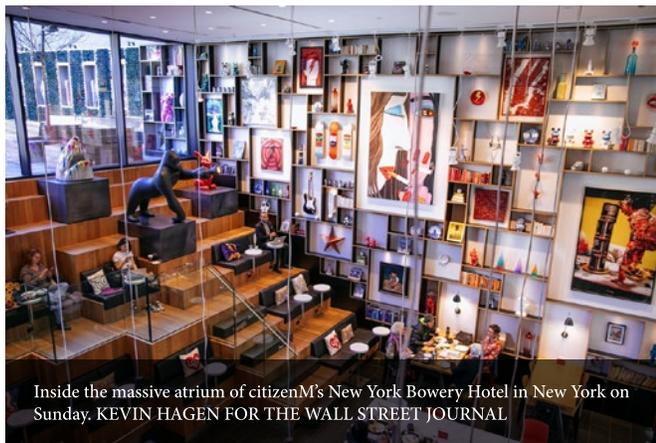


REAL ESTATE | BY ESTHER FUNG | MAR 26, 2019

Singapore Government Taking Stake in Boutique Hotel Operator

citizenM is one of a small but growing number of microhotel brands



Inside the massive atrium of citizenM's New York Bowery Hotel in New York on Sunday. KEVIN HAGEN FOR THE WALL STREET JOURNAL

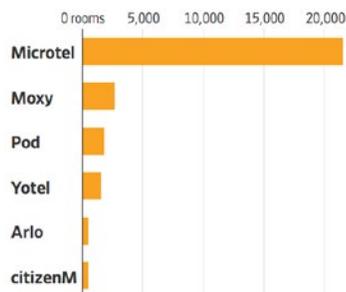
A giant Singapore government-run fund has acquired a 25% stake in Dutch hotel company citizenM, providing a cash boost to the owner and operator of microhotels, as it ramps up a global expansion.

The sovereign-wealth fund, GIC Pte. Ltd., confirmed the investment but declined to provide financial terms. Its stake brings citizenM's enterprise value, which includes debt, to €2 billion (\$2.3 billion), the lodging company said.

CitizenM is one of a small but growing number of microhotel brands, which stack up hundreds of smaller rooms and focus on modern design while turning lobbies into social hubs. Many don't have a full restaurant, offering a cafe or a bar with grab-and-go food service.

Going Big on Small

Six of the biggest microhotel brands, which offer smaller rooms, by number of rooms in the U.S.



Source: STR

These brands, which include Yotel, Pod Hotels and Arlo Hotels, have become a hit with travelers in New York City, London and other global capitals.

CitizenM "is well received by customers who are increasingly placing value in experience and authenticity," Lee Kok Sun, chief investment officer of GIC Real Estate, said in a

statement.

Even some of the big global hotel operators have entered this segment of the market, including Marriott International Inc. with its Moxy Hotels brand. Wyndham Hotels & Resorts Inc. last week launched a new design for its Microtel brand, which the company said will help to minimize land requirements by 11%.

There are 330 microhotels with 28,845 rooms and another 14 hotels with 2,610 rooms currently under construction, according to data from STR Inc., which excludes independent hotels and smaller chains.

While the broader hotel industry's nearly decadelong expansion looks vulnerable from new supply, and as U.S. economic growth shows signs of slowing, there is room for creative hotel concepts, said Rattan Chadha, founder and executive chairman of citizenM.

"There's a shift in consumer behavior," he said.

He suggests that the typical business traveler hotels can frustrate or bore frequent travelers with long lines at the check-in counter and empty lobbies. His hotels offer self-check-in, lobbies furnished with modern art, and tables fitted with power outlets for guests to plug in their laptops.



In September, citizenM opened its second property in New York, a hotel with 300 rooms at 189 Bowery. Shown, the citizenM New York Bowery Hotel on Sunday. PHOTO: KEVIN HAGEN FOR THE WALL STREET JOURNAL

At one of citizenM's New York locations, each room is around 190 square feet compared with the typical industry standard of 250 to 300 square feet.

Many industry analysts loosely define such hotels as having smaller-than-average hotel rooms with modern, high-end furnishings. CitizenM prefers to call itself an "affordable luxury" brand.

These properties won't appeal to every traveler,

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Inside one of the rooms at the citizenM New York Bowery Hotel in Manhattan.
PHOTOS: KEVIN HAGEN FOR THE WALL STREET JOURNAL

such as families with young children. So far, microhotels' expansion has been primarily in big cities, where land is more expensive and scarce. Most brands have yet to prove that this model will work in second-tier cities with fewer foreign travelers, who have made up a big portion of guests at these hotels.

But these properties also appeal to "millennial travelers who are not looking for frills in the room, as they prefer to spend time visiting the area around," said Jan Freitag, senior vice

president at STR Inc.

Founded in 2008, citizenM has a portfolio of 15 hotels in eight countries and cities like Amsterdam, London, New York and Shanghai. In September, citizenM opened its second property in New York, a hotel with 300 rooms at 189 Bowery.

The 21-story Bowery hotel was also built with a modular construction approach where pieces of the building are built in a factory and then sent to the site to be assembled.

This year, it plans to open hotels in Boston and Seattle. CitizenM said it has 25 hotels in the pipeline and is looking to grow its presence in more cities, such as Washington, D.C.; Chicago; Denver; and Austin, Texas; to appeal to more business travelers.

Private-equity firm KRC Capital, which was founded by Mr. Chadha, and Dutch pension fund manager APG Group NV own the other 75% of the company. The three owners have committed to invest a further €750 million for future expansion, the company said.



The lobby of the citizenM New York Bowery Hotel PHOTO: KEVIN HAGEN FOR THE WALL STREET JOURNAL