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Platform investing in real estate: Unlocking value through operational exposure

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Key takeaways:

- Platform investing involves a 'private-equity style' strategy, where real estate platforms are acquired and potential returns generated via the revenues of operating businesses.
- Enhancing returns of the operating platforms may be possible by utilising a range of value-creation levers
- Great examples of well-executed platform investing are the cases of **Motel One Group** and **a&o Hostels**[1], both of which have seen significant value creation following investment.

1 **Case study provided for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security. Past performance is not a guide to the future.**

Introduction

We believe that real estate investing is shifting, with investors seeing the value in supplementing traditional strategies – focused primarily on rental income, capital appreciation and asset-level optimisation – with complementary investments that offer potential additional return drivers and diversification benefits[2], helping to meet evolving portfolio objectives.

As a result, attention is increasingly turning to operating-intensive real estate sectors where value creation is driven not only by the appreciation of underlying assets, but by the performance and scalability of the businesses that are operated from them.

By investing in operating platforms with established business models and supporting their expansion through a private equity-style investment approach, asset managers with the required expertise may be able to offer investors access to broader value-creation levers than those available through conventional property ownership.

This paper explores what platform investing means in a real estate context and why it could be attractive for investors. We'll also assess how asset managers can actively influence outcomes after taking stakes in operating platforms.

These themes are brought to life through a case study of Motel One, which grew from a domestic German hotel operator into a pan-European platform following a growth equity investment, and a&o Hostels, an ongoing example of value creation.

2 **It should be noted that diversification is no guarantee against a loss in a declining market.**

1. Why platform investing?

Real estate platform investing – an overview

Platform investing in real estate focuses on acquiring and growing real estate-related operating companies, rather than simply owning individual assets. In this style of investing, managers typically control or influence a portfolio of properties through ownership, leasing or management arrangements. This allows for returns to be potentially generated via a combination of operating profits, expansion and eventual exit at a premium valuation.

The approach differs meaningfully from traditional real estate investing. Rather than relying primarily on contracted rental income, lease structures and capital expenditure to drive value, platform investing links returns directly to the business revenues and EBITDA of the entities operating out of real estate assets.

In examples where investment is made in larger real estate platforms, revenues may often be generated across multiple locations and geographies. The result is potential exposure to a wider opportunity set – and a different pattern of return drivers – offering the opportunity for greater diversification[3] within portfolios.

A private equity-style approach

Platform investing in real estate borrows heavily from the private equity growth equity playbook. At its core is a focus on backing businesses that are already profitable and capable of scaling through organic growth, bolt-on acquisitions and operational improvement.

Investment managers take an active ownership role, influencing governance, management and strategy, with the goal of building an institutional-quality business.

The approach typically incorporates multiple value-creation levers:

- **Operational alpha**, achieved through enhancing management capability, improving systems and processes, and driving margin expansion.
- **Bolt-on acquisitions**, enabling platforms to consolidate markets, enter new geographies or expand product offerings efficiently.
- **Capital and investment structuring**, designed with the aim of creating asymmetric return profiles by mitigating against downside risk while retaining upside potential.
- **Platform premium on exit**, is sometimes possible as buyers often pay above the underlying real estate NAV for a scalable business with proven growth capacity.

This style of investing seeks to generate a larger portion of returns from operations rather than financial leverage. In doing so, it may be able to offer return profiles that are less tightly correlated with real estate valuation cycles, while still retaining a tangible link to physical assets.

2. The role of investment managers and the value-creation toolkit

As established above, a defining feature of platform investing is the degree of influence the investment manager can exert post-acquisition. Value creation is not passive; it is the result of targeted, deliberate actions taken over the life of the investment.

Structuring for asymmetric outcomes

At entry, transactions may be able to be structured with a strong focus on mitigating downside risk. This could involve issuing preferred equity, reshaping governance rights, opting for staged capital deployment or introducing performance-linked mechanisms designed to manage execution risk while preserving upside participation.

Driving operational excellence

Platform investing deliberately focuses resources on improving the underlying business. This can include:

- Strengthening governance and adding senior leadership with experience in scaling multi-site operations.
- Investing in technology, revenue management systems and customer experience to support sustainable growth.
- Aligning incentives across management and shareholders to reinforce long-term value creation.

Scaling through providing growth equity capital

The provision of growth equity capital may enable platforms to expand organically or pursue bolt-on acquisitions. Bolt-ons can typically be integrated into existing systems, offering the potential to reduce execution risk relative to standalone acquisitions. The cumulative effect is often a business with increasing scale, resilience and strategic value.

Ultimately, by the time of exit, the objective is to have created a platform with documented processes, comprehensive expertise across management and a visible pipeline of future growth opportunities – attributes that acquirers may be willing to pay for.

3 It should be noted that diversification is no guarantee against a loss in a declining market.

3. Motel One – a study in growth and cross-continent expansion[4]

The example of German hotel group Motel One shows how platform investing can sharpen focus, generate additional revenues and expand operations.

Background to the investment

The investment into German-based Motel One Group was made in 2019 as part of a recapitalisation process, with an exit subsequently occurring in mid-2024. At the time of investment, Motel One accounted for 12 hotels and approximately 1,500 rooms – all in Germany.

The recapitalisation provided liquidity while supporting the next phase of growth. The investment was designed to accelerate scale rather than restructure a distressed platform, with Motel One already demonstrating strength as an operating platform within its sector.

Scaling the platform

Over the investment period, Motel One underwent significant expansion. By time of exit, the platform had grown to 99 hotels with more than 28,000 rooms across 15 European countries. It was transformed from a domestic-only business into a pan-European hospitality operator.

Growth was achieved through a combination of organic development and disciplined execution, supported by targeted operational enhancements.

Outcomes

The results illustrate the potential of platform investing when executed successfully. From 2019 to exit, the Motel One portfolio generated more than €100 million of EBITDA, achieving an exit valuation of €1.25 billion.

The exit strategy focused on maximising strategic value, culminating in the sale of the platform stake to the company's founder, reflecting the premium attributed to a scaled, institutional-quality operating business.

Key value creation initiatives

Several initiatives were implemented to support this expansion:

- **Management enhancement**: A Co-CEO was appointed to lead international growth, strengthening leadership capacity as geographic complexity increased.
- **Platform buildout**: A dedicated development team was established, enabling rapid scaling and contributing to a stepchange in room count.
- **Capital efficiency**: The ownership model evolved from asset-heavy to a hybrid ownership and leasing structure, improving capital efficiency while supporting expansion.
- **Product diversification**: The launch of the upscale sister brand, The Cloud One Hotels, expanded the addressable market and created an additional avenue for growth beyond the group's core offering.

Together, these initiatives reflect the impact the application of private equity-style levers can have within real estate platform investing.

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Source: Proprium, as of 31 December 2025. Past performance is not a guide to the future.

The information provided herein is for information purposes only to illustrate a typical platform investment strategy. A complete list of Proprium's investment recommendations is available upon request, including the performance results of the portfolio that executed this strategy. It should not be assumed that Proprium's investment recommendations made in the future will be profitable or will be comparable to the performance of the securities above.

4. a&o Hostels – an ongoing example of value creation

An ongoing example of how this investment strategy is delivering value for a platform today can be seen in the example of a&o Hostels.

Background to the investment

a&o Hostels is a hostel platform seen as being poised for growth. It was acquired in late-2023, with its highly profitable business model and track-record of double-digit development yields proving attractive.

Scaling the platform

Post-acquisition, the platform acquired seven new hostels in under 18 months. The platform's bed count also increased by approximately 8,400 as part of growth efforts.

Key value creation initiatives

Among initiatives undertaken to support expansion were:

- Replacing the Chief Investment Officer and adding resources in the platform's investment and project development teams.
- Committing 85% of growth equity towards return-accretive initiatives in the first 18 months post-acquisition.
- Introducing self-check-in kiosks and launching a customer review improvement strategy.

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Outcomes

a&o is en route to becoming an institutional-quality leading European budget hospitality platform, with proven growth capabilities across multiple jurisdictions to unlock a platform premium.

5. Platform investing – the investor view

These case studies demonstrate how platform investing can complement traditional real estate allocations. By shifting exposure from individual assets to scalable operating businesses, investors have the potential to gain access to additional sources of return while maintaining alignment with long-term real estate demand drivers.

In particular, platform investing offers the potential for:

- **Return enhancement**, driven by operational and strategic value creation rather than reliance on leverage or yield compression.
- **Diversification benefits,** as returns are influenced by business growth and execution rather than purely by property market cycles.
- **Broader opportunity sets,** particularly within operationally intensive sectors such as hospitality, where management quality and scale are critical differentiators.

While platform investing introduces complexity and execution risk, the evidence suggests that, for specialist managers with appropriate expertise, it can play a valuable role within a modern real estate portfolio, with the potential to enhance both the balance and resilience of investor outcomes.

It should be noted that diversification is no guarantee against a loss in a declining market.

Contact us:

For further information about the Asset Management business of L&G, please visit **am.landg.com** or contact your usual L&G representative.

Key risk

The value of any investment and any income taken from it is not guaranteed and can go down as well as up, and investors may get back less than the amount originally invested.

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