

# EMEA HOTELS MONITOR

FEBRUARY 2016

ISSUE 17





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## FEBRUARY 2016

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### Introduction

Although the political landscape across the region was little changed in the last six months of 2015 in Europe, it remains to be seen what the impact of a new 'ultra-conservative' government in Poland will be (which recently nationalised local media and elements of the financial sector). Multiple attacks in Paris on 13 November had major ripple effects across Europe, where even London saw disappointing results in December. The year ended with a spectacular blaze at The Address Downtown in Dubai, but fortunately the cause was poor wiring rather than anything more sinister.

2015 resulted in encouragingly positive overall performances for the hotel markets of Europe, whereby the RevPAR of Europe recorded its 71<sup>st</sup> month of continuous growth and 2015 saw growth over 2014 of over 7%. Surely such positive trends will result in increased development activity in Europe in 2016.

The last six months of 2015 were marked by two mega deals as the big brands consolidated into bigger brands, with Accor acquiring FRHI and Marriott acquiring Starwood. Not to be outdone, the EMEA region recorded its highest transactions volume for 10 years, with activity in Spain clearly picking up pace and Cristiano Ronaldo consolidating his position as a member of the hotel owner-sphere. However, as highlighted in our 11<sup>th</sup> New Year Hotel Investment Summit in January, the deal of the year for us was the sale of the iconic Gleneagles Hotel in Torquay, the inspiration for surely the world's most famous hotelier, Basil Fawlty.

**Surely such positive trends will result in increased development activity in Europe in 2016.**

Back by popular demand, our back-page feature is an update of the consensus yield matrix we last published 12 months ago.

### Philip Camble

*Director, Whitebridge Hospitality  
Editor, EMEA Hotels Monitor*

## Performance Trends

Jan-Dec City	2015			2014	
	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	132.92	78.2	103.89	122.64	75.7
Berlin	93.86	76.4	71.72	89.29	74.1
Budapest	73.47	73.2	53.75	67.62	69.0
Cairo	95.57	53.5	51.11	80.08	44.6
Cape Town	98.73	66.1	65.28	88.82	67.6
Copenhagen	129.77	78.3	101.55	123.57	72.9
Dubai	198.95	76.9	153.01	179.90	78.7
Dublin	112.29	82.2	92.25	95.50	78.3
Edinburgh	121.86	81.5	99.33	107.97	80.4
Helsinki	98.56	67.5	66.57	99.77	65.5
Istanbul	121.38	64.9	78.73	130.02	65.0
London	199.42	82.2	163.84	175.27	83.0
Madrid	94.38	69.0	65.14	85.29	64.8
Milan	155.58	69.4	107.92	130.41	63.4
Moscow	79.74	61.0	48.62	103.32	60.2
Muscat	190.55	62.7	119.42	175.21	65.6
Paris	255.80	76.5	195.58	247.71	80.3
Prague	79.05	75.2	59.44	72.55	70.6
Riyadh	211.91	57.8	122.49	177.69	59.3
Rome	152.42	68.4	104.33	144.50	68.8
Vienna	100.60	72.9	73.29	96.09	72.2
Warsaw	65.82	74.5	49.04	63.57	70.0
Zurich	222.90	73.5	163.77	197.57	73.1

Source: STR Global

- The European hotel industry recorded positive YE 2015 results in the three key performance metrics compared with 2014: a +2.3% increase in occupancy (to 70.1%), a +4.6% increase in ADR (to EUR112.16) and a +7.1% increase in RevPAR (to EUR78.68).
- Markets that had the strongest y-o-y RevPAR growth included: Milan (+30.5%, mainly due to Expo), Dublin (+23.4%) and Madrid (+17.9%).

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
92.90	10.28	8.4	2.4	3.2	10.99	11.8
66.17	4.57	5.1	2.3	3.1	5.55	8.4
46.65	5.84	8.6	4.2	6.0	7.10	15.2
35.73	15.49	19.3	8.9	19.9	15.38	43.0
60.09	9.91	11.2	-1.5	-2.3	5.20	8.7
90.09	6.20	5.0	5.3	7.3	11.46	12.7
141.63	19.05	10.6	-1.8	-2.3	11.38	8.0
74.77	16.79	17.6	3.9	4.9	17.48	23.4
86.86	13.89	12.9	1.1	1.3	12.47	14.4
65.34	-1.21	-1.2	2.1	3.1	1.23	1.9
84.52	-8.64	-6.6	-0.1	-0.2	-5.79	-6.8
145.40	24.15	13.8	-0.8	-1.0	18.44	12.7
55.26	9.09	10.7	4.2	6.5	9.88	17.9
82.70	25.17	19.3	6.0	9.4	25.23	30.5
62.25	-23.58	-22.8	0.7	1.2	-13.63	-21.9
115.00	15.33	8.8	-3.0	-4.5	4.42	3.8
198.99	8.10	3.3	-3.9	-4.8	-3.41	-1.7
51.19	6.49	9.0	4.6	6.6	8.25	16.1
105.36	34.21	19.3	-1.5	-2.5	17.13	16.3
99.45	7.92	5.5	-0.4	-0.5	4.88	4.9
69.33	4.51	4.7	0.7	1.0	3.96	5.7
44.49	2.25	3.5	4.5	6.4	4.54	10.2
144.39	25.34	12.8	0.4	0.5	19.38	13.4

- The Middle East reported negative YE 2015 results compared with 2014: a -2.0% decrease in occupancy (to 67.4%), ADR dropped -2.6% (to USD193) and RevPAR fell -4.6% (to USD130). More specifically, UAE reported decreases in: occupancy (-0.6% to 74.8%), ADR (-6.2% to AED706) and RevPAR (-6.7% to AED528).

## Hotel Construction Costs

Country	Budget hotels	Mid market – low
	€ per sqm	€ per sqm
UK	1,580 - 2,520	2,170 - 3,020
Austria	1,420 - 1,590	1,740 - 2,310
Belgium	1,220 - 1,780	1,590 - 2,050
Bulgaria	740 - 870	870 - 1,080
Finland	2,240 - 2,890	2,500 - 3,240
France	1,680 - 2,220	2,220 - 2,850
Germany	1,770 - 1,940	1,850 - 2,170
Greece	1,100 - 1,300	1,550 - 1,690
Hungary	760 - 1,000	1,100 - 1,510
Ireland	1,460 - 1,780	1,780 - 2,110
Italy	1,580 - 1,840	1,740 - 2,000
Norway	2,140 - 2,540	2,370 - 2,720
Netherlands	1,260 - 1,660	1,390 - 1,950
Portugal	1,000 - 1,260	1,150 - 1,360
Romania	840 - 950	950 - 1,160
Russia	1,300 - 1,490	1,420 - 1,920
Slovakia	780 - 1,230	880 - 1,340
Spain	1,030 - 1,800	1,540 - 2,050
Sweden	2,190 - 2,690	2,690 - 3,140
Turkey	870 - 980	930 - 1,170
Ukraine	1,030 - 1,500	1,150 - 1,700
Abu Dhabi	1,580 - 2,120	1,720 - 2,390
Qatar	1,830 - 1,950	1,950 - 2,210
Dubai	1,610 - 2,150	1,740 - 2,420
Saudi Arabia	1,270 - 1,460	1,760 - 1,930
Mozambique	1,300 - 1,500	1,600 - 1,900
South Africa	1,390 - 1,620	1,730 - 1,970
Botswana	1,310 - 1,520	1,620 - 1,830
Namibia	1,420 - 1,650	1,760 - 1,990
Mauritius	1,420 - 1,640	1,750 - 2,070
Seychelles	2,270 - 2,760	2,890 - 3,190

Source: Rider Levett Bucknall

- Exchange rate fluctuations continue to have a significant impact on costs when a common currency is used.
- Longer range forecasts in some regionally more active construction markets (e.g. London) are starting to see the rate of inflation level off.

## Mid market – high

## Luxury

€ per sqm	€ per sqm
2,830 - 4,270	3,530 - 5,340
2,410 - 3,050	3,130 - 3,690
1,780 - 2,200	2,400 - 3,020
1,070 - 1,290	1,640 - 2,060
2,890 - 3,750	3,300 - 4,280
2,750 - 3,690	3,330 - 4,740
1,980 - 3,090	2,570 - 3,630
1,950 - 2,400	2,690 - 3,290
1,310 - 2,020	1,620 - 2,520
1,920 - 2,360	2,660 - 3,240
1,940 - 2,310	2,310 - 2,950
2,590 - 3,160	3,040 - 3,580
1,610 - 2,360	1,860 - 2,700
1,410 - 1,780	1,510 - 2,050
1,160 - 1,480	1,680 - 2,160
1,950 - 2,350	2,180 - 3,220
1,130 - 1,600	1,390 - 1,860
2,050 - 2,820	2,560 - 3,590
3,140 - 3,500	3,500 - 4,490
1,060 - 1,750	1,170 - 2,310
1,300 - 1,820	1,340 - 2,450
2,250 - 2,910	2,860 - 4,760
2,350 - 2,990	2,930 - 4,810
2,270 - 3,490	2,900 - 4,820
1,960 - 2,090	2,150 - 2,750
2,100 - 2,500	2,600 - 3,000
2,070 - 2,310	2,540 - 2,770
1,940 - 2,140	2,350 - 2,560
2,110 - 2,330	2,550 - 2,780
2,300 - 2,730	2,840 - 3,280
3,260 - 3,780	3,930 - 5,170

These costs have been prepared from a survey of Rider Levett Bucknall worldwide offices and members of the RLB | EuroAlliance. Costs are expressed per square metre of gross internal floor area. The costs include FF&E, but exclude operator's stock and equipment. Fees, land costs and local taxes (VAT or similar) are also excluded. Costs are generally based on constructing international hotels to Western European specifications. Data is prepared to highlight key cost trends and differences between markets. Users should verify the suitability of general cost data to their specific circumstances. Exchange rates and inflation can distort generic data, for specific project guidance please contact Rider Levett Bucknall.

- Performance across European construction sectors remains mixed.
- Geopolitical influences remain a drag on some countries' construction output, with a slowdown in Asia and oil prices likely to be felt in many countries.

## Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	7x Hilton hotels	Europe <sup>1</sup>
	8x Host hotels	Europe <sup>2</sup>
	43x Accor hotels	France
	19x Accor hotels	France
	16x Leonardo, 2x Holiday Inn	Germany
	4x Dunas hotels	Spain
	4x Swire Hotels	UK
Single Asset Transactions		
Benelux	Holiday Inn + HI Express	Amsterdam
	Scandic Antwerp	Antwerp
Germany	Andel's Hotel	Berlin
	Marriott Hamburg	Hamburg
	Sofitel Bayerpost	Munich
Ireland	Clarion Cork City*	Cork
	Dawson Hotel*	Dublin
	Glenroyal*	Maynooth
Italy	Boscolo Milano	Milan
	Hotel Hermitage	Milan
	Westin Excelsior	Rome
	NH Turin Santo Stefano	Turin
Scandinavia	Radisson Blu Oslo Airport	Oslo
	Radisson Blu Waterfront Hotel	Stockholm
Spain	Hotel Montecarlo	Barcelona
	Holiday Inn Bernabeu	Madrid
	Sandos San Blas Resort	Tenerife
UK	Fitzwilliam Hotel	Belfast
	Smart City Hostel	Edinburgh
	Hard Days Night Hotel	Liverpool
	Regency Hotel	London
	Zhotel Shoreditch	London
Other Europe	Alma Hotel	Tel Aviv, Israel
	Fairmont Mt Kenya Safari Club <sup>3</sup>	Kenya
	Hotel Tivoli Oriente	Lisbon, Portugal

Source: Whitebridge Hospitality

\* Sold out of receivership

- Numerous share related transactions included: Tui selling 50% stake in Grecotels (Greece); Galaxy Entertainment Group (China) acquiring 5% stake in SBM (Monaco); CP Holding share buy-back from Budapest SE (Hungary).
- Corporate deals included: LFPI acquiring Alliance Hotel Group (France); Highgate and Goldman Sachs acquiring K&K Hotels (Austria).

No. of Keys	Total Price	Price per Key
	€	€
1,750	400,000,000	229,000
2,308	420,000,000	182,000
4,237	281,000,000	66,000
1,512	56,000,000	37,000
3,415	400,000,000	117,000
1,183	75,000,000	63,000
267	36,100,000	135,000
443	54,600,000	123,000
204	16,000,000	78,000
557	105,000,000	189,000
270	65,000,000	241,000
396	180,000,000	456,000
191	35,100,000	184,000
36	17,500,000	486,000
113	10,500,000	93,000
154	101,500,000	659,000
130	20,600,000	158,000
316	222,000,000	703,000
125	23,100,000	185,000
500	169,500,000	339,000
414	186,900,000	452,000
50	20,000,000	400,000
313	25,000,000	80,000
331	36,800,000	111,000
130	23,800,000	183,000
132	20,900,000	158,000
110	19,300,000	176,000
203	140,000,000	690,000
111	28,900,000	260,000
15	2,800,000	191,000
120	16,800,000	140,000
279	38,500,000	138,000

<sup>1</sup> France, Germany, Luxembourg, Spain, Switzerland

<sup>2</sup> Belgium, Germany, Italy, Poland

<sup>3</sup> For a 75% stake

- Renewed activity in CEE included: Le Palais Art Hotel (Czech); Bella Vista (Bulgaria).
- Greek-speaking country deals included: Aphrodite Hills Resort (Cyprus); Bank of Cyprus selling three hotels in Greece.

Prices have been rounded where appropriate. We do not warrant the accuracy of this data which was obtained from publicly available sources and reported in industry journals. Conversions to euros were made according to the exchange rate at the time of the announcement.

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## CONSENSUS HOTEL YIELDS

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### Introduction

We approached a selection of hotel valuers and asked them to complete a matrix of hotel yields, bearing in mind market positioning and location in the UK and across Europe. The results of this research are presented here as consensus yield matrices (based on the mathematical average of the inputs provided).

### UK

Within the London markets, the range of yields was relatively tight, however, as the market becomes less defined (such as Other Cities), the range of yields became very wide. It is therefore essential that anyone viewing these matrices consider the yields shown as an illustrative guide only, and should seek appropriate professional advice when seeking to value a specific hotel asset.

UK	Budget	Mid-Mkt	Upscale	Luxury
<b>Vacant Possession</b>				
Central London	5.3%	5.8%	5.4%	3.8%
Greater London	6.2%	6.8%	6.7%	5.2%
Primary Cities <sup>1</sup>	7.5%	7.8%	7.3%	6.5%
Other Cities	8.8%	8.7%	8.0%	7.6%
Country house		8.1%	8.4%	7.4%
<b>Adjustment Margin</b>				
Lease	-1.6%	-1.1%	-1.1%	1.1%
Management Contract		-0.1%	0.0%	0.8%

<sup>1</sup> For example: Birmingham, Manchester, Edinburgh, Glasgow

Source: Bilfinger GVA, Gerald Eve, Knight Frank, Lambert Smith Hampton, Savills.

Compared to 12 months ago, the consensus view is that yields have sharpened since January 2015 in many locations, especially in Central London (where investor interest remains very strong).

### Adjustment Margin

In order to adjust the yields assumed for Vacant Possession, to allow for either a Lease or Management Contract, appropriate allowances have been estimated. These Adjustment Margins suggest that within the Budget sector a Lease is advantageous, whilst in the Luxury sector Vacant Possession is perhaps more valuable. Within the mid-segments, Management Contracts are nearly as valuable as Vacant Possession, demonstrating the advantages of

professional management and branding in this competitive segment.

## Europe

For Europe we have concentrated on the key countries, where transactions are most frequent. We have also included East Europe as a broad category for comparison to the specific West European countries.

The matrix clearly shows the popularity of Paris as the only true gateway city in France. There are a number of gateway cities in Germany and this was reflected in the wide range of yields provided. Again, the Mid-market segment attracts higher yields and the trend in Adjustment Margins is also very similar to the UK.

Europe	Budget	Mid-Mkt	Upscale	Luxury
<b>Vacant Possession</b>				
France - Gateway Cities	6.3%	6.3%	6.3%	3.4%
France - Rest	6.9%	8.3%	8.0%	5.4%
Germany - Gateway Cities	6.6%	7.2%	6.8%	5.5%
Germany - Rest	7.8%	8.4%	8.1%	6.7%
Spain - Gateway Cities	7.0%	7.4%	7.0%	5.6%
Spain - Rest	8.4%	9.2%	8.9%	8.0%
E. Europe - Gateway Cities	8.5%	8.6%	8.2%	6.2%
E. Europe - Rest	9.4%	10.0%	9.4%	8.2%
<b>Adjustment Margin</b>				
Lease	-1.4%	-1.1%	-1.2%	1.1%
Management Contract		-0.3%	0.0%	0.1%

Source: Bilfinger GVA, Gerald Eve, Knight Frank, Lambert Smith Hampton, Savills.

Increasing investor interest in Spain and gateway cities around Europe has resulted in some yields sharpening. In general, however, the view is that for the majority of markets yields remain largely the same as 12 months ago.

## Limitations

The foregoing yields:

- are applicable to stabilised earnings and are not for DCF use
- assume freehold title of the asset and no change of use permissible.

## Acknowledgements

We would like to express our sincere thanks to Bilfinger GVA, Gerald Eve, Knight Frank, Lambert Smith Hampton and Savills for their contributions and support in respect of this research.



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