

EMEA HOTELS MONITOR

AUGUST 2018

ISSUE 22





**WHITE
BRIDGE**

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.



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Rider Levett Bucknall is an independent construction, property and management consultant, providing advice focused on the cost, quality and sustainability of the built environment. Worldwide the firm has over 3,600 staff operating from more than 120 offices. Its international reach ensures that it provides services in line with the latest innovations and examples of best practice, supporting expertise across all sectors of the built environment. Achievements are renowned: from the early days of pioneering quantity surveying, to landmark projects such as the Sydney Opera House, HSBC Headquarters Building in Hong Kong, the 2012 London Olympic Games and CityCenter in Las Vegas.



STR provides clients with access to hotel research with regular and custom reports covering over 60,000 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.

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Introduction

Brexit aside, strong economic growth, political stability and growing tourism numbers have fuelled strong growth in performance levels across most of Europe. France continues to recover from a succession of poor years, whilst others are maximising on the international travel boom.

Top RevPAR performers in mature markets were Amsterdam (+8.2%), Dublin (+8.9%) and Paris (+13.8%). Even with a FIFA World Cup boost, Moscow (+35.9%) was not top in euro terms, as this title was won by Istanbul (+37.5%). Defying a general downward trend across MEA (in RevPAR euro terms, including further declines in Cape Town, Dubai, Muscat and Riyadh), Cairo saw growth of +8.2%.

The transaction space has been busy, although the number of deals has fallen, whereby the multiple and sizeable portfolio deals have generated significant volumes by value. The biggest news was that Messi bought another hotel (Hotel Es Vive, Ibiza), with such delightful distractions perhaps explaining his poor form in Russia. The biggest deal was 14x Principal Hotels in the UK for nearly €1bn (Brexit? What Brexit?).

Construction costs continue to grow across the region, with strongest growth expected in Ireland, Portugal and The Netherlands as these economies recover strongly from the GFC and their hotel markets expand in response.

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To celebrate the expansion of STR's AMPM service into Europe, our final page feature provides a quick overview of the supply dynamics in Europe's second most active hotel market, Germany, including a high level analysis of new supply.

Philip Camble

*Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor*

Performance Trends

Jan-Jun City	2018			2017	
	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	153.72	80.0	123.00	143.99	79.0
Berlin	97.33	74.7	72.70	95.59	74.6
Budapest	82.55	74.4	61.41	78.89	73.8
Cairo	76.86	68.3	52.46	78.16	62.0
Cape Town	123.61	63.6	78.68	132.01	71.3
Copenhagen	142.98	76.1	108.77	138.58	77.2
Dubai	154.77	76.4	118.28	182.89	77.9
Dublin	141.13	82.0	115.75	131.55	80.8
Edinburgh	106.72	78.4	83.72	108.38	80.2
Helsinki	109.07	69.4	75.66	108.02	66.9
Istanbul	77.74	67.1	52.16	70.24	54.0
London	160.41	79.6	127.64	165.79	79.9
Madrid	107.65	74.7	80.43	107.47	73.4
Milan	146.50	72.0	105.44	139.01	70.6
Moscow	107.36	70.5	75.64	85.69	64.9
Muscat	142.69	58.3	83.16	162.34	60.9
Paris	210.64	77.1	162.44	192.31	74.2
Prague	87.99	73.6	64.73	85.67	74.0
Riyadh	147.97	54.6	80.83	173.62	54.0
Rome	150.14	70.1	105.29	146.55	68.6
Vienna	97.54	71.4	69.69	96.69	70.4
Warsaw	76.20	73.8	56.23	75.30	76.2
Zurich	195.89	72.5	141.98	205.19	70.5

Source: STR

- Europe's hotel industry experienced positive results in H1 2018, with RevPAR up +2.9%. Occupancy rose by +1.6%, while ADR rose by +1.3%.
- The Middle East & Africa posted an increase in occupancy (+1.4%), but a drop in ADR (-11.0%), resulting in a 9.8% decline in RevPAR. The region's performance was impacted by strong supply growth, in addition to oil prices weighing heavily on several Middle Eastern markets.

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
113.71	9.72	6.8	1.1	1.3	9.30	8.2
71.27	1.74	1.8	0.1	0.2	1.43	2.0
58.22	3.66	4.6	0.6	0.8	3.19	5.5
48.47	-1.31	-1.7	6.2	10.1	3.99	8.2
94.18	-8.40	-6.4	-7.7	-10.8	-15.50	-16.5
106.98	4.40	3.2	-1.1	-1.5	1.79	1.7
142.46	-28.12	-15.4	-1.5	-1.9	-24.18	-17.0
106.31	9.58	7.3	1.2	1.5	9.44	8.9
86.89	-1.66	-1.5	-1.7	-2.1	-3.17	-3.7
72.23	1.05	1.0	2.5	3.7	3.43	4.8
37.93	7.50	10.7	13.1	24.3	14.23	37.5
132.43	-5.38	-3.2	-0.3	-0.4	-4.79	-3.6
78.93	0.18	0.2	1.3	1.7	1.49	1.9
98.19	7.49	5.4	1.3	1.9	7.26	7.4
55.65	21.67	25.3	5.5	8.5	19.99	35.9
98.80	-19.65	-12.1	-2.6	-4.2	-15.64	-15.8
142.71	18.34	9.5	2.9	3.9	19.73	13.8
63.42	2.33	2.7	-0.5	-0.6	1.31	2.1
93.80	-25.65	-14.8	0.6	1.1	-12.97	-13.8
100.50	3.59	2.5	1.5	2.3	4.79	4.8
68.09	0.85	0.9	1.0	1.4	1.59	2.3
57.35	0.91	1.2	-2.4	-3.1	-1.11	-1.9
144.64	-9.30	-4.5	2.0	2.8	-2.66	-1.8

- Of the major global markets, the highest growth levels in H1 were recorded by Moscow, Istanbul and Paris, all seeing double-digit RevPAR growth. Performance levels in these markets were primarily driven by ADR growth as they recovered from low levels in 2017.
- On the other hand, markets in the Middle East & Africa region recorded the sharpest declines, including Dubai, Cape Town, Muscat and Riyadh.

Hotel Construction Costs

Country	Budget hotels		Mid market – low	
	€ per sqm		€ per sqm	
UK	1,550	- 2,460	2,120	- 2,940
Austria	1,410	- 1,570	1,720	- 2,280
Belgium	1,190	- 1,740	1,560	- 2,010
Bulgaria	700	- 830	830	- 1,030
Finland	2,190	- 2,840	2,450	- 3,180
France	1,650	- 2,170	2,170	- 2,790
Germany	1,730	- 1,910	1,820	- 2,130
Greece	1,100	- 1,300	1,550	- 1,690
Hungary	860	- 1,130	1,240	- 1,710
Ireland	1,510	- 1,840	1,840	- 2,180
Italy	1,550	- 1,810	1,700	- 1,960
Norway	2,130	- 2,520	2,350	- 2,700
Netherlands	1,290	- 1,690	1,420	- 1,990
Portugal	990	- 1,240	1,140	- 1,350
Romania	840	- 950	950	- 1,160
Russia	1,380	- 1,570	1,510	- 2,030
Slovakia	780	- 1,230	880	- 1,340
Spain	1,010	- 1,760	1,510	- 2,010
Sweden	2,310	- 2,830	2,830	- 3,310
Turkey	1,140	- 1,290	1,220	- 1,540
Ukraine	1,050	- 1,520	1,160	- 1,720
Abu Dhabi	1,570	- 2,100	1,710	- 2,370
Qatar	1,910	- 2,040	2,040	- 2,310
Dubai	1,640	- 2,190	1,770	- 2,460
Saudi Arabia	1,260	- 1,450	1,760	- 1,910
Mozambique	1,250	- 1,440	1,540	- 1,830
South Africa	1,540	- 1,790	1,910	- 2,180
Botswana	1,370	- 1,590	1,700	- 1,920
Namibia	1,510	- 1,750	1,870	- 2,110
Mauritius	1,500	- 1,740	1,850	- 2,190
Seychelles	2,320	- 2,820	2,950	- 3,260

Source: Rider Levett Bucknall

- The European Commission forecasts ongoing growth of around +2.4% in 2018, before softening to around +2.0% in 2019.
- There remain wide disparities in growth rates of individual nations, from the high of +7% to low of +1.5%, with the disparities greater in the Construction sector. Labour cost inflation is expected to be increasingly prevalent across Europe.

Mid market – high

Luxury

€ per sqm		€ per sqm	
2,760	- 4,170	3,440	- 5,210
2,390	- 3,020	3,100	- 3,650
1,740	- 2,160	2,360	- 2,960
1,020	- 1,230	1,560	- 1,970
2,840	- 3,680	3,230	- 4,200
2,690	- 3,620	3,260	- 4,650
1,950	- 3,030	2,520	- 3,560
1,950	- 2,400	2,690	- 3,290
1,480	- 2,280	1,820	- 2,850
1,990	- 2,440	2,750	- 3,350
1,910	- 2,260	2,260	- 2,900
2,570	- 3,140	3,020	- 3,560
1,640	- 2,410	1,900	- 2,750
1,400	- 1,760	1,500	- 2,030
1,160	- 1,480	1,680	- 2,160
2,070	- 2,490	2,310	- 3,410
1,130	- 1,600	1,390	- 1,860
2,010	- 2,760	2,510	- 3,520
3,310	- 3,680	3,680	- 4,730
1,390	- 2,310	1,540	- 3,050
1,320	- 1,850	1,360	- 2,480
2,230	- 2,890	2,840	- 4,720
2,450	- 3,120	3,060	- 5,030
2,310	- 3,550	2,950	- 4,910
1,950	- 2,080	2,150	- 2,750
2,020	- 2,410	2,500	- 2,890
2,290	- 2,550	2,810	- 3,060
2,030	- 2,240	2,460	- 2,680
2,240	- 2,470	2,700	- 2,950
2,440	- 2,890	3,010	- 3,470
3,330	- 3,860	4,010	- 5,280

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.

- Ireland, Portugal and The Netherlands are expected to show strong construction output growth.
- GCC countries are experiencing a time of economic downturn caused by the fall in global oil prices, whilst in Africa many cities' tender prices for 2017 fluctuated between +6% and +8% annually, with forecasts of small rises in 2018.

Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	4x B Aparthotels	Belgium
	5x HR Group hotels	Germany
	7x Fico hotels	Germany
	5x Thomas Cook resorts	Greece, Spain
	13x Apollo Hotels	Netherlands
	2x Holiday Inn hotels	Poland
	7x Alua hotels	Spain
	25x Amaris hotels	UK
	2x Galleon hotels	UK
	7x Hilton hotels	UK
	14x Principal hotels	UK
Single Asset Transactions		
Netherlands	Hilton Schipol Airport	Amsterdam
	Bilderberg Landgoed Lauswolt	Lauswolt
	Hilton Rotterdam	Rotterdam
	Marriott The Hague	The Hague
CEE	Apartmani Medena ¹	Seget Donji, Croatia
	Park Inn Krakow	Krakow, Poland
Germany	Hilton Berlin	Berlin
	Maritim Cologne	Cologne
	Leonardo Royal	Munich
Italy	Hotel Carlyle Brera	Milan
	Castello di Casole*	Tuscany
UK	Hallmark West Cliff	Bournemouth
	Eynsham Hall	Cotswolds
	The Caledonian	Edinburgh
	GoGlasgow Urban Hotel	Glasgow
Spain	IFA InterClub Atlantic	Gran Canaria
	Barcelo Marbella	Marbella
	Ritz-Carlton Abama Resort ²	Tenerife
Other	Citadel Azur Hotel	Sahl Hashish, Egypt
	L'Epi-Plage	Ramatuelle, France
	McWilliam Park	Co Mayo, Ireland

Source: Whitebridge Hospitality

* Sold out of receivership

- ME&A deals: Signature Lux Hotels acquired Onome Hotel Group (Mor); Riu acquired Hideaway of Nungwi (Zan); Samer Foz acquired Four Seasons Damascus (Syr).
- Sparkling Spain: B&B acquired 7x H2 Hotels; Atom Hotels acquired 6x Atitlan Hotels; Blackstone scoping Hispania (c. €2.3bn).
- Active Accor acquired: 50% of Mantis Group (RSA); all of Movenpick (€466m, Swi); 50% of SBE Entertainment Group (€274.3m, USA); and sold 57.8% stake in 891-hotel AccorInvest to GIC-led consortium (€4.6bn).

No. of Keys	Total Price	Price per Key
	€	€
185	36,000,000	195,000
869	100,000,000	115,000
842	58,000,000	69,000
1,625	169,500,000	104,000
1,938	160,000,000	83,000
496	80,000,000	161,000
1,701	165,000,000	97,000
4,000	676,000,000	150,000
94	13,100,000	139,000
1,350	153,100,000	113,000
2,638	969,540,000	368,000
433	148,000,000	342,000
65	6,800,000	105,000
254	50,200,000	198,000
306	60,300,000	197,000
260	3,200,000	12,000
152	26,000,000	171,000
601	297,000,000	494,000
454	120,000,000	264,000
424	157,000,000	370,000
97	36,000,000	371,000
39	39,000,000	1,000,000
83	7,600,000	92,000
135	10,000,000	74,000
241	96,400,000	400,000
117	11,300,000	97,000
420	62,800,000	150,000
206	19,000,000	92,000
230	50,000,000	217,000
514	41,700,000	81,000
10	27,000,000	2,700,000
103	9,000,000	87,000

¹ for a 20.52% stake ² for a 51.1% stake

- Corporate deals: Starwood Capital acquired CA Immo (Aus); Schroders acquired Algonquin (Fra); Trocadero Cap acquired Escatotel Group (Fra); Whitbread acquired Foremost Hotels (Ger); Lonzum PE Fund acquired Hunquest Hotels (Hun); Brookfield acquired SACO (€488m, UK); Secure Investment REIT acquired 76x Travelodges (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.

SUPPLY ANALYSIS - GERMANY

Introduction

Germany is home to Europe's 2nd highest pipeline (with 82,948 potential rooms), after the UK.

Country Overview

Looking ahead to the next three years Germany has 39,741 rooms with a high probability of being built (i.e. those In Planning, Final Planning and In Construction), which represents around 46% of total pipeline. In H1 2018, some 5,909 rooms have already opened across Germany, and there are a further 10,457 scheduled for completion before year's end (thus accounting for a total of nearly 16,500 rooms in 2018).

Pipeline Germany	Projects	Rooms
Due 2018 H2	61	10,457
Due 2019	101	17,494
Due 2020	57	11,790
Total	219	39,741

Source: AM:PM 2018 an STR product

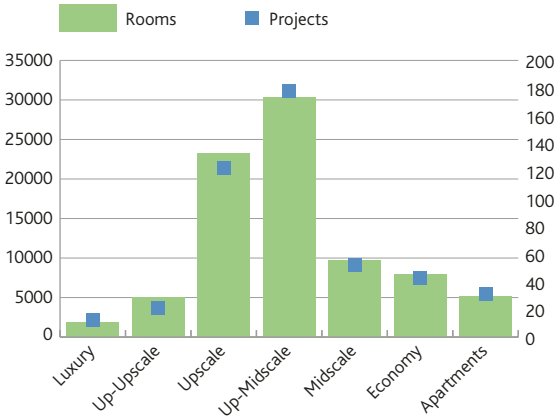
The prevalence of select service developments is a strong indicator that owners and developers in Germany favour the cost efficiency of select-service brands. With increasing labour and construction costs, select-service has achieved profitable margins, whilst also meeting the evolving needs of the guests who may value external venues and self-service.

City Overviews

- **Hamburg:** a city notable for its strong pipeline, with 1,065 rooms already opened YTD and a further 1,326 scheduled before end of 2018.
- **Munich:** also has a substantial pipeline, with 1,798 new rooms expected in 2018
- **Frankfurt:** boasts a notable pipeline, with 2,121 rooms due by year's end.

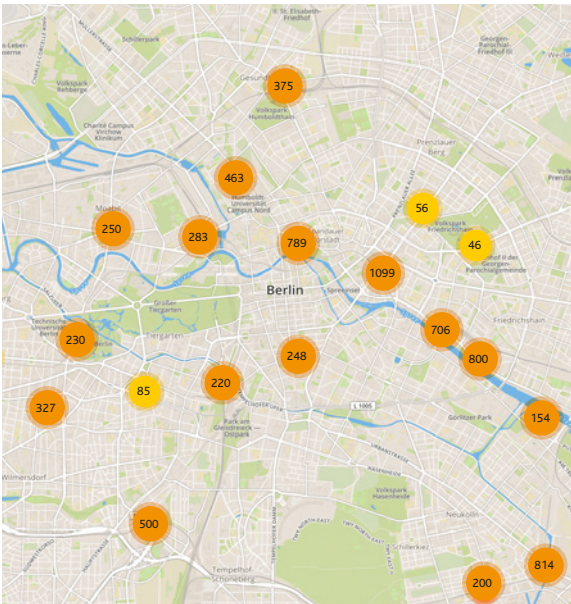
Case Study - Berlin

Berlin has the largest pipeline in Germany, accounting for 14% of total expected supply in Germany, representing some 11,463 potential new rooms.



Source: AM:PM 2018 an STR product

The map below shows that hotspots in Berlin are in Mitte and towards to the southeast along the River Spree. Highest number clustered close to Alexanderplatz because of available sites, land values and good transportation links.





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