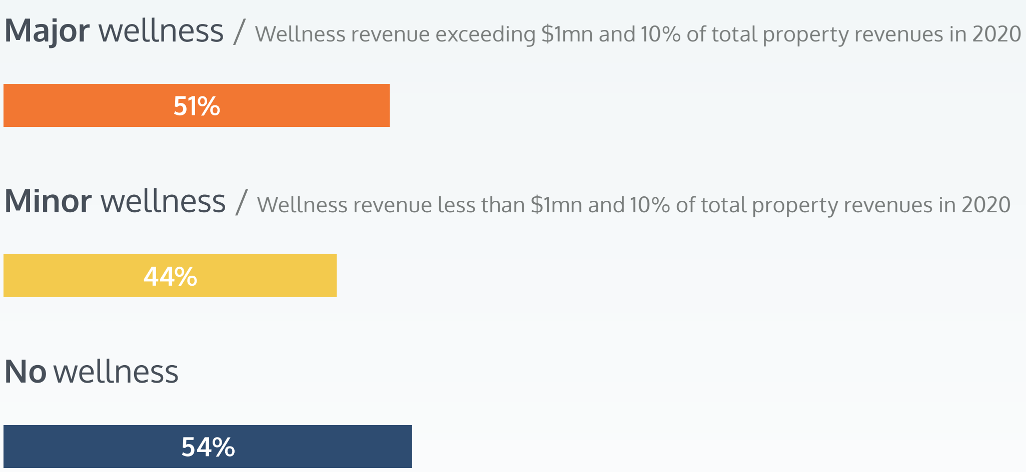


source: HOTSTATS Hospitality Intelligence

Operating costs continued...

In 2020, most governments offered financial support, such as grants, leveraged loans, tax incentives and write-offs of employer charges to help hotels and leisure assets get through the pandemic. All those supporting measures provided hotel assets with income and cash flow that were not related to the sale of a room or service but partially covered operating costs; therefore, operating costs — notably payroll expenses ratios — don't seem to be as high as expected during a closed-down period.

PAYROLL COSTS IN PERCENTAGE OF TOTAL HOTEL REVENUE



source: HOTSTATS Hospitality Intelligence

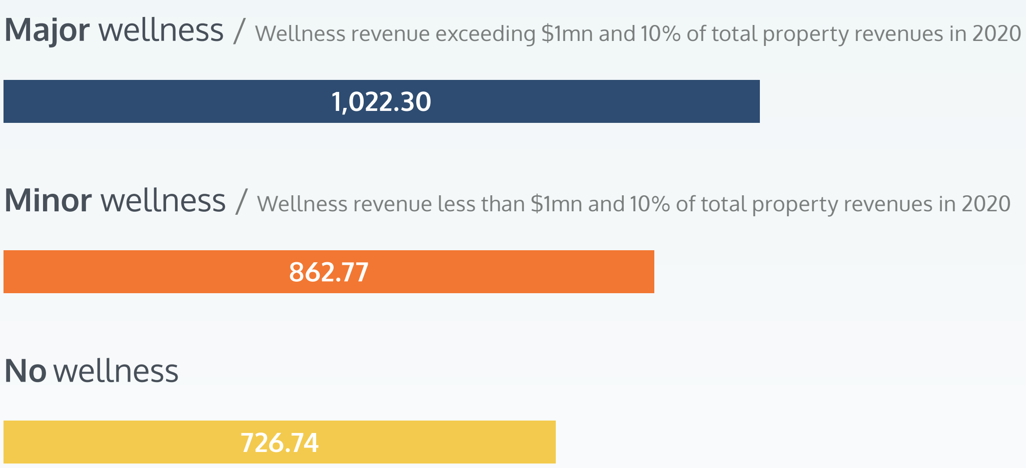
"During the early stages of the pandemic, resorts and luxury hotels were hit hard by the steep drop in international and domestic leisure demand, and the loss of ancillary revenues combined with their relatively larger fixed-cost base. However, with the ramp up of leisure demand, specific demand for staycations and focus on wellbeing, wellness and leisure resorts have seen record level ADRs and with a lower cost base versus prior pandemic, returned to profitability significantly quicker than city centre business hotels."

Michael Grove, Chief Operating Officer, HotStats

Food & Beverage performance

In 2020, major wellness hotels and resorts generated nearly 18.5% more in average F&B revenue at their restaurants than those properties with minor wellness and 40.7% higher than those properties with no wellness.

AVERAGE F&B REVENUE PER OUTLET IN 2020 ('000s US$)



source: HOTSTATS Hospitality Intelligence

The share of F&B revenue to total revenue was higher at minor wellness hotels (33.1%) when compared to major wellness hotels in 2020.

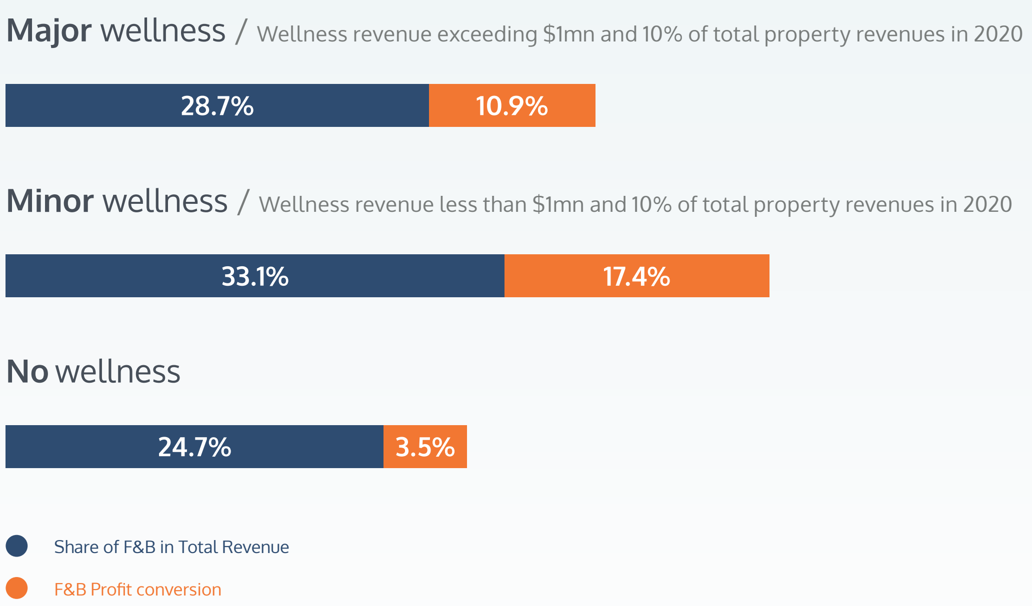
The sale of beverages partially contributed to the success of the F&B operations of major wellness properties in 2020. Beverage revenue per room at major wellness hotels was US$25.94 against US$9.79 at minor wellness properties and was more than three times the beverage revenue per room let at no-wellness properties. Beverage consumption is driven by the sale of beverage at the restaurants and bars, with a minor contribution from room service (10%). One point to note is that the contribution of beverage revenue to total F&B revenue at the bar is higher in no-wellness hotels (59%) than in minor wellness (51%) and major wellness (48%).

F&B performance continued...

Looking at the F&B profit conversion rates provides notable findings. Hotels with minor wellness outperformed their bigger rivals in terms of F&B profit conversion. The difference comes from higher operating costs incurred at major wellness properties. These findings support the general notion that F&B concepts and operations require close attention when offered at hotels with extensive wellness to ensure they translate into higher profits.

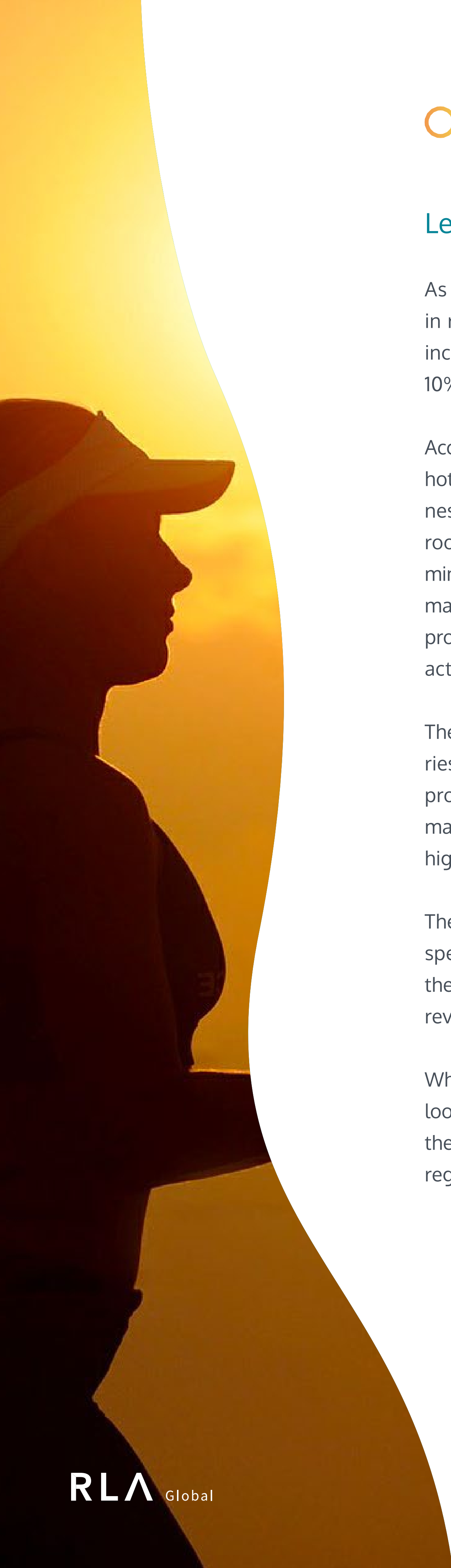
It is also remarkable that F&B profit conversion rates were 7.4 percentage points higher for properties with major wellness compared to no-wellness hotels, due to the significant lack of income from F&B outlets at hotels with no wellness. It is a clear indication that a wellness offering is not only a source of additional income but has an impact on the activity and performance of other non-room outlets at wellness properties.

F&B PROFIT CONVERSION RATES



source:
HOTSTATS
Hospitality Intelligence

"F&B is a crucial element of additional income, but caution must be to balance the major and minor wellness operations due to the high associated operating costs. The solution is to have a more efficient allocation of F&B space with optimal design to ensure utilisation is maximised."
Jason Wischhoff, Managing Director at Benihana, Japanese Teppan Steakhouse, part of Minor International



Leisure performance

Leisure revenue

As per the definition, major wellness properties generate more than US$1 mn in revenue and more than 10% of their total revenue from leisure activities, including golf, whilst minor wellness hotels make less than US$1 million and 10% of their total revenue from their leisure offerings.

According to the data provided by HotStats, leisure revenue at major wellness hotels is significantly more than the leisure revenue generated by minor wellness properties. Major wellness offerings represent US$91.3 per occupied room or 18% of the total hotel revenue on average against US$3.2 or 1% in minor wellness. This notable gap derives from the wider range of leisure offer in major wellness properties with specific spa treatments, tailored-made health programmes, extended fitness and outdoor facilities, beaches and extra leisure activities.

The difference in revenue from wellness offerings between the two categories of wellness properties translate into the profit conversion; however, not proportionally. Minor wellness properties saw a leisure profit of 21%, while major wellness drove a profit of 42% from revenues that were three times higher than their smaller counterparts.

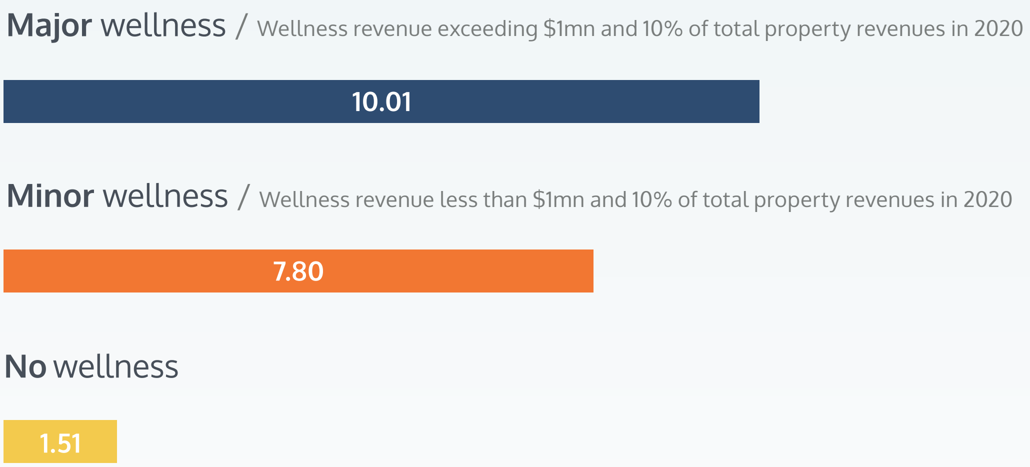
The leisure revenue and profit conversion must, however, be looked at in perspective of the investment. A long-term approach is required to understand if the wellness offering will provide a competitive advantage and whether the revenue generated will provide a reasonable rate of return to the investors.

When evaluating the profitability of leisure departments and taking a closer look at the cost components, the analysis shows that labour expenses represent the highest cost ratio versus revenues in the leisure departments of hotels, regardless of the wellness revenue threshold.

Profit levels

Gross operating profit per available room (GOPPAR) at hotels and resorts tend to be higher when a significant wellbeing offering is in place. This is not only through the enhanced spend from the direct wellbeing facilities, but also from increased use of suites, and increased high-end F&B spend.

DAILY GROSS OPERATING PROFIT PER AVAILABLE ROOM (GOPPAR US$)

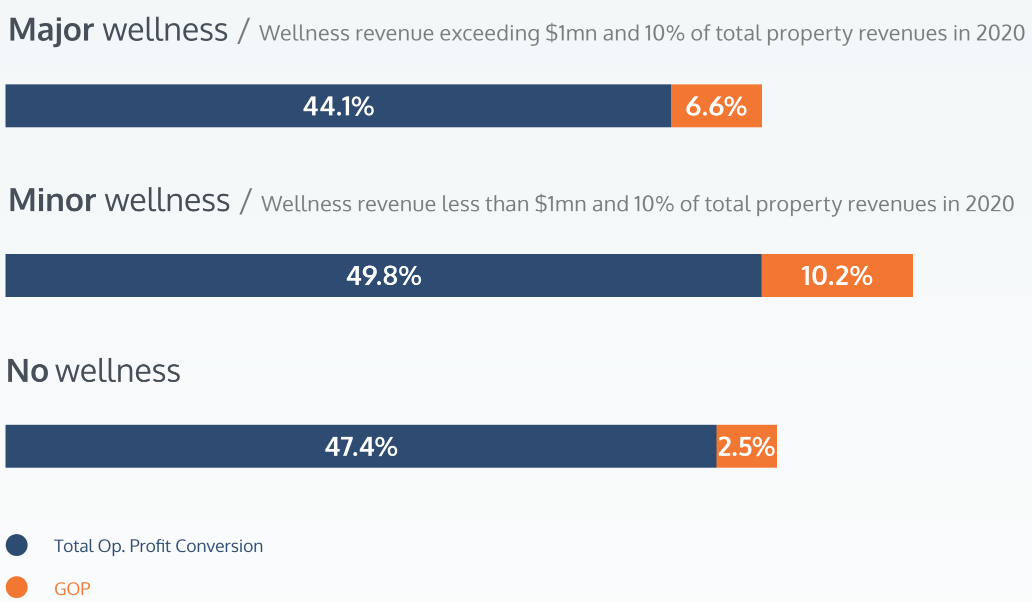


source: HOTSTATS Hospitality Intelligence

Wellness operations during the pandemic tended to leverage GOPPAR levels that are almost ten times higher than hotels with no wellness. Whilst those numbers are in line with previous trends, the pandemic in 2020 deepened the gap. Luxury hotels saw an increase in their average spending due to less price-sensitive guests and leveraged leisure and wellness income streams during the pandemic. Meanwhile, hotels with no wellness had little room for adaptability during the pandemic. Not being able to offset the loss in room revenue, hotels with no wellness experiences had significantly lower levels of GOP during 2020.

Wellness hotels typically have higher GOP performance. However, the development of such properties typically require a significant amount of extra capital prior and after the opening of the hotel. Investors assessing the viability of wellness investments need to consider both variables against return on investment and payback period.

IMPACT OF WELLNESS ON PROFITABILITY AT PROPERTY LEVEL



source: HOTSTATS Hospitality Intelligence

Although the GOP margin of major wellness hotels was also narrower compared to the properties with minor wellness, it was 4.3% higher than GOP margins in hotels with no wellness. In 2019, the GOP profit margin of hotels with no wellness was 36.2%, higher than the two other categories of properties. That reflects the impact of the pandemic on the performance of hospitality assets and points out the partial role of wellness in offsetting the impact of the Covid-19 travel restrictions on operating performance. Wellness services can cater to the local community which helped moderately counterbalance the loss in room revenue caused by the pandemic.

Conclusion of data findings

There are a number of headlines from the HotStats data of 3,200 hotel and resort properties from around the world that we analysed.

The first headline being that hotels with major wellness offerings generated nearly 75% more in TRevPAR on average compared to hotels with minor wellness in 2020, driven by a 65% higher ADR. Although it could be argued that it derives this from the luxury positioning of most major wellness properties, it is worth mentioning that this significant gap in TRevPAR was driven by a 34% higher performance in the leisure department.

The second headline is the GOP data, which indicates that running major wellness operations doesn't necessarily lead to a better bottom-line performance given that minor wellness properties outperformed major wellness with a 3.6% higher GOP and 5.7% better total operating profit conversion.

In summary: Real estate investors, developers and operators need to assess a number of factors when evaluating the 2020 report data. Whilst major wellness properties tend to result in a higher income than minor wellness properties, that is only significant if the context of the investment made in the wellness department is addressed. When assessing investments in wellness, investors should not only look at the potential profit from the wellness and leisure operations, but also the impact that such operations will have on the overall performance of each hotel department, and on the project's net operating income that drives the value and direct internal rate of return (IRR) of the project.

> *"Certainly, the pandemic has accelerated trends in the wellness industry that are now expected to become major considerations when developing real estate assets. However, stakeholders must measure the concrete effects of wellness investments in advance, with a focus on managing expectations of future profit."*
> Roger A. Allen, Group CEO, RLA Global

Industry trends influencing wellness in real estate

HOTELS AND RESORTS

In times past, wellness travel was synonymous with a visit to a spa resort. But no more. The Covid-19 era has brought to the forefront the idea that wellness travel is a broader health-motivated construct than mere pampering. There is a growing recognition that wellness seekers are looking to enhance not only their physical health, but their mental and spiritual health as well. At the same time, travelers are more concerned about the wellness value proposition of of the places they are visiting. Instead of taxing local resources, visitors are looking for regenerative travel opportunities, where the travel serves to better both the natural environment and the local community.

As expectations of the wellness traveler evolve, and the market for wellness travel broadens, developers of hotels and resorts catering to this segment must consider how to integrate wellness into projects from the ground up, and inside and out. Travelers are looking for holistic wellness experiences that extend throughout the resort complex. For example, the wellbeing experience is integrated into buildings through the use of natural materials, the incorporation of biophilic design and the inclusion of smart, state-of-the-art air circulation and water purification systems. Designing in indoor/outdoor spaces and using surrounding land for added wellness and leisure features may become *de rigueur* for new resorts.

Embracing the overall opportunities in the wellness hotel and resort sector, owners and developers have opted to expand their wellness offerings in recent years. Several of the world's largest hotel groups have entered the segment through acquisition or the development of new wellness-focused brands.

SECLUDED PRIVACY

As the concept of wellness became conflated with wide open spaces and privacy during the pandemic, there has been an increased demand in villa-style resorts and hotels that offer a design with a clear Covid-safe environment and larger common areas. LuxuryEscapes.com, which offers a range of high-end holiday packages, saw an increase of one million new subscribers in 2020, driven largely by the demand for villa-style resorts.

> *"Single level properties, outdoor experiences and a healthy environment was on the guest priority list when selecting a destination"*
>
> Paul Gorman, Head of Owner Engagement, Luxury Escapes

Gorman also noted that the US market interest for resorts that were not overly crowded and were remotely located has grown significantly over the last 18 months for Luxury Escapes.

The success of the private villa sector is an example of the pandemic accelerating a trend that was already nascent, as several big hospitality players jumped into the space in 2019. During that year, Homes & Villas by Marriott International launched, with a plan to build a portfolio of more than 25,000 homes around the world through partnerships with existing home-management companies. Airbnb Luxe was also introduced, featuring more than 2,000 vetted luxury homes around the world. By the end of 2020, Accor introduced an Apartments and Villas website dedicated to rentals of private residences. The site encompasses more than 50,000 apartments, villas and chalets, drawing from Accor's mixed-used developments, branded private residences (such as Raffles Residences, Banyan Tree Residences, etc.) and one-of-a-kind private rentals from onefinestay. Additionally, the luxury villa concept is being incorporated in the branded residence division of several hospitality companies.

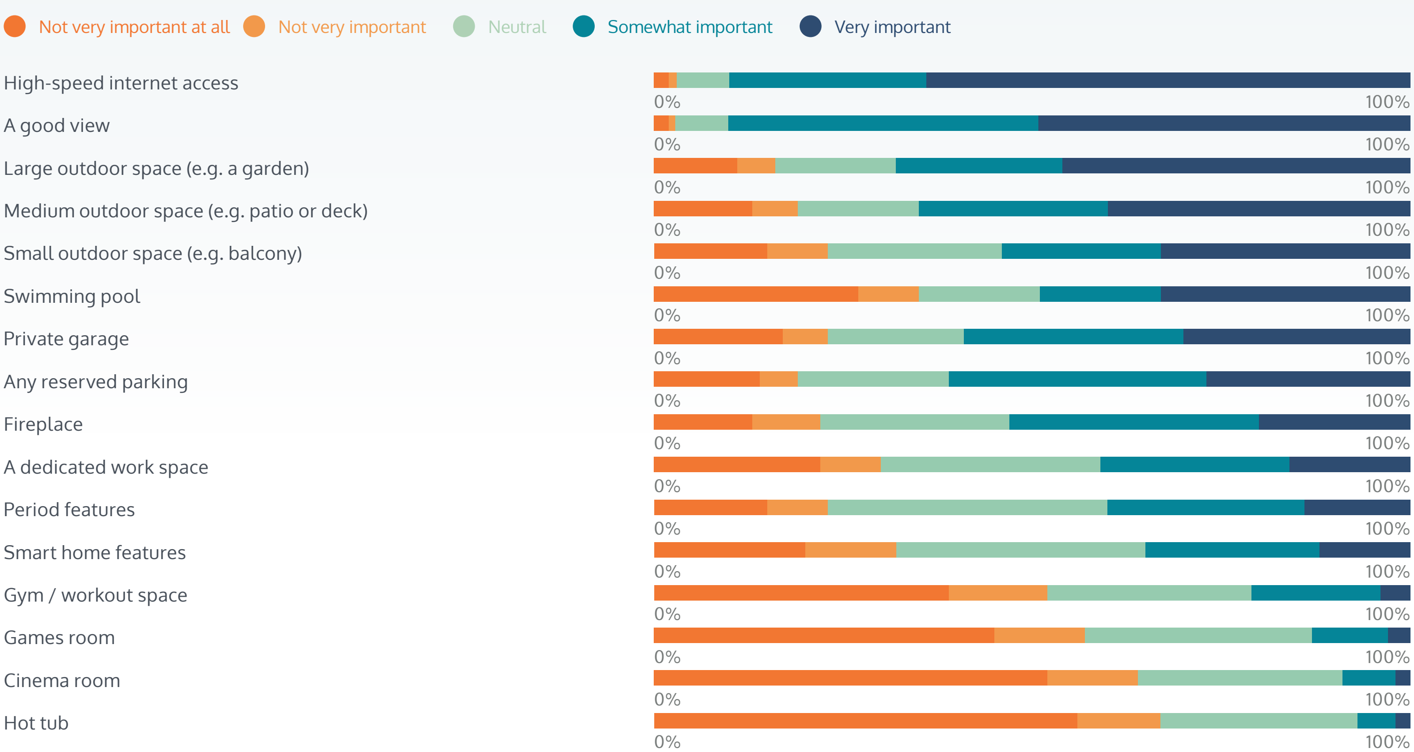
BRANDED RESIDENCES

Branded residence projects, traditionally defined as hotel developments with integrated residences, are attracting renewed customer interest as a result of growing global wealth and the post-Covid demand for real estate in less crowded, non-urban environments. Additionally, the recognition that work can, in many circumstances, be conducted away from a central office means owners have increased opportunity to utilize these "second homes" for longer periods of time.

During the past 10 years, branded residences have proven more resilient than many sectors of the real estate market. In the previous decade, the number of branded residences increased by 170%, adding more than 52,000 units across 370 schemes[3]. The concept can be appealing for developers, since branded residences sell for a global average price premium of 31% compared to non-branded products. It is important to note that the premium fluctuates wildly depending on location and market maturity. For example, in London and Singapore, the differential averages less than 10%, while in emerging markets like Belgrade and Almaty, it can soar to beyond 100%.
Sports and leisure activities have become key drivers, and hotels targeting second-home buyers need to be located close to demand generators, access to the beach, to green spaces or parks, or the countryside are at least of some importance to between 50 and 60% of property buyers. A home with a large garden is even more desirable, with 68% of buyers saying this is very important or somewhat important to them.

BUYER PREFERENCES

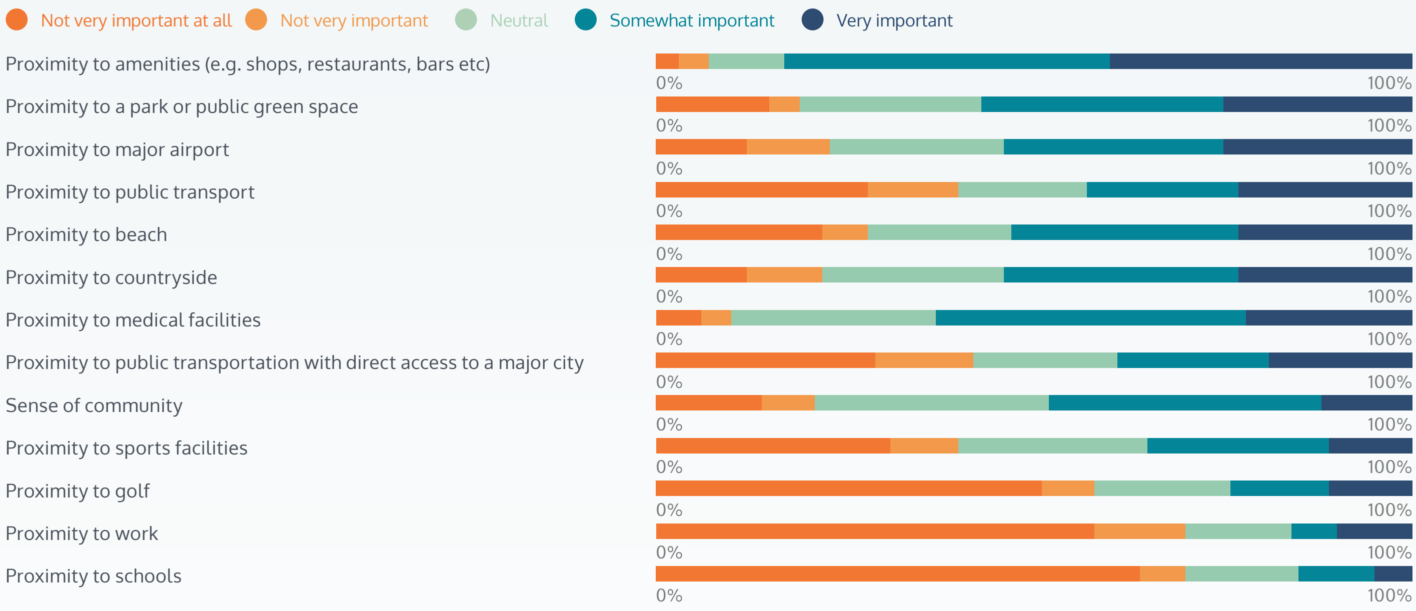
Amenities (Second home buyer data in France, Portugal, Italy and Spain)



Source: **Savills Global Residential Development Consultancy**

Buyer preferences continued...

Proximity (Second home buyer data in France, Portugal, Italy and Spain)



Source: **Savills Global Residential Development Consultancy**

"The concept of branded residences, from its inception, has been based on the provision of services and facilities that one would typically find in a hotel. Wellness and wellbeing amenities have therefore been a prerequisite of any competitive branded project. As the global markets mature, the provision of a pool, a gym and concierge services in a building is no longer seen as competitively differentiated. We are now seeing more experiential aspects being added as standard. A number of operators are exploring more medicalised and diagnostic services and facilities either on-site or in partnership with nearby medical centres."

Riyan Itani, MRICS, Director - Head of Consultancy, Global Residential Development, Savills

Branded residences continued...

Nearly every high-end hospitality company has added a branded residential component to its development portfolio during the past 15 years. That's why hospitality brands currently dominate the mixed-use concept (84%). However, in recent years, luxury brands outside of the hotel industry, such as Porsche, Armani and Nobu, have been entering the space.

It may be only a matter of time before consumer wellness brands join as well. Equinox has already entered the hotel sector, so branded residences could evolve from this development. La Prairie, the famous Swiss skincare brand, opened its first branded residence in Hong Kong at the end of 2020. Currently, the main wellness brands now in the space come from the world of hospitality. Canyon Ranch, Banyan Tree and Six Senses are among the hospitality brands that are adding residential components to their resorts.

WELLNESS REAL ESTATE COMMUNITIES

The Covid-19 era ushered in with it the realization that home is where the health is. Post-pandemic, interest in buying healthy homes and real estate in wellness communities is likely to grow as more people take greater consideration of how their living environments impact their physical, mental and emotional well-being. As a result, low-density communities designed to cater to wellness needs will become increasingly desirable. However, given the novelty of this interest, current development statistics don't reflect reaction to this potential demand.

An American LIVES survey of U.S. households with incomes over US$75,000 found more than 25% would want to live in a wellness community, while 38% were at least inclined to visit a wellness community and consider living there at least part time[4].

Currently, most of the traction in the wellness residential community space is coming out of the upper-upscale end of the market and from the active agers (55+) sector. The latter provides a potential model for age-agnostic wellness communities. In the United States, the active adult (55+) community market size was valued at US$523.4bn in 2019 and is expected to expand at a compound annual growth rate of around 4.3% from 2020 to 2027[5].

The newly or soon-to-be retired generations have different perspectives on aging than previous generations. Instead of looking for retirement homes that focus on health care, many are increasingly attracted to active adult (55+) communities, where the focus is on a wellness lifestyle. Those communities are filled with single-family homes or condominiums designed with wellbeing features. Often located near a nature asset, these developments place a strong emphasis on community spaces, programming and activities.

The main movement in the development of under-55 wellness communities sits at the highest end of the market. Right now, most high-end wellness communities are located in mixed-use residential/resort complexes, such as Carillon Miami Wellness Resort and Canyon Ranch Residences. In this arena, there's a great deal of overlap with the second home sector. In terms of dedicated wellness communities largely serving full-time residents, right now, there are few. Some examples include Villa Valencia in Coral Gables, Sunplay Bangsaray on the coast of Thailand, and Waterline Square in New York City. However, we believe that with a heightened interest in wellness living, the concept of dedicated wellness residential communities is a real estate trend whose time has come.

GLAMPING

Glamping is defined as an elevated form of camping that allows travelers to stay in unique accommodations (tents, treehouses, tiny houses) with services and amenities more often experienced at four- or five-star resorts. Certainly, the pandemic helped glamping leap from niche to more mainstream. Glamping-style resorts have witnessed explosive demand due to their ability to provide socially distant, stress-free and secluded sojourns with immersion in nature. During the past year, numerous scientific studies have highlighted the inherent mental and physical benefits of being outside. At the same time, the use of outdoor wellbeing experiences to improve the quality of life has been increasing exponentially[6].

In a forecast released prior to the Covid-19 pandemic, the global glamping market size, valued at US$1.8bn, was predicted to expand to US$5.41bn by 2028[7], with an annual growth rate of 14.1% from 2021 to 2028. Given the boost the sector has received during the Covid era (one of the few hospitality sectors that actually benefited from the pandemic), those forecasts may now be on the low side. In fact, glamping, a high-end form of camping that appeals to a broad range of travelers looking to spend more time outdoors, appears to be the right product for the right time.

While the type of safari tents often used by glamping developments were once solely associated with trips into the wilds of Africa, today, we see glamping resorts popping up throughout Europe and North America. While Europe has a 34.9% revenue share of the market in 2020, the North American glamping market is expected to expand at a faster annual growth rate (16.7%) through 2028.

Pre-Covid era factors fueling the growth of the sector included easier access to exotic, unconventional landscapes; the ability of social media to promote small, remote glamping sites at a low cost; and greater interest in outdoor adventure among luxury travelers. Camping growth has spurred another new form of tenting with wild camping, which involves setting-up several camps during a multi-day hike and eco adventure experience.

The glamping proposition is gaining traction among in the investment community thanks to high EBITDA margins and low upfront development costs. Hospitality operators that invest in tented projects can expect to generate a quicker return than their bricks-and-mortar counterparts.

As a result of such attractive numbers, and the growth of interest in glamping among travelers writ large, industry players have been able to secure multi-million-dollar deals from the investment community.

Trend watch

Of course, wellness in real estate does not exist in a bubble. Advancements in other industry sectors from technology to medicine, have had a significant impact on the sector. Investors and developers should be aware of these trends and the impact they may have on the performance of the project.

TECHNOLOGY

With gyms and spas closed for months at a time during the pandemic, consumers became accustomed to utilizing wellness apps to maintain physical and mental health at home. This accelerated expansion of digital wellness alternatives may have an impact on hotel development, as consumers may shift to preferring in-room fitness over a visit to the hotel gym.

Implications:

- Developers may be able to reduce or re-purpose the hotel wellness center by adding more in-room wellness solutions. This option is also made possible, at least for city hotels, with the expansion of apps like ClassPass, which allow users to take fitness classes at preferred gyms and yoga studios without having full membership.

- Expect more partnerships between hotel companies and third-party wellness brands. In the past year alone, Hyatt started a global wellness collaboration with Headspace focused on sleep improvement and mindfulness; Kempinski and CitizenM teamed with Peloton to provide guests with in-room equipment; and Accor partnered with AXA, a global leader in insurance, to provide guests with free access to medical teleconsultations.

- Smart technology will be increasingly employed for in-room guest wellness and comfort, including voice-controlled thermostats, circadian rhythm lighting to enhance sleep and smart air purification systems amongst many other emerging technologies.

Trend watch continued...

MEDICAL WELLNESS

In recent years, the concept of wellness tourism has increasingly overlapped with medical tourism. We are seeing a growing number of wellness resorts and retreats combining best practices from Eastern and Western medical disciplines.

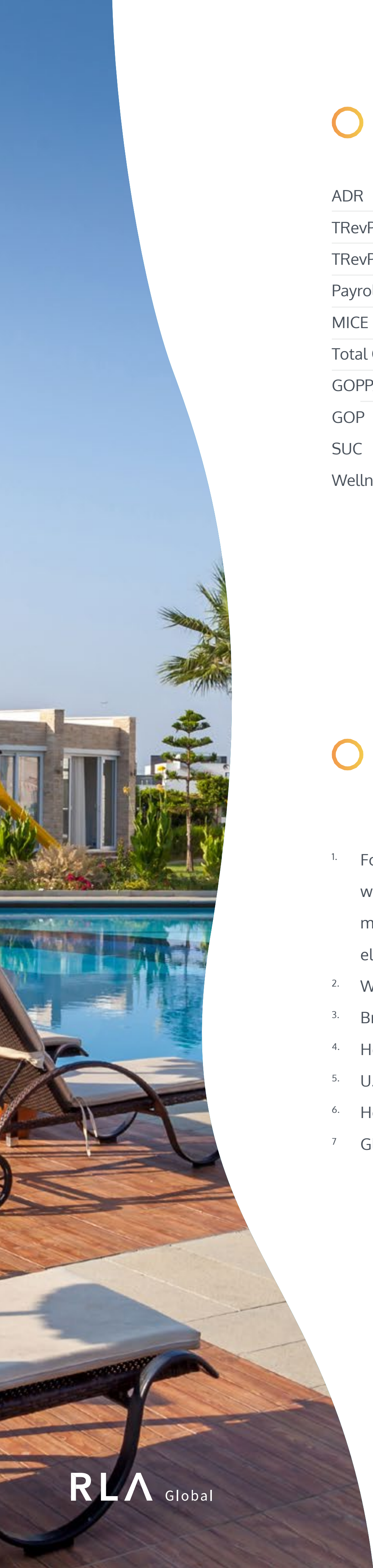
The concept of medical wellness is seen most prominently in medically-integrated facilities, where traditional alternative wellness therapies are complemented by state-of-the-art medical diagnostics, functional medicine alongside personal consultations with fitness, nutrition and health professionals.

The hybrid medical wellness traveler typically stays longer and spends more than the average wellness-only tourist. Most properties offering these types of services operate on a multi-day package structure that includes accommodations, diagnostics, treatments, services and education. While the per-day revenue of such a format can be up to three times greater than a per-night-plus-services approach, the costs involved in the facility set-up, especially in terms of staffing and equipment, are generally significantly higher as well.

More wellness-orientated projects are being developed near existing health complexes and/or partnerships with local health care systems to provide hotel guests access to top doctors and specialists.

Although independent trackable performance data is currently limited, health and medical facilities will certainly occupy a large space within the tourism industry.

> *"During the pandemic, the Lanserhof Group has seen a surge in guest demand for medical evaluations to assess their health risk. This has been supported with programs designed to boost the immune system and overall health."*
>
> Nils Behrens, Chief Marketing Officer, Lanserhof Group



Glossary of terms

ADR	Average Daily Rate
TRevPOR	Total Revenue Per Occupied Room
TRevPAR	Total Revenue Per Available Room
Payroll	Total amount of salaries and benefits
MICE	Meetings, Incentives, Conferences & Exhibitions
Total Operating Profit Conversion	Aggregate of all departmental profits
GOPPAR	Gross Operating Profit Per Available Room
GOP	Gross Operating Profit
SUC	Spa Utilization Credit
Wellness Data	The classification of the wellness data referenced follows the departmental categorisation of health club and spa according to Uniform Systems of Accounts for the Lodging Industry (USALI), the standard way of reporting trading data for the industry.

Sources

1. For the purposes of this report, we use the definition by the Global Wellness Institute (GWI) for wellness real estate: the construction of residential and commercial or institutional (office, hospitality, mixed-use or multi-family, medical and leisure) properties that incorporate intentional wellness elements in their design, materials and building as well as their amenities, services or programming.
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5. U.S. active adult (55+) community market size & trends, Grandview Research, 2020
6. How Does Nature Impact Our Wellbeing?, University of Minnesota
7. Glamping market size & trends report, Grandview Research, 2021

About RLA Global

RLA Global is a recognized global advisory to investors, owners, developers and management companies. Specialized in hospitality, leisure, recreation, wellbeing and tourism related to hotels, resorts, residential, mixed-use, healthcare, active living communities and destination tourism developments. RLA Global works closely with the public and private sector in the Americas, Europe, Middle East and Africa to provide conceptual planning, feasibility and financial analysis and asset management of complex properties such as resorts & hotels, health-wellness-medical & spa, leisure experiential and life enhancing destinations.

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