

EMEA HOTELS MONITOR

AUGUST 2011

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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 property and construction consultancy with over 2,500 people operating from more than 100 international offices. The firm combines global best practice with local insight, utilising the latest cost data and innovations to deliver services including Quantity Surveying, Project Management, Building Surveying and Advisory Services.



STR Global provides clients with access to hotel research with regular and custom reports covering over 45,000 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 and Census data covering all aspects of the industry.



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Introduction

Welcome to the new look EMEA Hotels Monitor. A few changes have taken place since our last issue, but rest assured that the EMEA Hotels Monitor will continue to provide a useful guide to the hotel sector across the region and we are proud to release this issue, our eighth in the biannual series. We are also pleased to welcome Rider Levett Bucknall as a long term partner and supplier of hotel construction cost data for the Hotels Monitor.

Looking back over the last six months, it is evident that certain hotel markets are performing very strongly and demand appears to be holding up well despite the prolonged economic crisis. This, together with low interest rates, has made owners and their bankers more resilient perhaps than might otherwise have been the case in terms of values. Consequently, the number of transactions in the first half of 2011 has not been as high as some might have hoped. However, as the economies of Europe seek to deleverage, could the same be increasingly true for hotel owners? Already this year we have seen several significant UK hotel portfolios fall into liquidation. Could this finally signal an end to the "pretend and extend" culture? Will owners thinking of selling bring their hotels to market now, in the hope that they will beat the flood of distressed asset sales to come?

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In the recent sale of Olympic tickets, many people failed to secure seats to London 2012. Will the capital's hotel market perform more reliably? Our final page in this issue is a brief analysis prepared by STR Global on the impact of the Olympic games on the hotel markets of various host cities in recent years.

Philip Camble

*Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor*

Performance Trends

Jan-Jun City	2011			2010			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	€	%	€	€	%	€	Abs (€)	%	Abs %	%	Abs (€)	%
Amsterdam	137.56	74.4	102.29	122.95	70.3	86.49	14.61	11.9	4.0	5.7	15.80	18.3
Berlin	88.00	65.9	58.02	88.89	65.6	58.30	-0.89	-1.0	0.3	0.5	-0.28	-0.5
Budapest	64.73	58.2	37.64	62.26	52.7	32.80	2.47	4.0	5.5	10.4	4.85	14.8
Cairo	86.92	34.7	30.20	95.16	66.5	63.24	-8.24	-8.7	-31.8	-47.8	-33.04	-52.2
Cape Town	102.65	57.0	58.48	112.83	58.7	66.20	-10.18	-9.0	-1.7	-2.9	-7.72	-11.7
Copenhagen	99.37	62.6	62.17	95.95	57.7	55.40	3.42	3.6	4.8	8.4	6.78	12.2
Dubai	160.08	77.6	124.18	170.57	73.0	124.46	-10.49	-6.1	4.6	6.3	-0.28	-0.2
Dublin	81.32	68.8	55.92	77.17	62.6	48.29	4.15	5.4	6.2	9.9	7.63	15.8
Edinburgh	83.41	76.8	64.04	83.89	73.5	61.69	-0.49	-0.6	3.2	4.4	2.35	3.8
Helsinki	97.32	65.5	63.79	96.28	62.8	60.51	1.03	1.1	2.7	4.3	3.27	5.4
London	150.76	80.5	121.43	137.11	80.2	109.91	13.66	10.0	0.4	0.5	11.52	10.5
Madrid	90.51	66.1	59.80	92.43	65.0	60.10	-1.91	-2.1	1.0	1.6	-0.30	-0.5
Milan	140.20	65.5	91.88	135.52	60.5	81.96	4.68	3.5	5.1	8.4	9.92	12.1
Moscow	154.87	61.2	94.79	146.93	58.5	85.90	7.94	5.4	2.7	4.7	8.89	10.3
Muscat	175.05	54.3	94.97	177.52	57.7	102.50	-2.47	-1.4	-3.4	-5.9	-7.53	-7.3
Oslo	122.80	61.2	75.17	122.32	58.8	71.86	0.48	0.4	2.5	4.2	3.31	4.6
Paris	228.89	78.1	178.74	200.45	76.0	152.39	28.44	14.2	2.1	2.7	26.35	17.3
Prague	75.98	60.8	46.21	71.71	55.1	39.52	4.27	6.0	5.7	10.4	6.70	16.9
Riyadh	194.57	69.9	136.09	199.29	66.6	132.72	-4.72	-2.4	3.3	5.0	3.37	2.5
Rome	150.22	65.4	98.27	142.49	64.8	92.32	7.73	5.4	0.6	1.0	5.95	6.4
Stockholm	127.50	64.6	82.33	112.76	64.3	72.47	14.73	13.1	0.3	0.5	9.86	13.6
Vienna	97.36	69.0	67.18	89.72	67.0	60.12	7.65	8.5	2.0	3.0	7.06	11.7
Zurich	200.49	72.1	144.63	169.44	70.1	118.76	31.05	18.3	2.0	2.9	25.87	21.8

Source: STR Global

- The first half of 2011 in EMEA was dominated by the Arab Spring across Northern Africa and parts of the Middle East. Cairo's demand dropped, reporting 35% occupancy for the period.
- Dubai has picked up occupancy, increasing by 4.6 percentage points to 77.6%, with the slowing of supply growth helping to boost performance levels.
- Across Europe, most markets continued on a recovery path and increased occupancy and ADR. Whilst risks remain in the wider economic environment, hotels have benefited from increasing demand from business, leisure and MICE. Supply growth across Europe has been limited, helping to boost occupancy levels further.

Hotel Construction Costs

Country	Budget hotels	Mid market - low	Mid market - high	Luxury
	€ per sqm	€ per sqm	€ per sqm	€ per sqm
UK	1,470- 1,950	1,700 - 2,300	2,210 - 2,890	2,720 - 3,960
Austria	1,300 - 1,450	1,600 - 2,050	2,300 - 2,700	2,850 - 3,200
Belgium	1,100 - 1,600	1,450 - 1,850	1,600 - 2,000	2,200 - 2,700
Bulgaria	850 - 1,350	1,100 - 1,550	1,200 - 2,000	1,300 - 2,900
Czech Republic	900 - 1,200	1,100 - 1,350	1,200 - 1,700	1,500 - 2,050
France	1,550 - 2,000	2,000 - 2,600	2,500 - 3,500	2,800 - 4,500
Germany	1,600 - 1,750	1,680 - 1,980	2,000 - 2,800	2,600 - 3,300
Greece	900 - 1,100	1,100 - 1,400	1,300 - 1,700	1,700 - 2,200
Hungary	750 - 1,050	1,100 - 1,500	1,300 - 2,000	1,800 - 2,500
Ireland	1,350 - 1,500	1,500 - 1,700	1,700 - 1,800	2,000 - 2,500
Italy	1,200 - 1,700	1,400 - 1,750	1,700 - 2,000	2,200 - 3,000
Netherlands	1,000 - 1,300	1,200 - 1,500	1,300 - 1,750	1,750 - 2,000
Poland	950 - 1,300	1,000 - 1,400	1,500 - 2,100	1,800 - 2,500
Portugal	900 - 1,100	1,000 - 1,200	1,300 - 1,650	1,400 - 1,900
Romania	1,100 - 1,700	1,300 - 2,000	1,500 - 2,000	1,500 - 3,500
Russia	950 - 1,850	1,300 - 1,950	1,400 - 2,700	2,000 - 3,800
Slovakia	700 - 1,100	800 - 1,200	1,000 - 1,500	1,330 - 1,750
Spain	1,070 - 1,410	1,890 - 2,270	1,620 - 1,980	2,000 - 2,800
Sweden	1,980 - 2,430	2,430 - 2,870	2,870 - 3,200	3,200 - 3,860
Turkey	950 - 1,550	1,100 - 1,800	1,100 - 1,900	1,200 - 2,100
Ukraine	1,200 - 1,800	1,350 - 2,000	1,550 - 2,000	1,600 - 3,000
Abu Dhabi	920 - 1,040	1,070 - 1,320	1,650 - 1,930	1,850 - 2,130
Bahrain	870 - 960	1,140 - 1,250	1,280 - 1,360	1,400 - 1,790
Dubai	850 - 980	1,040 - 1,130	1,600 - 1,880	1,790 - 2,070
Saudi Arabia	940 - 1,030	1,240 - 1,350	1,380 - 1,470	1,510 - 1,940
Kenya	1,310 - 1,520	1,520 - 1,800	2,070 - 2,560	2,560 - 3,110
Mozambique	1,180 - 1,450	1,450 - 1,660	1,870 - 2,350	2,350 - 2,840
Rwanda	1,380 - 1,660	1,660 - 1,940	2,210 - 2,770	2,770 - 3,320
South Africa	1,040 - 1,250	1,250 - 1,460	1,670 - 2,080	2,080 - 2,500
Tanzania	1,590 - 1,870	1,870 - 2,210	2,560 - 3,180	3,180 - 3,800

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.

Source: Rider Levett Bucknall

- Uncertainty in future construction output is generally resulting in continued competitive pricing. Whilst the hopes of green shoots are evident in some countries, the contraction of government spending and on-going conservatism in funding are generally resulting in contractors adopting pricing strategies based on a very limited short-medium term view of the market.
- Commodity prices continue to increase and there is evidence of longer term projects being designed to minimise the risk of volatility in certain materials. In competitive times, local market knowledge is key to delivering successful projects.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				€	€
	49 x Accor hotels	France	4,900	378,400,000	77,000
	18 x B&B hotels	Germany	1,843	65,000,000	35,000
	10 x NH hotels	Germany, Austria	2,000	230,000,000	115,000
	5 x NH hotels	Germany, Austria	1,153	170,000,000	147,000
	4 x Hilton Hotels	UK	921	114,000,000	124,000
	7 x InterContinental	Europe	2,551	450,000,000	176,000
Single Asset Transactions					
CEE	Mandarin Oriental	Prague, Czech Republic	99	39,000,000	394,000
	Ritz Carlton	Moscow, Russia	334	422,200,000	1,264,000
	Kempinski High Tatras	Strbske Pleso, Slovakia	98	22,300,000	227,000
France	Marriott Champs-Elysees	Paris	192	39,700,000	207,000
	Hotel Costes K	Paris	83	65,000,000	783,000
Spain	Grand Hotel Central	Barcelona	147	22,000,000	150,000
	Hotel Servigroup Romana	Castellon	158	12,000,000	76,000
	Hotel Selenza	Madrid	44	18,000,000	409,000
	Tryp Ambassador Madrid*	Madrid	183	23,000,000	126,000
	Tryp Centro Norte	Madrid	203	30,000,000	148,000
	Melia Lebreros	Seville	437	49,250,000	113,000
	Hilton Valencia	Valencia	304	42,000,000	138,000
UK	Royal Berkshire	Ascot	63	17,100,000	271,000
	Hilton Brighton Metropole	Brighton	334	44,700,000	134,000
	Polurrian Hotel	Cornwall	39	2,600,000	67,000
	Number Ten Hotel	Edinburgh	30	5,700,000	190,000
	Malmaison Charterhouse Walk	London	97	36,500,000	376,000
	The Cadogan	London	65	17,600,000	270,000
	Dakota Hotel	Nottingham	92	12,500,000	136,000
	Crowne Plaza Reading**	Reading	122	14,500,000	119,000
	Sheffield Park Hotel**	Sheffield	95	4,600,000	48,000
	Eaves Hall Country Hotel	Waddington	34	3,400,000	101,000
Other Europe	Movenpick Hotel Messe	Stuttgart, Germany	229	16,000,000	70,000
	Grand Hotel Ambasciatori	Bari, Italy	168	15,500,000	92,000
	Scandic Bromma	Stockholm, Sweden	144	14,100,000	98,000

Source: Whitebridge Hospitality

* Price represents 80% of total value

** Sold out of receivership

- The French have been particularly busy with the sale of Le Meridien Montparnasse and Hotel Lotti in Paris, and Accor selling properties in Germany.
- Notable corporate deals included share trades in Lucien Barriere Hotels & Resorts, Citea, Maybourne Hotels, NH Hotels and Esporta Racquets & Non-Racquets Holdings.
- In the UK & Ireland, the number of distressed asset sales jumped, including: Four Seasons Dublin, Aerodrome Hotel Croydon, Pontins, Butterfly Hotels, Crowne Hotels, Sir Christopher Wren's House Hotel, Hilton Manchester

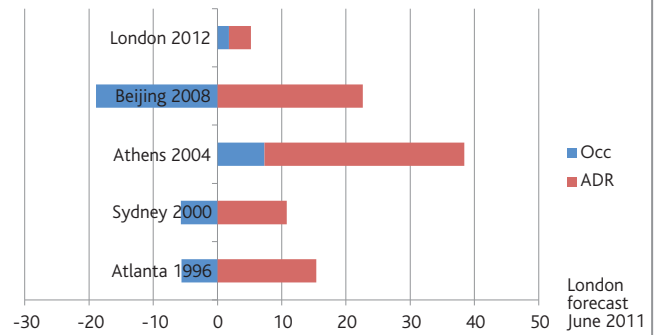
Deansgate, Radisson Blu Liverpool, Winchester Hotel, Regency Park Hotel Newbury and Mount Hotel Wolverhampton.

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.

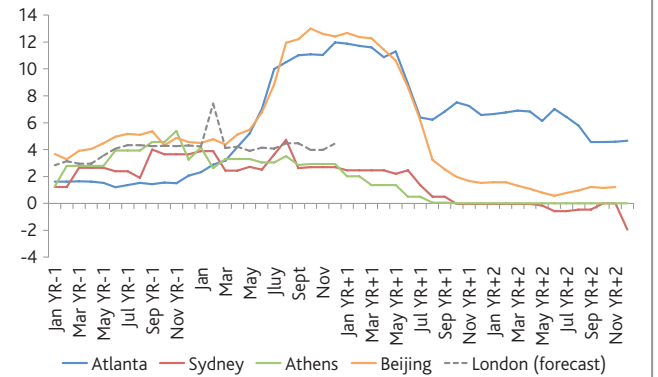
Impact of the Olympic Games

- Just under a year to go now until London welcomes the world for the 2012 Olympic and Paralympic Games. It will be a great celebration, but questions remain by how much hoteliers across London and the UK will benefit. July is a peak month for London hoteliers and in 2012 Farnborough Air Show and the earlier Ramadan will keep hoteliers very busy in the run-up to the Games.
- Interestingly, a look at demand for the past four Summer Olympic host cities reveals a differentiated picture in terms of demand growth for the Games although generally Olympic demand appears to simply replace existing demand within the Olympic months as the usual demand is moved to alternate dates or destinations.
- Only Athens, where August is usually a low season month, saw a spike in demand year-on-year.
- As London is already trading at higher performance levels than the previous four host cities, STR Global currently forecasts a 5.3% RevPAR increase for the full year 2012.

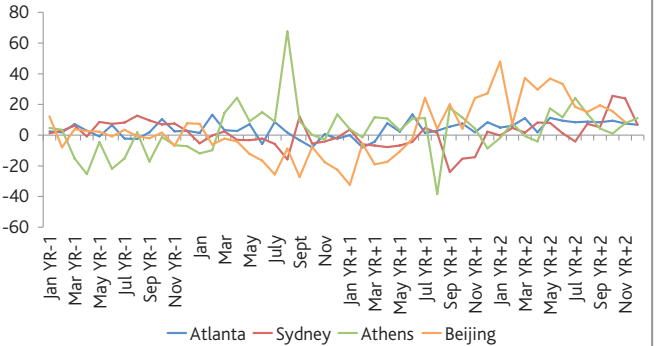
Year – end results
% change, local currency



Supply in Olympic Cities
Monthly # Census % change YOY



Demand in Olympic Cities
Occupied rooms % change YOY



Source: STR Global



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