

EMEA HOTELS MONITOR

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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.

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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.

EMEA HOTELS MONITOR AUGUST 2012

Introduction

We hope you will join us in celebrating our landmark 10th edition of the EMEA Hotels Monitor.

In this the year of London 2012, the first six months have been packed with anticipation and increasing concern for the world economy. On the positive side, we have witnessed genuine elections in North Africa and a number of successful major events across Europe (including the Diamond Jubilee and Olympics in London, and EURO 2012 in Poland/Ukraine). On the less encouraging side, Euroland is sinking closer to a Grexit and the Libor debacle has effectively eviscerated any lending activity.

Despite the deteriorating economic situation, hotel performances have remained strong across most markets (with the notable exception of some destinations in southern Europe), and markets in the Middle East and Africa are recovering strongly following the Arab Spring of 2011.

With the construction sector in the UK shrinking by 10% in H1 2012 and Euroconstruct revising its forecast for 2012 down to -2.1%, the development pipeline for Europe is still severely affected. In the Middle East and Africa, there is some development activity, but the volumes are very limited.

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Transaction activity has been below expectations, with the absence of debt funding playing a major role. This has resulted in private buyers and sovereign wealth dominating the transactions market. Qatar in particular has been flexing its considerable muscles ahead of the Olympics. Will anyone be faster, higher or stronger in the second half of 2012?

Philip Camble

*Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor*

Performance Trends

Jan-Jun City	2012			2011			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	€	%	€	€	%	€	Abs (€)	%	Abs %	%	Abs (€)	%
Amsterdam	140.07	73.8	103.31	135.43	74.3	100.63	4.64	3.4	-0.5	-0.7	2.68	2.7
Berlin	88.34	68.3	60.35	87.92	66.1	58.14	0.42	0.5	2.2	3.3	2.21	3.8
Budapest	65.63	57.3	37.60	64.66	58.2	37.63	0.97	1.5	-0.9	-1.5	-0.03	-0.1
Cairo	77.10	44.8	34.50	83.59	35.4	29.57	-6.49	-7.8	9.4	26.5	4.93	16.7
Cape Town	100.60	61.1	61.45	102.62	56.9	58.43	-2.01	-2.0	4.1	7.3	3.02	5.2
Copenhagen	103.90	63.2	65.63	98.29	62.6	61.53	5.60	5.7	0.6	0.9	4.09	6.7
Dubai	183.36	81.2	148.94	156.06	76.1	118.77	27.31	17.5	5.1	6.7	30.18	25.4
Dublin	86.90	70.1	60.91	80.64	68.7	55.38	6.26	7.8	1.4	2.1	5.53	10.0
Edinburgh	88.82	73.8	65.51	83.72	76.7	64.23	5.10	6.1	-3.0	-3.9	1.28	2.0
Helsinki	104.68	66.0	69.08	97.87	65.7	64.31	6.81	7.0	0.3	0.4	4.77	7.4
Istanbul	155.55	73.4	114.19	156.36	70.3	109.96	-0.81	-0.5	3.1	4.4	4.22	3.8
London	162.91	78.9	128.49	149.75	79.8	119.52	13.16	8.8	-0.9	-1.2	8.96	7.5
Madrid	88.72	65.4	57.98	90.75	66.3	60.15	-2.03	-2.2	-0.9	-1.4	-2.16	-3.6
Milan	134.67	62.3	83.95	135.16	65.0	87.86	-0.49	-0.4	-2.7	-4.1	-3.92	-4.5
Moscow	150.09	65.3	97.95	144.34	61.5	88.73	5.75	4.0	3.8	6.2	9.22	10.4
Muscat	169.62	62.7	106.36	173.56	54.3	94.21	-3.93	-2.3	8.4	15.5	12.15	12.9
Paris	245.81	77.6	190.79	228.00	78.1	178.12	17.81	7.8	-0.5	-0.6	12.67	7.1
Prague	77.16	63.7	49.14	76.09	60.9	46.30	1.08	1.4	2.8	4.6	2.84	6.1
Riyadh	202.95	62.9	127.60	194.56	69.3	134.76	8.38	4.3	-6.4	-9.2	-7.15	-5.3
Rome	147.89	64.1	94.78	147.06	64.9	95.44	0.83	0.6	-0.8	-1.3	-0.67	-0.7
Vienna	95.91	68.0	65.27	96.82	68.8	66.58	-0.91	-0.9	-0.7	-1.0	-1.31	-2.0
Warsaw	94.04	67.7	63.64	77.37	66.4	51.40	16.67	21.5	1.2	1.9	12.24	23.8
Zurich	193.92	68.0	131.89	199.96	72.2	144.34	-6.04	-3.0	-4.2	-5.8	-12.45	-8.6

Source: STR Global

- Despite the ongoing troubling news out of Euroland and softening of economic conditions elsewhere, the hotel industry across Europe reported a decent performance for the first six months of 2012. On a European wide basis, occupancy was almost flat with a 0.1% improvement on last year to 63.7%. ADR fared better with a 4% increase to €103.
- Warsaw's YTD results benefited from the UEFA EURO 2012 Football Championship, boosting ADR by 116% in local currency for the month of June, which in turn helped to push up the YTD ADR. Interestingly, occupancy did not do so well with just a 0.3% rise for the month. Zurich had to deal with increasing supply and declining demand (impacted by the strong Swiss Franc), leading to falls in occupancy and ADR (7.1% decline in local currency YTD).
- The markets across the Middle East and Northern Africa saw bounces off weak performances last year. Dubai, which in 2011 benefited from travellers staying away from the hot spots, continued to report solid increases for the first six months. Cairo reported a recovery in demand and occupancy climbed to 44.8% YTD. ADR remains under pressure.

Hotel Construction Costs

Country	Budget hotels	Mid market – low	Mid market – high	Luxury
	€ per sqm	€ per sqm	€ per sqm	€ per sqm
UK	1,680 - 2,220	1,920 - 2,610	2,510 - 3,290	3,090 - 4,500
Austria	1,300 - 1,450	1,600 - 2,050	2,300 - 2,700	2,850 - 3,200
Belgium	1,110 - 1,620	1,460 - 1,870	1,620 - 2,020	2,220 - 2,730
Bulgaria	860 - 1,360	1,110 - 1,570	1,210 - 2,020	1,310 - 2,930
Czech Republic	900 - 1,190	1,090 - 1,340	1,190 - 1,690	1,490 - 2,040
France	1,550 - 2,000	2,000 - 2,600	2,500 - 3,500	2,800 - 4,500
Germany	1,620 - 1,770	1,690 - 1,990	2,020 - 2,830	2,630 - 3,330
Greece	900 - 1,110	1,110 - 1,410	1,310 - 1,710	1,710 - 2,210
Hungary	770 - 1,080	1,130 - 1,540	1,340 - 2,050	1,850 - 2,570
Ireland	1,350 - 1,500	1,500 - 1,700	1,700 - 1,800	2,000 - 2,500
Italy	1,210 - 1,710	1,410 - 1,760	1,710 - 2,010	2,210 - 3,020
Norway	1,900 - 2,720	2,310 - 3,120	2,450 - 3,260	2,990 - 3,800
Netherlands	1,010 - 1,310	1,210 - 1,520	1,310 - 1,770	1,770 - 2,020
Portugal	910 - 1,110	1,010 - 1,210	1,310 - 1,670	1,410 - 1,920
Romania	1,120 - 1,730	1,330 - 2,040	1,530 - 2,040	1,530 - 3,570
Russia	990 - 1,500	1,350 - 1,870	1,350 - 2,390	2,080 - 3,320
Slovakia	700 - 1,100	800 - 1,200	1,000 - 1,500	1,330 - 1,750
Spain	1,080 - 1,430	1,920 - 2,300	1,640 - 2,000	2,030 - 2,840
Sweden	2,190 - 2,670	2,670 - 3,140	3,140 - 3,490	3,490 - 3,020
Turkey	980 - 1,600	1,130 - 1,850	1,130 - 1,960	1,240 - 2,160
Ukraine	1,320 - 1,980	1,490 - 2,200	1,710 - 2,200	1,760 - 3,300
Abu Dhabi	1,260 - 1,520	1,720 - 2,110	2,130 - 2,430	2,590 - 3,560
Bahrain	1,040 - 1,140	1,370 - 1,490	1,530 - 1,620	1,670 - 2,140
Dubai	1,100 - 1,330	1,510 - 1,850	1,870 - 2,130	2,280 - 3,130
Saudi Arabia	1,120 - 1,230	1,480 - 1,610	1,650 - 1,750	1,810 - 2,310
Kenya	1,370 - 1,630	1,630 - 1,910	2,190 - 2,710	2,710 - 3,270
Mozambique	1,370 - 1,630	1,630 - 1,910	2,190 - 2,710	2,710 - 3,270
Rwanda	1,580 - 1,890	1,890 - 2,210	2,530 - 3,150	3,150 - 3,790
South Africa	990 - 1,180	1,180 - 1,380	1,580 - 1,970	1,970 - 2,370
Tanzania	1,550 - 1,840	1,840 - 2,150	2,460 - 3,070	3,070 - 3,700

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

- The contraction of the European Construction Market has continued in 2012, albeit at a slower rate than in 2011. Countries whose output has historically depended on publically funded projects have been particularly hard hit as austerity measures are implemented to varying degrees. Such austerity impacts tender prices for privately funded projects.
- A number of countries in the EMEA region remain in severe economic, financial and political crisis, giving greater uncertainty in tender price movement and market confidence generally.
- With construction costs remaining fairly static, exchange rate fluctuations can have a more significant impact on international benchmark costs than local market factors.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				€	€
	4 x Smeralda hotels ¹	Sardinia, Italy	372	600,000,000	1,613,000
	2 x Ramada hotels (London)	UK	402	91,500,000	228,000
	2 x Moscow hotels	Russia	308	768,000,000	2,495,000
	2 x De Vere hotels	UK	332	24,400,000	73,000
	2 x Berlin hotels	Germany	395	60,000,000	152,000
	6 x Principal hotels	UK	1,364	244,000,000	179,000
	2 x Barwa hotels	Qatar	432	236,000,000	547,000
Single Asset Transactions					
France	Carlton Hotel	Cannes	343	450,000,000	1,312,000
	Pullman Paris Rive Gauche	Paris	617	77,000,000	125,000
Ireland	Morrison Hotel *	Dublin	138	22,000,000	159,000
	Sandhouse Hotel *	Donegal	55	691,000	13,000
	K Club ²	Staffan	69	40,000,000	580,000
Middle East	Maaleh Hahamisha Hotel ³	Jerusalem, Israel	231	11,100,000	48,000
	Atlantis Resort Hotel ⁴	Dubai, UAE	1,537	190,600,000	124,000
Netherlands	American Hotel	Amsterdam	175	58,500,000	334,000
	Holiday Inn	Eindhoven	206	22,500,000	109,000
UK	The Royal Crescent *	Bath	45	22,000,000	488,000
	Cliveden *	Berkshire	41	36,600,000	893,000
	The Belfry *	Derby	219	109,800,000	501,000
	Dalhousie Castle *	Edinburgh	36	6,100,000	169,000
	Edgwarebury Hotel	Elstree	49	7,100,000	144,000
	Crowne Plaza Shoreditch *	London	196	85,400,000	436,000
	Kingsley Thistle	London	129	48,800,000	378,000
	Travelodge Marylebone	London	92	18,700,000	204,000
	Ynyshir Hall *	Wales	9	1,200,000	136,000
	Great Hallingbury Manor Hotel *	Stansted	47	3,100,000	65,000
	Church Street Townhouse	Stratford-upon-Avon	12	2,900,000	244,000
	Manor House	Studland Bay	23	3,700,000	159,000
Other	InterContinental	Vienna, Austria	458	50,000,000	109,000
	Le Meridien	Budapest, Hungary	218	60,000,000	275,000
	Hotel National	Moscow, Russia	201	120,000,000	595,000
	Hotel Palace	Barcelona, Spain	125	68,000,000	544,000
	Ibis Stockholm Hagersten	Stockholm, Sweden	190	12,700,000	67,000
	Renaissance Malmo Hotel	Malmo, Sweden	128	44,700,000	349,000

Source: Whitebridge Hospitality

* Sold out of receivership

¹ Price includes golf course, marina and residential land

² Price paid for 49% stake

³ Price paid for 74% stake

⁴ Price paid for 50% stake

- Normally quiet markets, such as Russia and the Middle East, witnessed numerous deals YTD, whilst other countries showed relatively little activity (notably Spain).
- Qatar's Katara Hospitality has been very active, acquiring Smeralda, hotels in Qatar, and Raffles in Paris & Singapore.

- Other notable deals included: Six Senses, Great Wolf, Soho House, InterContinental Warsaw, Royal Hotel Durban, Monarch Dubai, Pentahotels in Germany and Hotel Lancaster in Paris.

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.

SUSTAINABLE CONSTRUCTION TECHNOLOGY

General Considerations

Sustainable technologies have become increasingly important to hotel projects. A combination of factors is driving their use including reducing operating costs, reducing carbon emissions, compliance with local codes and to achieve CSR objectives.

As a result of the varying drivers, many facets of the technologies have to be understood; pay back periods, carbon reduction potential and visibility to guests are all considerations.

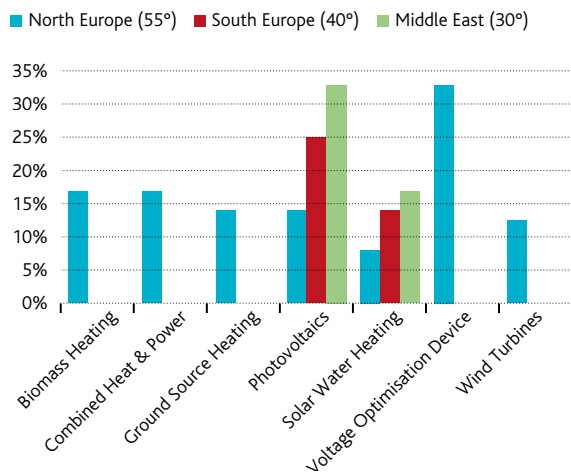
Payback Periods

The payback period of any technology should consider a number of project-specific factors, including:

- Regulatory opportunities including feed-in tariffs
- Typical weather and climatic conditions
- Proximity to mains services
- Hotel size/offering and resulting services demand

Early modelling of the specific criteria of the project in question will allow both pay back periods and CO2 savings to be considered for a range of different options.

Sample Return on Investment



Source: Rider Levett Bucknall
The return on investment is based on a sample project, a notional 150 key mid-market business hotel in an urban location. For specific guidance, project specific data should be modelled and used to assess the cost and benefits of any technology. Local factors will always significantly affect the return on investment.

TYPICAL TECHNOLOGIES

Biomass Boilers

Biomass boilers use grown fuels (that are therefore renewable) such as rape seed oil, or more commonly timber. Delivered to, and stored on site, careful facilities management is required.

Combined Heat and Power (CHP)

Combined Heat and Power is a heating boiler and electrical generator combined. The heat used to generate power is then used to heat the building.

Ground Source Heat Pumps

Heat is drawn from the ground using either a series of horizontal coiled pipes or a vertical bore hole. The sun heats the ground, which below the surface is protected from extremes of heating or cooling.

Photovoltaics (PV)

Photovoltaic materials (solar cells) generate direct current electricity when exposed to light. Cells are grouped together to form PV modules and solar arrays.

Solar Thermal

Solar collectors are used to heat domestic water (or sometimes heating systems). A number of systems are available heating by direct or indirect means.

Voltage Optimisation

The voltage delivered by mains electrical supplies will typically vary (within a tolerance) according to local area demand and length of supply. Voltage Optimisation Devices smooth the supply to the optimum voltage.

Wind Turbines

Turbines create power from wind using blades to drive a generator. These can range from multiple large scale wind farms to smaller building mounted turbines.

SUMMARY

Green initiatives are set to not only become a "nice to have" to meet guest expectations but will increasingly be required to comply with legislation such as the Carbon Reduction Commitments. With careful planning technologies can also be implemented that meet expectations for a return on investment.



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