

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 46,000 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

All things considered, 2012 was a remarkably stable year in terms of hotel performances. Despite political changes across North Africa, the region performed well (albeit not to pre-Arab Spring levels). Despite the "best" Olympics in modern history, London only managed to grow its RevPAR by 2.0% (in local currency terms). Despite economic turmoil in Southern Europe, many markets still performed well.

As we announced at our 8th annual New Year Hotel Investment Summit in January 2013, increasing pressure to deleverage and de-lease (Travelodge and Barcelo in UK, and Rezidor in France) did not result in a deal bonanza. The volume of transactions remained relatively flat in 2012 and other notable trends included: significant sales activity in Russia and ME&A; few large portfolio deals; continuing decline of leases post transaction.

The development pipeline in Europe remains very subdued, with the exception of London, where a further 10,000+ rooms are expected in the next few years. In the Middle East, the strongest pipeline is in Saudi Arabia (Jeddah and Riyadh particularly). Development in Africa remains weak and investors are waiting for stability in the north before committing to new opportunities.

As announced in our 8th annual New Year Hotel Investment Summit in January 2013, the volume of transactions remained relatively flat in 2012.

Our back-page feature is an extract from our upcoming HotelBeat on the luxury hotel sector and attempts to identify possible gaps in EMEA where future luxury hotel development could be considered.

Philip Camble

Director, Whitebridge Hospitality

Editor, EMEA Hotels Monitor

Performance Trends

Jan-Dec City	2012			2011			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	€	%	€	€	%	€	Abs (€)	%	Abs %	%	Abs (€)	%
Amsterdam	135.05	75.8	102.42	135.62	75.8	102.86	-0.57	-0.4	0.0	0.0	-0.44	-0.4
Berlin	87.99	72.6	63.84	84.80	69.3	58.77	3.18	3.8	3.2	4.7	5.06	8.6
Budapest	65.01	64.0	41.59	63.69	62.0	39.46	1.32	2.1	2.0	3.3	2.13	5.4
Cairo	80.43	45.6	36.68	81.57	36.6	29.88	-1.13	-1.4	9.0	24.5	6.80	22.8
Cape Town	96.54	61.0	58.85	97.25	57.4	55.78	-0.71	-0.7	3.6	6.3	3.07	5.5
Copenhagen	101.97	66.1	67.36	98.30	66.1	64.99	3.67	3.7	0.0	-0.1	2.38	3.7
Dubai	180.93	77.2	139.71	156.85	74.7	117.24	24.08	15.4	2.5	3.3	22.46	19.2
Dublin	87.89	74.9	65.87	80.80	71.5	57.73	7.10	8.8	3.5	4.9	8.14	14.1
Edinburgh	96.99	77.4	75.02	90.17	80.0	72.15	6.82	7.6	-2.7	-3.3	2.87	4.0
Helsinki	101.92	67.1	68.34	95.94	68.4	65.64	5.98	6.2	-1.4	-2.0	2.70	4.1
Istanbul	152.98	72.5	110.89	152.20	69.7	106.15	0.78	0.5	2.7	3.9	4.74	4.5
London	171.88	80.6	138.50	153.46	82.1	126.01	18.42	12.0	-1.5	-1.9	12.49	9.9
Madrid	86.48	63.9	55.28	88.38	66.3	58.59	-1.90	-2.1	-2.4	-3.6	-3.31	-5.6
Milan	129.48	61.1	79.06	129.83	63.1	81.87	-0.35	-0.3	-2.0	-3.2	-2.80	-3.4
Moscow	147.62	66.7	98.52	138.38	63.6	88.02	9.24	6.7	3.1	4.9	10.50	11.9
Muscat	168.84	59.6	100.68	172.25	52.2	89.85	-3.41	-2.0	7.5	14.3	10.83	12.1
Paris	256.29	78.8	202.07	235.85	79.0	186.28	20.43	8.7	-0.1	-0.2	15.78	8.5
Prague	73.78	68.6	50.62	70.65	66.6	47.08	3.14	4.4	2.0	2.9	3.54	7.5
Riyadh	201.88	56.9	114.79	192.65	60.4	116.35	9.23	4.8	-3.5	-5.9	-1.57	-1.3
Rome	147.42	66.4	97.85	144.72	66.9	96.88	2.70	1.9	-0.6	-0.9	0.96	1.0
Vienna	98.38	71.7	70.57	94.67	71.8	67.93	3.71	3.9	0.0	0.0	2.64	3.9
Warsaw	82.98	68.5	56.85	75.11	68.5	51.45	7.87	10.5	0.0	0.0	5.41	10.5
Zurich	188.96	71.1	134.29	195.91	71.1	139.30	-6.95	-3.5	0.0	-0.1	-5.02	-3.6

Source: STR Global

- Europe ended 2012 with weak occupancy growth (0.1%) and strong emphasis on ADR (4.7%). The Middle East had a good year with increases in both occupancy and ADR, resulting in a 6.3% increase in RevPAR (in USD). African hotels reported strong occupancy growth (8.4%), but ADR remained under pressure (6.9%, in USD).
- Although Cairo showed the highest occupancy growth, albeit from a low base, achieving 45.6% in 2012, ongoing instability constrained growth in a market that has traditionally performed more strongly and rebounded more quickly from unsettling setbacks.
- Dubai achieved the highest ADR increase in euro-terms. In local currency, ADR in the emirate grew by 7.8%, compared to a decline of 6.4% in Abu Dhabi.
- As in the UAE, Spain and Italy demonstrated contrasting tales of two cities. RevPAR in Madrid declined 5.6%, compared to Barcelona's growth of 2.8%. Rome grew whilst Milan fell. This shows that not all markets in Southern Europe are suffering.
- Berlin had a good year, despite ongoing delays in the yet-to-open international airport. The 8.6% RevPAR increase was the highest since 2007 (ignoring 2010 when VAT was reduced for hotel accommodation).

Hotel Construction Costs

Country	Budget hotels	Mid market – low	Mid market – high	Luxury
	€ per sqm	€ per sqm	€ per sqm	€ per sqm
UK	1,510 - 2,000	1,730 - 2,350	2,260 - 2,970	2,780 - 4,060
Austria	1,340 - 1,470	1,630 - 2,090	2,360 - 2,780	2,950 - 3,400
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 - 1,210	1,110 - 1,360	1,210 - 1,710	1,510 - 2,060
France	1,580 - 2,040	2,040 - 2,650	2,550 - 3,570	2,860 - 4,590
Germany	1,630 - 1,790	1,710 - 2,010	2,040 - 2,860	2,650 - 3,370
Greece	900 - 1,100	1,100 - 1,410	1,310 - 1,710	1,710 - 2,210
Hungary	750 - 1,050	1,100 - 1,500	1,300 - 2,000	1,600 - 2,500
Ireland	1,500 - 1,800	1,750 - 2,000	1,950 - 2,200	2,300 - 3,000
Italy	1,480 - 1,690	1,650 - 1,840	1,790 - 2,110	2,090 - 2,750
Norway	1,880 - 2,690	2,290 - 3,100	2,420 - 3,230	2,960 - 3,770
Netherlands	1,100 - 1,280	1,190 - 1,420	1,380 - 1,750	1,550 - 1,840
Portugal	910 - 1,110	1,010 - 1,210	1,310 - 1,670	1,420 - 1,920
Romania	1,120 - 1,740	1,330 - 2,040	1,530 - 2,040	1,530 - 3,570
Russia	1,010 - 1,530	1,380 - 1,910	1,380 - 2,430	2,120 - 3,390
Slovakia	710 - 1,110	810 - 1,210	1,010 - 1,520	1,340 - 1,770
Spain	1,000 - 1,700	1,500 - 2,000	1,800 - 2,500	2,500 - 3,500
Sweden	2,190 - 2,670	2,670 - 3,140	3,140 - 3,490	3,490 - 3,020
Turkey	670 - 750	700 - 900	800 - 1,300	950 - 1,800
Ukraine	1,360 - 2,040	1,530 - 2,270	1,760 - 2,270	1,810 - 3,400
Abu Dhabi	1,110 - 1,350	1,520 - 1,870	1,880 - 2,150	2,300 - 3,160
Bahrain	920 - 1,010	1,210 - 1,320	1,350 - 1,430	1,480 - 1,900
Dubai	1,080 - 1,310	1,490 - 1,820	1,840 - 2,100	2,240 - 3,080
Saudi Arabia	1,000 - 1,090	1,310 - 1,420	1,460 - 1,550	1,600 - 2,050
Kenya	1,190 - 1,420	1,420 - 1,660	1,900 - 2,360	2,360 - 2,840
Mozambique	1,160 - 1,390	1,390 - 1,620	1,850 - 2,300	2,300 - 2,770
Rwanda	1,370 - 1,640	1,640 - 1,920	2,200 - 2,740	2,740 - 3,290
South Africa	820 - 980	980 - 1,150	1,310 - 1,640	1,640 - 1,970
Tanzania	1,340 - 1,590	1,590 - 1,870	2,140 - 2,670	2,670 - 3,210

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

- Construction output remains variable by country, but with an underlying stagnation. Most countries remain at the “undulating” bottom of a cycle, with any upward pressures in tender prices being small scale, short lived, and often quickly reversed.
- Regional differences within countries can be significant. Where opportunistic property acquisition has spread beyond some capitals to regional markets it is not always followed by significant investment or construction spend. Private sector workload frequently has not fully filled the gap left by austerity measures.
- Currency fluctuations remain a significant influence on costs, in a stagnated market.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				€	€
	4 x hotels ¹	Denmark	728	78,000,000	107,000
	4 x hotels ²	Germany/Netherlands	790	100,000,000	127,000
	5 x Marriott hotels	France/Netherlands	1,733	440,000,000	254,000
	7 x Premier Inn	UK	577	63,300,000	110,000
	165 x B&B Hotels	France	12,000	476,000,000	40,000
Single Asset Transactions					
CEE	Mercure Zakopane Kasprowy	Zakopane, Poland	288	13,300,000	46,000
	Hotel Budapest	Moscow, Russia	116	25,500,000	220,000
	Hotel Metropol	Moscow, Russia	362	217,000,000	599,000
	Radisson Slavyanskaya ³	Moscow, Russia	410	132,500,000	323,000
France	Chateau de Bagnol*	Beujolais	21	9,000,000	429,000
	Sofitel Paris La Defense	Paris	151	22,000,000	146,000
Germany	Barcelo Hamburg	Hamburg	193	41,500,000	215,000
	Maritim Hotel Berlin Tiergarten	Berlin	505	186,500,000	369,000
Ireland	Croke Park Hotel	Dublin	232	20,400,000	88,000
	The Burlington Hotel*	Dublin	501	67,000,000	134,000
	Parknasilla Resort Spa*	Kerry	145	10,000,000	69,000
	Castletroy Park Hotel*	Limerick	107	4,500,000	42,000
Middle East	Leonardo Inn Hotel	Jerusalem, Israel	185	13,900,000	75,000
	Tulip Inn Muscat	Muscat, Oman	153	20,600,000	135,000
Spain	Holiday Inn Madrid ⁴	Madrid	313	20,000,000	64,000
	Tryp Beliver Hotel	Mallorca	384	30,000,000	78,000
UK	Hyatt Regency*	Birmingham	319	32,900,000	103,000
	Crowne Plaza Cambridge*	Cambridge	198	45,100,000	228,000
	University Arms	Cambridge	119	24,800,000	208,000
	Sharrow Bay*	Cumbria	24	1,900,000	78,000
	Ellangowan Hotel	Dumfries	9	250,000	28,000
	Radisson Blu Glasgow*	Glasgow	247	34,700,000	141,000
	Ramada Hemel Hempstead*	Hemel Hempstead	137	4,200,000	31,000
	Bayswater Inn	London	140	49,000,000	350,000
	Cavendish Hotel	London	230	197,000,000	856,000
	Travelodge Balham	London	90	8,500,000	95,000
	Staybridge Newcastle*	Newcastle-upon-Tyne	128	15,400,000	120,000
	Barony Castle	Peebles	78	2,500,000	32,000
	Premier Inn Woking	Woking	105	12,100,000	116,000

Source: Whitebridge Hospitality

*Sold out of receivership

¹ First Copenhagen, Scandic's Hviderod, Klosterp & Kolding

² Lindner Congress Frankfurt, Park Inn Nuremberg, MGallery's Cologne & Amsterdam

³ Price paid for 50% stake

⁴ Price paid for 51% stake

- The flow of distressed asset sales in the UK increased in 2012 and momentum is growing in Ireland.
- Other notable deals included: The Westcliff in South Africa, Grand Bellevue in Gstaad and a €10m deposit for the Mandarin Oriental Paris.

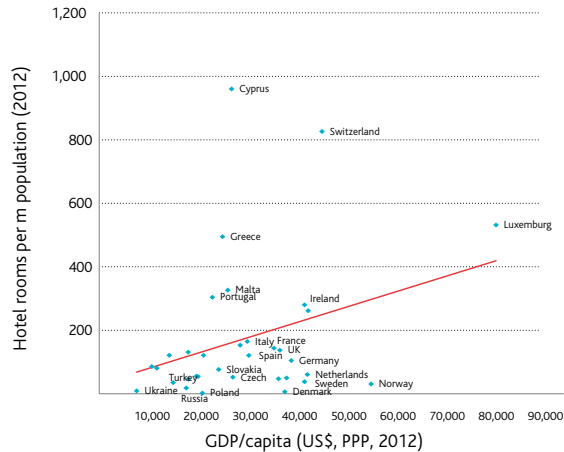
- Sales completed by Whitebridge Hospitality's agency team included the Quorn Grange in the UK.

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.

LUXURY HOTEL SECTOR IN EUROPE AND MENA

Europe

The graph below plots the number of luxury hotel rooms per million of population against GDP per capita (US\$, on a Purchasing Power Parity basis), together with a trend line for a range of countries in Europe.



Key trends to highlight include:

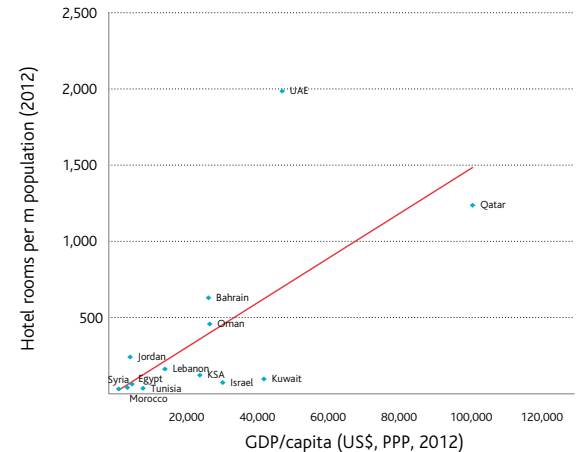
- Relatively small countries that are heavily reliant on international tourism tend to have a very high proportion of luxury hotel rooms. (e.g. Cyprus, Greece, Switzerland, Malta, Portugal, Ireland).
- Large, popular tourist destinations are close to the trend line (e.g. Italy, France, UK), but there are a number of large West European countries that appear to have a significantly lower than average proportion of luxury hotel rooms (e.g. Netherlands, Denmark, Norway).
- Most East European countries are positioned well below the trend line, with Russia and Poland perhaps identifiable as future countries where luxury hotel development could be viable.
- Turkey's positioning would also suggest that future luxury hotel development could be viable.

Source: Whitebridge Hospitality

The number of hotel rooms per million of population is based on a survey of international luxury hotel brands, both "hard" hotel operator brands and "soft" brands such as Leading Hotels of the World. The GDP data is taken from IMF reports.

Middle East & North Africa

The graph below plots the number of luxury hotel rooms per million of population against GDP per capita (US\$, on a Purchasing Power Parity basis), together with a trend line for a range of countries in MENA.



Key trends to highlight include:

- The UAE has the highest proportion of hotel rooms per capita in the region. The most significant contributor to this positioning is the very significant volume of branded luxury hotel rooms in Dubai - the leading upscale tourist destination in the region and the 13th most visited city in the world in 2011.
- The region's largest tourist destination, Egypt, has a relatively low proportion of luxury hotel rooms, reflecting its market positioning as a mass market destination.
- Countries well below the trend line include Kuwait (which does not market itself as a tourist destination), Israel (which is perhaps too price sensitive) and Saudi Arabia (which has a strong pipeline of luxury hotel development and should move up the scale in the next few years).

Note:

These data are not intended to guide any investment decision making processes, but we do believe that they do provide an interesting insight into the sector. We are preparing a more detailed paper on this data, which will also take into account the supply pipelines of each country and each brand.



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