

EMEA HOTELS MONITOR

FEBRUARY 2017

ISSUE 19





Whitebridge Hospitality is a specialist advisor to investors, developers and operators in the hospitality industry around the globe. We provide investment, operational and planning advice, and guidance in respect of the entire hospitality spectrum, including: hotels, mixed-use resorts, leisure facilities, casinos, visitor attractions and sporting venues. Our uniquely qualified team can provide services throughout an asset's life cycle.

RLB | Rider Levett Bucknall

Rider Levett Bucknall is an independent, global property consultant, providing advice focused on the cost, quality and sustainability of the built environment. The firm, which has over 3,600 staff operating from more than 120 offices, offers Quantity Surveying, Building Surveying, Project Management and Advisory Services.



STR provides clients with access to hotel research with regular and custom reports covering over 55,000 hotels globally. They provide a single source of global hotel performance data, offering concise, accurate and thorough industry research worldwide and they track a variety of Profitability, Pipeline, Forecast and Census data covering all aspects of the industry.

EMEA HOTELS MONITOR FEBRUARY 2017

Introduction

After tough times in 2015 and early 2016 in France and Turkey, two consecutive days in July 2016 were hopefully their nadir: a Tunisian drove a truck into crowds on Bastille Day in Nice (14 July) and the next day Turkey suffered an attempted coup d'état (15 July). As an excellent reflector, hotel performance trends can show world events in stark relief - RevPAR in Paris fell by -13.3% and in Istanbul by -42.6%.

The UK's decision to Brexit and the ensuing market reactions resulted in RevPAR declines in both London (-13.4%) and Edinburgh (-6.8%) in EUR terms as the value of GBP collapsed. In reality however, RevPAR in local currency in these primary cities performed handsomely, with London falling only slightly (-1%, following a resurgence in demand in H2) and Edinburgh increasing by 7%.

Elsewhere in Europe, hotel performance levels have been relatively stable. In contrast, high levels of new supply and low levels of demand growth are suppressing performance levels in the Middle East. This combined dynamic looks likely to prevail for some time as low oil prices suppress consumer expenditure and investors continue to build.

As analysed in detail during the 12th Whitebridge New Year Hotel Summit, the volume of deals in EMEA in respect of existing/operating hotels in 2016 fell away dramatically, with the busiest market in the region, the UK, particularly becalmed in the headlights of Brexit.

As an excellent reflector, hotel performance trends can show world events in stark relief.

For the third consecutive year, we are pleased to share our annual consensus yield matrix and many thanks again to our valuer friends for their continuing support.

Philip Camble

*Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor*

Performance Trends

Jan-Dec City	2016			2015			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	€	%	€	€	%	€	Abs (€)	%	Abs %	%	Abs (€)	%
Amsterdam	136.25	78.0	106.34	132.82	78.0	103.63	3.43	2.6	0.0	0.0	2.71	2.6
Berlin	96.15	77.1	74.17	93.65	76.5	71.67	2.50	2.7	0.6	0.8	2.50	3.5
Budapest	76.02	75.3	57.25	71.65	73.3	52.54	4.38	6.1	2.0	2.7	4.72	9.0
Cairo	90.65	59.3	53.79	95.55	53.2	50.81	-4.90	-5.1	6.2	11.6	2.98	5.9
Cape Town	98.15	70.8	69.46	98.06	66.3	64.98	0.09	0.1	4.5	6.8	4.48	6.9
Copenhagen	141.08	78.4	110.63	123.47	76.7	94.75	17.61	14.3	1.7	2.2	15.88	16.8
Dubai	176.15	77.3	136.09	194.93	76.9	149.86	-18.78	-9.6	0.4	0.5	-13.77	-9.2
Dublin	129.25	82.5	106.61	111.96	82.1	91.88	17.29	15.4	0.4	0.5	14.73	16.0
Edinburgh	112.60	82.3	92.71	122.13	81.4	99.43	-9.53	-7.8	0.9	1.1	-6.72	-6.8
Helsinki	103.09	68.8	70.88	97.91	67.6	66.19	5.18	5.3	1.1	1.7	4.68	7.1
Istanbul	90.51	49.6	44.93	120.85	64.8	78.28	-30.34	-25.1	-15.1	-23.4	-33.35	-42.6
London*	173.69	81.3	141.28	198.70	82.1	163.09	-25.01	-12.6	-0.7	-0.9	-21.80	-13.4
Madrid	98.60	70.5	69.49	94.37	69.1	65.17	4.23	4.5	1.4	2.1	4.32	6.6
Milan	137.62	65.4	89.98	154.13	69.3	106.80	-16.51	-10.7	-3.9	-5.6	-16.81	-15.7
Moscow	77.07	66.6	51.33	79.48	60.9	48.39	-2.41	-3.0	5.7	9.4	2.95	6.1
Muscat	172.48	56.1	96.72	196.04	62.2	121.90	-23.55	-12.0	-6.1	-9.8	-25.18	-20.7
Paris	232.58	69.5	161.58	242.47	76.9	186.35	-9.89	-4.1	-7.4	-9.6	-24.77	-13.3
Prague	81.56	77.0	62.81	78.85	75.2	59.25	2.71	3.4	1.9	2.5	3.56	6.0
Riyadh	190.02	54.0	102.54	206.75	60.1	124.22	-16.73	-8.1	-6.1	-10.2	-21.69	-17.5
Rome	151.18	69.3	104.72	149.39	68.8	102.83	1.79	1.2	0.4	0.6	1.90	1.8
Vienna	98.65	74.8	73.82	100.72	73.0	73.53	-2.07	-2.1	1.8	2.5	0.29	0.4
Warsaw	67.87	76.6	51.99	65.82	74.5	49.04	2.05	3.1	2.1	2.8	2.96	6.0
Zurich	210.74	73.3	154.48	222.42	73.4	163.31	-11.69	-5.3	-0.1	-0.2	-8.83	-5.4

Source: STR

*Weak performance shown for London in EUR heavily affected by weakening GBP (in GBP RevPAR fell by only -0.9% to £116.70).

- Europe's hotel industry experienced mixed results throughout 2016 and ended the year with a -2.7% drop in RevPAR. While occupancy increased slightly (+0.6%), it was overshadowed by a -3.3% drop in ADR. The Middle East & Africa region posted declines in both occupancy (-2.6%) and ADR (-4.7%), resulting in a -7.1% drop in RevPAR.
- Major markets that recorded the highest growth in 2016 were Copenhagen, Dublin, Budapest and Helsinki, all increasing over 7% in RevPAR. Performance in these markets was primarily driven by ADR.
- Markets with sharpest declines were Istanbul, Muscat, Riyadh, Paris and Milan. While Istanbul and Paris have mainly been affected by ongoing security concerns, the key factor for performance declines in key Middle East cities has been supply growth. After hosting World Expo 2015, which significantly boosted Milan's hotel performance, the market's 2016 performance was driven down by the high basis of comparison.

Hotel Construction Costs

Country	Budget hotels	Mid market – low	Mid market – high	Luxury
	€ per sqm	€ per sqm	€ per sqm	€ per sqm
UK	1,430 - 2,280	1,970 - 2,720	2,560 - 3,870	3,190 - 4,830
Austria	1,410 - 1,580	1,740 - 2,290	2,400 - 3,030	3,120 - 3,670
Belgium	1,240 - 1,810	1,610 - 2,080	1,810 - 2,230	2,440 - 3,070
Bulgaria	780 - 910	910 - 1,140	1,130 - 1,360	1,730 - 2,160
Finland	2,270 - 2,930	2,540 - 3,290	2,930 - 3,810	3,350 - 4,340
France	1,770 - 2,330	2,330 - 2,990	2,890 - 3,880	3,500 - 4,980
Germany	1,810 - 1,990	1,890 - 2,220	2,030 - 3,160	2,630 - 3,720
Greece	1,160 - 1,370	1,620 - 1,780	2,050 - 2,520	2,820 - 3,460
Hungary	800 - 1,050	1,160 - 1,600	1,380 - 2,130	1,710 - 2,660
Ireland	1,570 - 1,920	1,920 - 2,270	2,070 - 2,540	2,860 - 3,480
Italy	1,590 - 1,850	1,750 - 2,010	1,950 - 2,320	2,320 - 2,960
Norway	2,390 - 2,840	2,650 - 3,050	2,900 - 3,540	3,410 - 4,010
Netherlands	1,320 - 1,740	1,450 - 2,040	1,680 - 2,470	1,950 - 2,820
Portugal	1,060 - 1,320	1,210 - 1,430	1,480 - 1,870	1,580 - 2,150
Romania	870 - 980	980 - 1,200	1,200 - 1,530	1,740 - 2,230
Russia	1,440 - 1,660	1,580 - 2,130	2,170 - 2,610	2,420 - 3,580
Slovakia	810 - 1,290	920 - 1,400	1,180 - 1,670	1,450 - 1,950
Spain	1,070 - 1,870	1,610 - 2,130	2,130 - 2,940	2,670 - 3,740
Sweden	2,330 - 2,860	2,860 - 3,340	3,340 - 3,720	3,720 - 4,780
Turkey	740 - 840	790 - 1,000	900 - 1,500	1,000 - 1,970
Abu Dhabi	1,640 - 2,200	1,790 - 2,490	2,340 - 3,030	2,970 - 4,950
Qatar	1,900 - 2,030	2,030 - 2,300	2,440 - 3,110	3,050 - 5,000
Dubai	1,670 - 2,240	1,810 - 2,520	2,360 - 3,630	3,020 - 5,010
Saudi Arabia	1,237 - 1,425	1,721 - 1,883	1,910 - 2,044	2,098 - 2,690
Mozambique	2,100 - 2,440	2,620 - 2,970	3,120 - 3,490	3,820 - 4,180
South Africa	1,450 - 1,680	1,800 - 2,050	2,150 - 2,400	2,640 - 2,880
Botswana	1,450 - 1,680	1,800 - 2,050	2,150 - 2,400	2,640 - 2,880
Namibia	1,600 - 1,850	1,980 - 2,250	2,360 - 2,640	2,900 - 3,170
Mauritius	2,100 - 2,440	2,620 - 2,970	3,120 - 3,490	3,820 - 4,180
Seychelles	2,800 - 3,280	3,410 - 3,700	3,770 - 4,270	4,420 - 5,630

These costs have been prepared from a survey of Rider Levett Bucknall worldwide offices and members of the RLBA 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.

Source: Rider Levett Bucknall

- Exchange rate fluctuations continue to have a significant impact on costs when a common currency is used.
- Brexit uncertainties are making reliable UK construction inflation forecasts challenging, with a number of movements in forecasts over the last six months.
- Political shocks could continue to have an impact on construction markets in a number of European Countries in 2017.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				€	€
	6x Commundo hotels	Germany	986	30,000,000	30,000
	5x NH hotels	Germany	901	125,000,000	139,000
	7x Invesco hotels	Ger, Aus, Neth	1,744	415,000,000	238,000
	3x Fitzpatrick hotels	Ireland	378	151,000,000	399,000
	3x Atlas Hospitality hotels	Morocco	1,002	55,000,000	55,000
	9x Regional Hotel Chain hotels	Russia	1,379	40,200,000	29,000
	19x Merlin Properties hotels	Spain	3,645	542,000,000	149,000
	5x The Hotel Collection hotels	UK	665	86,250,000	130,000
	55x Travelodge hotels	UK	3,096	225,600,000	73,000
Single Asset Transactions					
Africa	Movenpick Ambassador	Accra, Ghana	260	94,700,000	364,000
	Tamassa Resort	Bel Ombre, Mauritius	214	34,600,000	162,000
Cyprus/Greece	Kermia Beach Hotel	Ayia Napa, Cyprus	154	26,500,000	172,000
	Hilton Athens	Athens, Greece	506	142,000,000	281,000
	Leto Hotel*	Mykonos, Greece	25	16,900,000	676,000
Germany	Hyatt Regency Dusseldorf	Dusseldorf	303	100,000,000	330,000
	Dorint Kongresshotel	Mannheim	287	51,100,000	178,000
Ireland	Radisson Blu Athlone*	Athlone	128	9,500,000	74,000
	DoubleTree Dublin	Dublin	502	180,000,000	359,000
	The Gresham*	Dublin	323	92,000,000	285,000
Spain	Pullman Skipper	Barcelona	241	90,000,000	373,000
	Paradise Portinatx	Ibiza	134	11,000,000	82,000
	Oasis Resort	Lanzarote	372	28,000,000	75,000
	Gran Hotel Velazquez	Madrid	143	63,000,000	441,000
UK	Hyatt Regency	Birmingham	319	44,900,000	141,000
	Staycity Birmingham	Birmingham	170	24,200,000	142,000
	DoubleTree Tower of London	London	582	356,500,000	613,000
	The Academy	London	49	15,500,000	317,000
	Travelodge Liverpool Street	London	142	48,600,000	343,000
	Whittlbury Hall*	Silverstone	213	23,000,000	108,000
Other Europe	Hilton Grand Place	Brussels, Belgium	224	55,000,000	246,000
	Le Meridien Etoile	Paris, France	1,025	365,000,000	356,000
	Gloria Hotel	Suceava, Romania	32	2,500,000	77,000

Source: Whitebridge Hospitality

* Sold out of receivership

- Cyprus/Greece had a busy year (ClubMed Kefalos and 2x Chandris hotels Corfu) and major sites were sold in London (Old War Office, Bow Street Magistrates Court, Peninsula Hotel).
- Other notable deals: Pestana acquired Regency Palace out of admin (Madeira); Fattal acquired 2x NH hotels (Madrid); B&B Hotels acquired 7x Sidorme Hotels (Spain); Hotel Goldner Hirsch (Salzburg, €20m).
- Corporate deals: Tsogo Sun and Hospitality PF REIT hooked up (South Africa); Accor acquired 30% of 25hours Hotels (Germany); Ares acquired 70% of Go Native (UK); Black Rock acquired 3.275% of Hispania (Spain); 85x Accor hotels transferred to Grace Hospitality (France).

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.

CONSENSUS HOTEL YIELDS

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 remains relatively tight, however, as the market becomes less defined (such as Other Cities), the range of yields widens materially. 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
Vacant Possession				
Central London	5.3%	5.6%	5.4%	3.8%
Greater London	6.1%	6.5%	6.7%	5.2%
Primary Cities ¹	7.4%	7.8%	7.1%	6.4%
Other Cities	8.8%	8.9%	8.4%	7.6%
Country house		7.9%	8.4%	7.3%
Adjustment Margin				
Lease	-1.7%	-1.1%	-1.1%	1.1%
Management Contract		0.0%	0.2%	1.0%

¹ 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 2016 in many locations, especially outside Central London (perhaps as investors seek higher return opportunities).

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. The adjustment margins for Management Contracts have stretched out to some degree suggesting that such operating agreements are not as positively perceived as 12 months ago.

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
Vacant Possession				
France - Gateway Cities	6.3%	6.3%	6.4%	3.4%
France - Rest	6.9%	8.3%	8.0%	5.7%
Germany - Gateway Cities	6.4%	7.0%	6.5%	5.5%
Germany - Rest	7.8%	8.4%	8.1%	6.7%
Spain - Gateway Cities	6.9%	7.3%	6.8%	5.7%
Spain - Rest	8.5%	9.3%	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%
Adjustment Margin				
Lease	-1.4%	-1.3%	-1.2%	1.1%
Management Contract		-0.5%	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 continuing to sharpen for the third year running. 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.



WHITE
BRIDGE

Telephone: +44 (0)20 7195 1482
philip.camble@whitebridgeh.com
www.whitebridgehospitality.com

RLB | Rider Levett Bucknall

Telephone: +44 (0)20 7398 8300
EMEA: paul.beeston@uk.rlb.com
London: jeremy.spill@uk.rlb.com
www.rlb.com



Telephone: +44 (0)20 7922 1930
info@strglobal.com
www.strglobal.com

