

Room for growth

The head of Von der Heyden Group, Sven von der Heyden talks to *PM's* Rosemary Griffin about the company's projects, management strategy and how he thinks Euro 2012 will affect the hospitality sector

Griffin: What percentage of VDHG's activities are in the hospitality sector?

Von der Heyden: We are heavily increasing our presence and IBB Hotels is currently negotiating some ten Hotel transactions in Poland, Germany and Spain. The overall percentage is probably close to 30 percent by now.

Griffin: What challenges exist in Poland that aren't an issue in Germany?

Von der Heyden: The biggest challenges facing Poland are the mediocre infrastructure and heavily rising salaries. Red-tape is certainly an issue as well, yet this has improved substantially. The new government is inspiring confidence that economic or administrative decisions are no longer based on politics, but rather on common sense and economics.

Griffin: What currently characterises the Polish hospitality market?

Von der Heyden: A boom! In the interest of all hoteliers, and eventually all investors who own hotels, I just pray that it is not heating up too much, because there are many signs which worry me, despite all the positive trends. Take Łódź, just a year ago there was no decent hotel and in such a short period of time we hear that various respectable companies have made long term commitments to the city. Does Łódź need so many four- or five-star hotels? I doubt it.

Griffin: How do you think these trends will develop in the future?

Von der Heyden: Euro 2012 will certainly stimulate the Polish economy, but we are keeping our feet firmly on the ground. Studies have shown that the World Cup in Germany in 2006 certainly helped Germany to showcase itself to the world and create a nice image of the country and its citizens, but the actual economic impact was minimal.

Griffin: What determines whether a hotel is successful or not in Poland?

Von der Heyden: The criteria are no different in Poland than in other

countries. Service, location and the building needs to meet the real needs of travellers. Given the beauty of the planet we live on and cheap air-fares, I believe more in the business hotel concept for Poland—centrally-located and well-built. The Polish weather simply doesn't allow for a massive influx of tourists throughout the whole year.

Griffin: Your projects Andersia Tower, Długi Targ and Grand Hotel Lublinianka are all outside the capital, why did you decide to invest in secondary cities?

Von der Heyden: When we entered the hotel market in Poland, I felt that the Warsaw market was overheated. In fact, room rates were starting to fall to levels nobody has ever paid for a five star hotel in Europe. There was no logic in spending EUR 250,000 per key on a hotel which generates an average room rate of EUR 80. Being a small developer and extremely agile, we have to try to be a step ahead every day, and believe me, this is a real challenge.

Griffin: The Długi Targ project in Gdańsk involves the refurbishment of an existing historical building, how difficult was it to reconcile the character of the building with modern requirements?

Von der Heyden: We love this kind of architectural challenge. In fact we're refurbishing three 18th century buildings and adding a building in the courtyard, which is in keeping with the historic architecture of Gdańsk. I am aware that this is a nightmare to many architects. However I prefer to be very modern in terms of installations, gimmicks and little "unnecessary" items such as flat screen TVs in the bathrooms.

Griffin: Do IBB manage all of your hotels?

Von der Heyden: So far yes, but we're also considering buying hotels which are operated by other hotel management firms.

Griffin: What is the relationship between IBB and VDHG? It seems that there are three groups at play here—brand managers, administrator-managers and developers of hotels. How do you see this triangle work?

Von der Heyden: It is always a huge challenge to make a team work, but I'm happy with the results. Take Poznań, in only six months we have managed to be first or second in terms of average room rate and are above the average occupancy in the city. This is due to an excellent local management team and the fact that our employees have delivered a great building.

Griffin: What are your future plans for the Polish hospitality market?

Von der Heyden: We are cautiously expanding, but we only dive in if it makes sense for IBB Hotels or us as investors. For example in Kraków we are now actively analyzing the tenth project and aren't giving up. The deals we've looked at so far in this booming city were either overpriced or the owners/sellers have decided to go for another operator.

Griffin: What are your most significant non-hotel projects currently under development?

Von der Heyden: We're heavily expanding our residential portfolio in Germany, mainly in secondary cities. At the same time we have a EUR 100m office project in Munich in a prominent location and will start an international architects competition any minute now.

Griffin: How important is sustainability in VDHG's projects?

Von der Heyden: Sustainability is obviously becoming more and more important, however, I fear that some developers are more driven by media hype rather than what makes economic sense. You have to evaluate very carefully what investments really make sense and will give our environment and tenants a real advantage.

Griffin: What aspects of sustainability are particularly relevant to the hospitality sector?

Von der Heyden: The first issue which comes to my mind is cleaning towels and crockery every day. Second on the list is the ignorant use of air conditioning systems in empty rooms. We still have a long way to go, but I am sure that it's not only the hotel industry that has started to go down the right path when it comes to trying to make our world a better place to live.

