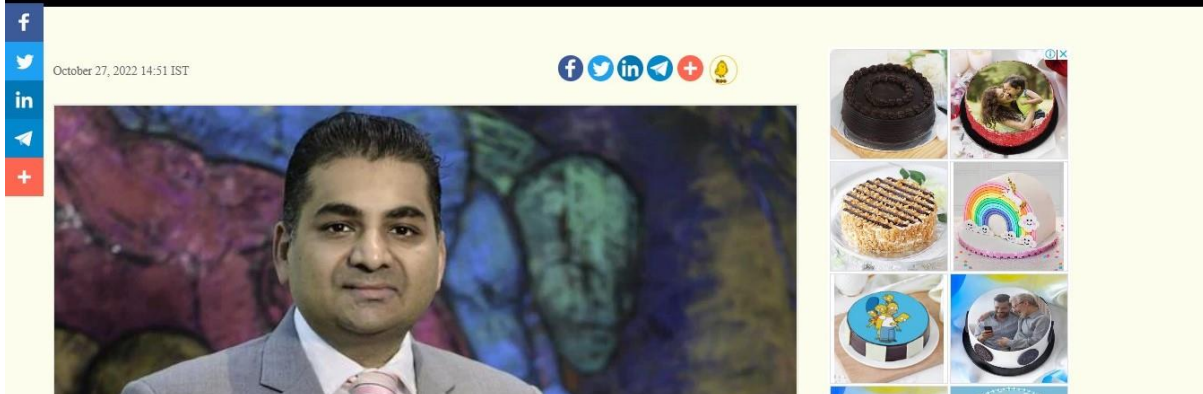


## The natural synergy between real estate and hospitality can be leveraged for a disruptive way of real estate investment



Mr. Vaibhav Jatia, Managing Director, Rhythm Hospitality

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The Indian hospitality and realty spaces have witnessed tremendous growth in recent years. And even though the pandemic adversely impacted both sectors, they are now looking at a strong comeback as Indian markets have reopened. India is also witnessing a surge of investment from millennials and NRIs which is helping the sectors to revive and move along an upward growth trajectory. Both these sectors are constantly evolving and coming up with different models to cater to different audiences, tapping into the potential of formerly unexplored territory.

### The ResiTel Concept

The concept of ResiTel has already been implemented successfully in other parts of the world, such as the USA, UK, Latin America, and Middle-Eastern countries. In essence, ResiTel is a concept that juxtaposes Residence (Resi) with Hotel (Tel), bridging the gap between real estate and hospitality. It allows owners to invest in a suite unit in a resort and conveniently enjoy it like a vacation home as well as a source of rental income. The unit owner gets to use the suite for a certain number of days annually, and for the rest of the year, the unit is used to accommodate guests as part of the resort inventory. The unit owner receives part of the proceeds from this revenue, after deducting operating expenses, which facilitates a regular income for them. The investment is completely hassle-free as all operations, maintenance and other requirements are taken care of by the resort management company - in this case, Rhythm ResiTel.

When we implemented the ResiTel concept in India back in 2010, the market was not exposed to it and even the banks did not understand how to partner with or fund such assets. prospective unit owners were unaware of how to evaluate investments in these projects or how to consider buying units. So, we had to impart a lot of learning to all the

investments in these projects or how to consider buying units. So, we had to impart a lot of learning to all the stakeholders involved.

Initially, a lot of players in the hospitality industry thought that the ResiTel model would be difficult to implement in India. But now, with the tremendous changes and developments in the sector, other established hotel brands are also trying to implement similar models. We have amply demonstrated the viability of our business model, and have received huge appreciation for it.

### **Turning stressed assets into opportunities**

The COVID-19 pandemic led to a massive disruption across the entire hospitality industry and it was difficult for many players to manage and maintain continuous operations. A lot of properties were falling within the stressed assets prerogative, for example Aveda Kumarakom. It is situated in the backwaters of Kerala with a beautiful view of Lake Vembanad. Here, we stepped in and invested INR 9.1 Cr towards a one-time settlement for the existing debts, with an agreement to renovate and operate the property according to the ResiTel model.

We think that Aveda Kumarakom is a great case study to understand how to resolve such debt issues for assets when there is no other viable financial solution. There are other properties too, which are in a similar predicament, and we think a lot of them can undergo the same kind of conversion - from a normal operating asset to a ResiTel property. We believe that Rhythm is in an optimum position to provide comprehensive solutions for all concerned stakeholders.

### **Joining Hands with MTDC Matheran Resort**

To revive and explore different modes to develop and promote tourism in Maharashtra, Maharashtra Tourism Development Corporation has created an extremely forward-looking policy of privatising some of the state-run resorts. We are honoured and glad to partner with MTDC to help translate their vision into reality. Matheran is a spectacular hill station near Mumbai and has a great old-world charm, however, it has not reached its full potential as a tourist

hill station near Mumbai and has a great old-world charm, however, it has not reached its full potential as a tourist destination, and needs to be developed more. Through this partnership we will provide support in renovating the establishment and offering our signature high-quality services at the state-run resort.

We have a long-term lease-cum-concession agreement with MTDC where we, as the operator, are required to contribute capital towards the further development of the property and operate it under a revenue-share model with MTDC.

### **Future of ResiTel**

ResiTel is a model which can be successfully implemented at a larger scale in India, and has the potential to grow exponentially. We are constantly endeavouring to expand the ResiTel footprint within Maharashtra, as well as across other parts of the country. India is a wonderful nation and each state has a lot to offer. We are working on projects in Rajasthan which offer a fantastic opportunity to us because of the rich folklore and heritage of the state. Also, we have projects in Coorg, Karnataka, which is another pristine leisure destination with ideal climatic conditions all year round. Furthermore, there are many other spots in Maharashtra such as Sindhudurg and Igatpuri that can be explored and their real potential can be tapped into.