LIVING, NOT LODGING:

THE CONVERGENCE OF RESIDENTIAL, EXTENDED STAY & HOSPITALITY IN KSA

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In discussion with

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THE ASCOTT LIMITED SNAPSHOT

>1,000	>178,000	14	>230	>40
Properties	Keys	Brands Globally	Cities	Countries

The Ascott Limited Brands for the Middle East, Africa & Turkey

LUXURY	The Crest Collection
UPPER UPSCALE	ASCOTT; Oakwood PREMIER; THE UNLIMITED COLLECTION
UPSCALE	somerset; lyf; Oakwood
UPPER MIDSCALE	citadines

HOTELS VS. SERVICED APARTMENTS – A CAPITAL ALLOCATION CONVERSATION

- **This isn't a hospitality conversation**; it's **a capital allocation** conversation. I would like to emphasize on the guest experience – the Cost structure, the Margin conversion and the Exit optionality.
- **Investor lens:** SAs are essentially **residential real estate with a hospitality income engine** — bedroom-led cost structure, recurring flexi-stay revenue, lower operational volatility.
- A hotel is an operating business that happens to sit on real estate**. A serviced apartment is real estate that happens to have an operating business.**

SERVICED APARTMENTS –
DEVELOPMENT COST, MARGINS, LAND — THE NUMBERS SLIDE

SERVICED APARTMENTS	HOTEL
DEVELOPMENT COST	
SAs typically cost **20–30% less per key** (or per SQM) vs. a comparable full-service hotel.	

Drivers: Optimized MICE, F&B , smaller BOH areas, leaner public areas, smaller commercial kitchens.

SERVICED APARTMENTS	HOTEL
GFA EFFICIENCY	
Roughly **70–75% net-to-gross efficiency**	vs **~50–55%** for a full-service hotel

i.e. : far more of every square meter you build is revenue generating

SA's are much more efficient from a build POV

FF&E and pre-opening budgets also run materially lighter. Fewer outlets, less OS&E, smaller pre-opening teams

SERVICED APARTMENTS	HOTEL
PROFITABILITY MARGINS	
Some serviced apartment operators report GOP margins of 65–70%.	• 35–45% for luxury, • 25–35% for midscale, and 20–30% for economy.

A safe stage range for **institutional-grade SAs is 45–55% GOP**, with lean long-stay models pushing higher.

SERVICED APARTMENTS	HOTEL
THE DRIVER IS STAFFING:	
Long-stay SAs run 0.3–0.6 — payroll is the single biggest GOP swing factor.	full-service hotels in KSA run 1.5–2.5+ staff per key (luxury can exceed 2.5);

SA margins are heavily dependent on target mix. The more SA chases short stay business, the more facilities and staff it needs, converging toward the Hotel Cost model. This is an issue in KSA and the ME where I assume only 25-30% of business is truly long stay and rest is all short stay. This would impact your Margins.

SERVICED APARTMENTS – LAND USE & DEVELOPMENT CYCLE

LAND USE EFFICIENCY

- Lower parking ratios, no event/banqueting footprint, and simpler massing mean **SAs can work on smaller, secondary plots that wouldn't support a hotel — a real arbitrage in Riyadh where prime land values have inflated sharply.**
- **Higher efficiency ratio =** lower land cost per revenue-generating square metre, even on the same plot.

DEVELOPMENT CYCLE VS HOTEL

- **Design & Construction -** Repetitive modular floorplates reduce design and construction complexity. Design and space efficiency results into lower costs.
- **Typical serviced apartment build: 24–30 months** vs hotel at 36–48+ months
- Shorter pre-opening: **3–6 months** vs 9–12 months for luxury hotels
- **Ramp-up to stabilization:** Corporate-led long-stay demand can stabilize faster: **12–18 months** vs **24–36** months for hotels. This means earlier cash flow- Faster time to Revenue **For investors,** this is often the most persuasive point: faster time-to-revenue is faster time-to-refinance.
- **Faster cashflow = shorter negative carry = earlier refinance potential**
- **KSA – Specific –With Expo 2030 and giga projects delivery deadlines – Speed to market is itself a competitive weapon. A SA signed today could open inside the demand window vs a luxury hotel may not.**

MARKET TRENDS AND HEADROOM IN KSA

WHY NOW?

Vision 2030 is driving **demand from tourism, giga projects, events and relocation**

Riyadh Expo 2030 creates a hard demand window and urgency for speed-to-market

Saudi Arabia is broadening tourism beyond luxury into upscale and other asset segments / classes, e.g. Serviced Apartments

Serviced Apartments fit the needs of corporate, project-based, family and flexi-stay guests

KSA developers are mainly residential by DNA;
Serviced Apartments are a lower-friction hospitality entry point

EXIT OPTIONALITY:
MY STRONGEST ARGUMENT HAS ALWAYS BEEN THAT A HOTEL ESSENTIALLY HAS ONE EXIT: SELL THE ASSET TO A HOSPITALITY INVESTOR AT A HOTEL CAP RATE, WITH THE OPERATOR ENCUMBRANCE DISCOUNT. A SA HAS THREE OR FOUR EXIT ROUTES.

Exit 1 & 2:

- **Sell as stabilized income-producing hospitality asset,** with long stay contracts, lower volatility - attractive to institutional core / core plus capital that would not touch hotel's earnings volatility**. SA's trade closer to residential cap rates than hotel cap rates.**
- **Sell individual units** with or without rental pool to MNW investors at Residential pricing – typically a premium to the income – capitalized value. The new foreign ownership law none Saudis permitted to own residential property in zoned areas from January 2026) materially deepens the buyer pool – a brand new dynamic.

Exit 3 & 4: Conversion optionality

- **Convert** to pure residential with lower capex, or
- **Phased sale**—recycle capital while retaining operating core

Conclusion:

Wider buyer pool + multiple exit routes = lower exit risk = lower required return = higher land value the product can support.

A HOSPITALITY PRODUCT WITH REAL ESTATE LINEAGE

My concluding remarks are:

SA's sit at the intersection investors want- Residential-grade capital characteristics with hospitality-grade yields. Bedroom led cost base, lease-like income from long stays, hotel-style upside from short stays.

- **Lower earnings volatility through cycles:**
  - long-stay base business cushioned COVID-era SAs globally far better than transient hotels — occupancy floors of 50–60% when hotels fell to 20–30%. **Lenders notice; debt terms are typically better.**
- Institutional capital is now backing cross-border SA expansion precisely because the operating model is highly replicable and the sector offers scale and consolidation opportunity.

- **For KSA developers specifically: most are residential developers by DNA, not hoteliers. An SA is the lowest-friction entry into hospitality**
- **The SA to branded residences continuum is the same lineage – hospitality brand value monetized through real estate, not just room nights**
- **This is the "Living, Not Lodging" thesis in one line**