

EMEA HOTELS MONITOR

AUGUST 2016

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**WHITE
BRIDGE**

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Introduction

On Saturday 20 February 2016, UK Prime Minister David Cameron dropped the bombshell that there would be a referendum on the UK's future in Europe. On Friday 24 June 2016, the Brexit-bomb exploded and the world shuddered.

This period of heighten uncertainty was exacerbated by further terrorist attacks in France, Germany and Belgium, a new Prime Minister in the UK, an attempted coup in Turkey and the confirmation of Donald Trump as the Republican Nominee for POTUS.

Hotel performance data shows that the region was indeed affected by events and several markets in Europe have dropped away materially in the first half of this year (London, Paris, Istanbul and Milan). The Middle East has also seen some dramatic declines in RevPAR, blamed primarily on low oil prices, but also perhaps due to the onset of oversupply concerns (Dubai, Muscat and Riyadh).

Despite the uncertainty, the transaction market has been busy, with Accor leading the way: completing on FRHI, acquiring multiple sharing-economy bookers (Squarebreak, Oasis Collections and Onefinestay), buying back dozens of its hotels (including 85x with Eurazeo in Europe for €504m), and in turn being a target for Jin Jiang (China). Interesting to note the number of aparthotel deals completed so far this year, signalling a clear progression in this asset class's maturity. Our pick-out transaction of the last six months has to be the sale of Simonstone Hall (UK), where in March 2015 Jeremy Clarkson hit a producer and Top Gear changed for ever.

■ The Brexit-bomb exploded and the world shuddered.

Our final-page feature is a digest of recent research undertaken by Triptease as they attempt to quantify the loss of income to hotels through OTA undercutting strategies and identify solutions to improve parity.

Philip Camble

Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor

Performance Trends

Jan-Jun City	2016			2015	
	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	140.39	77.1	108.19	130.73	75.2
Berlin	95.33	73.7	70.27	94.15	72.7
Budapest	74.39	68.1	50.66	69.91	68.9
Cairo	95.54	56.0	53.54	93.20	54.0
Cape Town	92.75	70.2	65.09	108.00	65.0
Copenhagen	137.36	73.8	101.42	121.31	73.5
Dubai	187.03	77.0	144.06	208.10	79.8
Dublin	125.60	80.2	100.76	105.30	78.8
Edinburgh	104.47	77.8	81.26	109.12	76.9
Helsinki	101.85	67.1	68.30	98.58	63.2
Istanbul	97.98	49.2	48.21	121.55	66.4
London	172.71	77.3	133.53	188.73	79.7
Madrid	99.25	71.5	71.00	92.16	68.6
Milan	145.59	64.8	94.30	153.73	66.4
Moscow	76.12	61.8	47.03	86.75	56.6
Muscat	171.14	59.4	101.60	194.72	66.1
Paris	224.85	67.9	152.67	238.78	76.0
Prague	80.91	69.2	55.97	80.02	68.0
Riyadh	193.61	59.0	114.15	209.01	66.9
Rome	149.30	66.4	99.10	148.43	66.7
Vienna	97.78	68.6	67.08	100.04	67.5
Warsaw	67.05	74.5	49.96	67.28	72.3
Zurich	217.19	70.8	153.75	226.50	70.7

Source: STR

- The European hotel industry experienced mixed results over the first 6 months of 2016. While occupancy experienced a +0.7% increase, ADR fell by -1.6%, resulting in a -1.0% RevPAR drop. Middle East and Africa saw declines in both occupancy (-4.9%) and ADR (-4.9%), causing a -9.6% decay.
- The strongest performing markets when looking at RevPAR growth were Dublin (+21.5%), Copenhagen (+13.8%), Madrid (+12.4%), and Amsterdam (+10.1%).

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
98.25	9.66	7.4	1.9	2.5	9.93	10.1
68.45	1.18	1.3	1.0	1.4	1.82	2.7
48.18	4.48	6.4	-0.8	-1.2	2.48	5.1
50.31	2.33	2.5	2.1	3.8	3.23	6.4
70.18	-15.25	-14.1	5.2	8.0	-5.09	-7.3
89.13	16.05	13.2	0.4	0.5	12.29	13.8
166.08	-21.07	-10.1	-2.8	-3.5	-22.02	-13.3
82.95	20.30	19.3	1.5	1.8	17.81	21.5
83.89	-4.66	-4.3	0.9	1.2	-2.64	-3.1
62.29	3.27	3.3	3.9	6.1	6.01	9.7
80.72	-23.57	-19.4	-17.2	-25.9	-32.51	-40.3
150.39	-16.02	-8.5	-2.4	-3.0	-16.86	-11.2
63.19	7.09	7.7	3.0	4.3	7.81	12.4
102.10	-8.14	-5.3	-1.6	-2.5	-7.80	-7.6
49.13	-10.63	-12.2	5.1	9.1	-2.10	-4.3
128.72	-23.58	-12.1	-6.7	-10.2	-27.12	-21.1
181.58	-13.93	-5.8	-8.2	-10.7	-28.92	-15.9
54.44	0.89	1.1	1.1	1.7	1.53	2.8
139.73	-15.39	-7.4	-7.9	-11.8	-25.58	-18.3
98.94	0.87	0.6	-0.3	-0.4	0.16	0.2
67.53	-2.26	-2.3	1.1	1.6	-0.45	-0.7
48.66	-0.23	-0.3	2.2	3.0	1.30	2.7
160.08	-9.32	-4.1	0.1	0.2	-6.33	-4.0

- Demand decline due to unrest in some European markets caused significant drops in RevPAR in Istanbul (-40.3%), Paris (-15.9%), and London (-11.2%). Similar trends were seen in many Middle East key markets due to the falling oil price and over supply: Muscat (-21.1%), Riyadh (-18.3%), and Dubai (-13.3%).

Hotel Construction Costs

Country	Budget hotels	Mid market – low
	€ per sqm	€ per sqm
UK	1,420 - 2,270	1,960 - 2,710
Austria	1,390 - 1,560	1,710 - 2,260
Belgium	1,220 - 1,780	1,590 - 2,050
Bulgaria	770 - 900	900 - 1,120
Finland	2,240 - 2,890	2,500 - 3,240
France	1,740 - 2,300	2,300 - 2,950
Germany	1,770 - 1,940	1,850 - 2,170
Greece	1,140 - 1,350	1,600 - 1,750
Hungary	780 - 1,030	1,130 - 1,560
Ireland	1,550 - 1,890	1,890 - 2,240
Italy	1,590 - 1,850	1,750 - 2,010
Norway	2,210 - 2,630	2,450 - 2,820
Netherlands	1,300 - 1,710	1,430 - 2,010
Portugal	1,040 - 1,300	1,190 - 1,410
Romania	870 - 980	980 - 1,190
Russia	1,440 - 1,660	1,580 - 2,130
Slovakia	800 - 1,270	910 - 1,380
Spain	1,040 - 1,820	1,560 - 2,070
Sweden	2,270 - 2,780	2,780 - 3,250
Turkey	890 - 1,000	950 - 1,190
Ukraine	1,000 - 1,460	1,120 - 1,650
Abu Dhabi	1,640 - 2,200	1,790 - 2,490
Qatar	1,900 - 2,030	2,030 - 2,300
Dubai	1,670 - 2,240	1,810 - 2,520
Saudi Arabia	1,180 - 1,360	1,640 - 1,800
Mozambique	1,350 - 1,560	1,660 - 1,980
South Africa	1,450 - 1,680	1,800 - 2,050
Botswana	1,360 - 1,580	1,680 - 1,900
Namibia	1,480 - 1,720	1,830 - 2,070
Mauritius	1,480 - 1,710	1,820 - 2,150
Seychelles	2,360 - 2,870	3,010 - 3,320

Source: Rider Levett Bucknall (Jul 2016)

- Exchange rate fluctuations continue to have a significant impact on costs when a common currency is used.
- Following the UK Brexit vote in June, there has been a period of uncertainty in some UK investment decisions. UK rates are mainly impacted by exchange rates.

Mid market – high

Luxury

€ per sqm	€ per sqm
2,550 - 3,850	3,170 - 4,800
2,360 - 2,990	3,070 - 3,620
1,780 - 2,200	2,400 - 3,020
1,110 - 1,340	1,700 - 2,130
2,890 - 3,750	3,300 - 4,280
2,850 - 3,820	3,450 - 4,910
1,980 - 3,090	2,570 - 3,630
2,020 - 2,480	2,780 - 3,410
1,350 - 2,080	1,670 - 2,600
2,040 - 2,500	2,820 - 3,430
1,950 - 2,320	2,320 - 2,960
2,680 - 3,270	3,150 - 3,710
1,660 - 2,430	1,920 - 2,780
1,460 - 1,840	1,560 - 2,120
1,190 - 1,520	1,730 - 2,220
2,170 - 2,610	2,420 - 3,580
1,160 - 1,650	1,430 - 1,920
2,070 - 2,850	2,590 - 3,630
3,250 - 3,620	3,620 - 4,650
1,080 - 1,790	1,190 - 2,360
1,270 - 1,770	1,300 - 2,380
2,340 - 3,030	2,970 - 4,950
2,440 - 3,110	3,050 - 5,000
2,360 - 3,630	3,020 - 5,010
1,820 - 1,940	2,000 - 2,560
2,180 - 2,600	2,700 - 3,120
2,150 - 2,400	2,640 - 2,880
2,020 - 2,230	2,440 - 2,660
2,190 - 2,420	2,650 - 2,890
2,390 - 2,840	2,950 - 3,410
3,390 - 3,930	4,090 - 5,380

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.

- UK construction inflation is expected to slow through the second half of 2016, with decreases in 2017; however even the mid-term inflation forecasts remain uncertain.
- Tender price inflation remains varied across Europe with some countries starting to respond to more active markets, as well as increased input costs.

Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	18x FDM hotels ¹	France, Germany
	5x Accor hotels	Germany
	3x Crowne Plaza hotels	Israel
	2x Starwood hotels ²	Italy
	3x Ibiza San Miguel hotels	Spain
	47x Atlas Hotels	UK
	2x Club Quarters hotels	UK
	2x HI Express hotels	UK
	6x Hilton hotels	UK
Single Asset Transactions		
Germany	Maritim Dresden	Dresden
	Wyndham Airport Messe	Stuttgart
Ireland	Tulfarris Hotel & Golf Resort*	Co Wicklow
	Stacycity Dublin*	Dublin
	Clarion Sligo*	Sligo
	Waterford Marina Hotel	Waterford
Spain	Suecia Hotel	Madrid
	Villa Magna	Madrid
	Sol Falco	Menorca
	Cabo Cervera	Torre Vieja
UK	Mercure Bristol Brigstow	Bristol
	Stacycity High Point Village	London
	Travelodge Royal Scot	London
	Inside by Melia Manchester	Manchester
	Holiday Inn Express City Centre	Manchester
	Travelodge Norwich Central	Norwich
	Hellaby Hall*	Rotherham
Other Europe	Opera Liege	Paris, France
	NH Turin Ambasciatori	Turin, Italy
	Palazzo Vittoriosa	Birgu, Malta
M.East & Africa	Mizpe Hayamim Hotel	Rosh Pina, Israel
	Al Falaj Hotel	Muscat, Oman
	InterContinental Lusaka	Lusaka, Zambia

Source: Whitebridge Hospitality (Jan-Jun 2016)

* Sold out of receivership

- Other notable deals included: Corinthia acquiring Hotel Astoria (Brussels); GEG acquiring Villa Kennedy (Frankfurt); Bono of U2 reacquiring Clarence (Dublin); Starhotels acquiring Royal Demeure (Italy); Surya Hotels acquiring Dragonfly (UK), reacquisition of Brocket Hall (UK); delayed completion of Astir Resort (Greece).
- Corporate deals included: MBO of Fletcher Hotels (Netherlands); PPHE acquiring Arenaturist (Croatia);

No. of Keys	Total Price	Price per Key
	€	€
4,781	936,000,000	196,000
1,033	130,000,000	126,000
908	179,500,000	198,000
270	190,000,000	704,000
484	32,000,000	66,000
5,575	690,000,000	124,000
468	216,000,000	462,000
276	31,200,000	113,000
813	48,000,000	59,000
328	62,500,000	191,000
229	30,800,000	134,000
67	8,000,000	119,000
110	25,000,000	227,000
162	13,000,000	80,000
81	4,000,000	49,000
127	45,000,000	354,000
150	180,000,000	1,200,000
450	20,000,000	44,000
186	11,300,000	61,000
116	20,800,000	179,000
269	42,100,000	157,000
408	84,400,000	207,000
208	39,000,000	188,000
147	20,800,000	141,000
104	11,300,000	109,000
89	7,300,000	82,000
50	30,000,000	600,000
199	20,000,000	101,000
4	4,100,000	1,025,000
97	26,800,000	276,000
140	32,500,000	232,000
224	32,200,000	144,000

¹ 9x various (France)
9x Interhotels (Germany)

² St Regis & Westin
Excelsior, Florence

Rezidor acquiring Prizeotel (Germany); Minor completing on Tivoli (Portugal); Le Royal Hotels venture with BlueBay Group (Spain); Lone Star acquiring Shearings (UK).

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.

HOTEL PRICE DISPARITY TRENDS

Introduction

A Google research study in 2014 found that 76% of consumers used OTAs in the belief that they would get cheaper rates. Although improved marketing by the hotel companies and other online tools have helped to dispel this marketing myth, a good proportion of hotel rates are still subject to OTA undercuts. Is there a solution?

Background

In theory, rates publicly displayed on hotel and OTA websites should match. However, disparities do occur, often due to administrative issues rather than deliberate attempts to infringe on rate parity clauses (such clauses still being monitored by competition authorities).

Triptease research revealed that in the six months to June 2016, hotels were undercut by an OTA by an average of 23.7% of the time. But why does it happen?

Common Causes of Disparity

- Promotions created with an OTA in the interests of speed are not applied to the hotel's CRS.
- A hotel does not close an out-of-date rate code still running on an OTA, forgetting is apparently commonplace.
- OTA may fail to change the rate they were given, due to technical error or other reason.
- The OTA and hotel may be using different currency conversion rates.
- Revenue manager may link the wrong OTA rate from their CRS.
- The CRS does not support length of stay rates, but these are used on the OTA.
- Wholesale rates are put on sale by the OTA.
- The OTA uses their commission to discount the rate, or applies a lesser markup to a net rate. This can happen all the time or only at specific times or for specific overseas markets.
- The OTA has a base allocation and the hotel has sold out all other rooms of that grade and below.

The key to reducing rate disparity is therefore being able to keep on top of the causes and the benefits of such cause management can be material.

“Removing disparities increases our direct bookings. This allows us to offer the best rate directly to avoid paying commission. It’s quite simple.”

Source: Sopwell House (UK).

Undercut Rates

Triptease research also revealed that different destinations manage the causes with varying degrees of success. The following table compares the level of undercutting in different countries in Europe and in cities around EMEA.

By Country ¹		By City ²	
Greece	34.8%	Abu Dhabi	37.4%
Netherlands	28.1%	Zurich	29.3%
Sweden	27.1%	Brussels	27.9%
Belgium	24.3%	Amsterdam	22.9%
Hungary	22.3%	Budapest	22.5%
Switzerland	19.4%	Rome	20.6%
Ireland	17.7%	London	20.3%
United Kingdom	14.3%	Berlin	19.3%
Germany	13.4%	Cork	17.6%
Italy	12.5%	Dublin	10.7%
France	9.3%	Edinburgh	10.4%
Portugal	7.7%	Manchester	8.3%
Croatia	6.6%	Munich	7.6%
Spain	5.5%	Frankfurt	6.9%

¹ Europe only

² EMEA

Source: Triptease

The data shows that most of the larger European countries fair reasonably well, but the sheer volume of hotel rooms in these markets does mean high leakage in absolute cash terms.

If Abu Dhabi is a barometer for the wider Middle East, the region may be losing out significantly and should take a closer look at the rate disparity dynamic.

Closing Remarks

We would like to thank Triptease for sharing their research and analysis with us, and finally it is worth noting that hotels using the Triptease platform have seen that OTAs are cheaper only 14% of the time, down from 21% a year ago. Happy parity management everybody!



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