HotelBeat

BRANDED LUXURY HOTELS, EMEA

March 2013

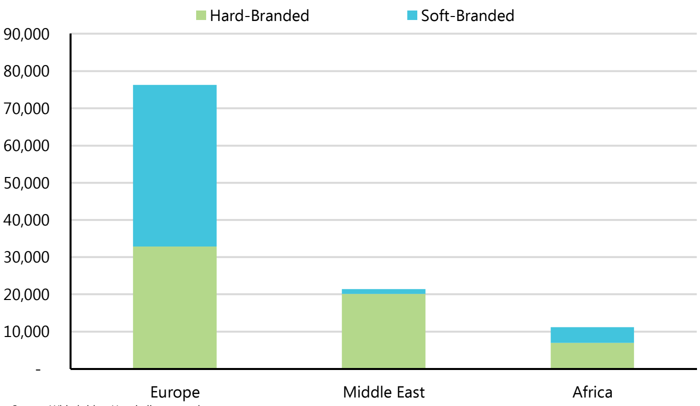
WHITE BRIDGE

OVERVIEW

The data presented in this paper is based on publically available information obtained from websites and company reports at the end of 2012. We have collated data from each of the recognised "luxury" hotel brands, both Hard-Branded (such as *Four Seasons* and *Dorchester Collection*) and Soft-Branded (such as *Leading Hotels of the World* and *Relais & Chateaux*). For hotels that are both managed by Hard-Branded hotel operators and are Soft-Branded (such as the Cipriani in Venice, which is operated by *Orient-Express Hotels* and is a member of *Leading Hotels of the World*), we have avoided duplication and excluded such hotels from the Soft-Branded data. With regard to pipeline data, we have used only those projects publically listed and confirmed by the brands for the foreseeable future. We have excluded any confidential projects and any new developments that are still in negotiation. We begin with a look at the overall regional picture, followed by more detailed analysis of each sub-region (Europe, Middle East and Africa). Finally, we compare the largest Hard-Branded operators and their pipelines around the region.

EXISTING – NUMBER OF ROOMS

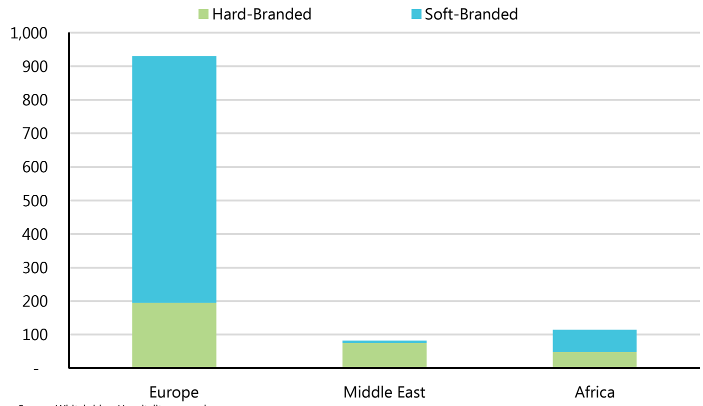
The graph below shows that Europe is by far the largest luxury hotel market in the region, although the Middle East is rapidly catching up in terms of Hard-Branded hotels. Over 50% of the luxury hotels in Europe are Soft-Branded, with *Leading Hotels of World* accounting for 48% of Soft-Branded room supply and 28% of both Hard and Soft-Branded room supply. It is interesting to note the low level of Soft-Branding in Africa and particularly in the Middle East, where penetration by Soft-Brands is very weak in such a brand conscious marketplace.



Source: Whitebridge Hospitality research

EXISTING – NUMBER OF HOTELS

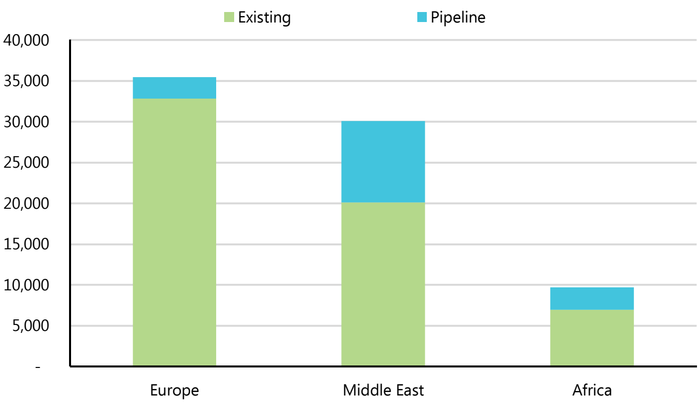
By number of hotels, the graph below emphasises Europe's dominance of the luxury hotel sector within the region. Within Europe, the number of Soft-Branded hotels materially dominates the market. The data also shows that luxury hotels in the Middle East tend to be larger than elsewhere. For example the average size of Hard-Branded hotels in Middle East was 272 keys, compared to 168 keys in Europe and 148 keys in Africa. In Africa, the brand offering the most luxury hotels was *Relais & Chateaux*, with 18 hotels in South Africa alone.



Source: Whitebridge Hospitality research

PIPELINE "HARD BRANDED" – NUMBER OF ROOMS

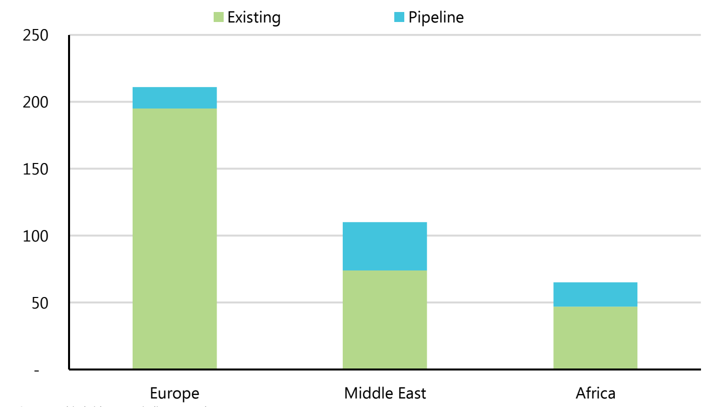
The data presented below relates to Hard-Branded hotels only and shows that the Middle East is fast catching Europe as the largest Hard-Branded luxury hotel market in the region. The scale of the pipeline in the Middle East is very significant and equivalent to a 49% increase on existing supply in 2012. Africa's luxury room supply is also expected to grow at a fast pace, 40% on existing supply in 2012, albeit from a much smaller base. The rate of growth in Europe is relatively modest by comparison, only 8.5%, and is a reflection of both its maturity, the strength of Soft-Branded hotels and the slow economic cycle on the continent at the moment.



Source: Whitebridge Hospitality research

PIPELINE "HARD BRANDED" – NUMBER OF HOTELS

The data presented below relates to Hard-Branded hotels only and shows that in terms of number of hotels the Middle East will still lag behind Europe by a considerable margin. The variation between room and hotel-count is due to the large number of rooms being built per hotel in the Middle East, where the average size of new hotels is expected to be around 276 keys, compared to 165 keys in Europe and 153 keys in Africa.



Source: Whitebridge Hospitality research

NOTE: With regard to the analyses and graphics presented on the following pages, we would highlight that these are based on only one potential filter that could be considered in assessing the true potential for luxury hotel development in any given country. The only parameters we have used herein relate to the number of branded luxury hotel rooms per capita against GDP per capita (US$, on a purchasing power parity basis). As such, we would caution against any investment or development decisions being made solely on the strength of the material presented herein. Further detailed analysis of individual markets is essential. That said, the data presented herein still provides a useful initial, high level view of the markets across EMEA.

HotelBeat

BRANDED LUXURY HOTELS, EMEA

March 2013

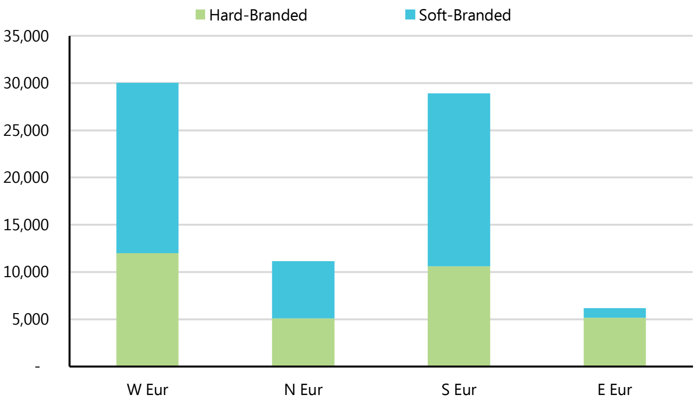
OVERVIEW – EUROPE

Europe is the birthplace of the luxury hotel, with some of the world's oldest luxury hotels being situated in its capital cities and resorts (including what we believe to be the oldest branded luxury hotel in the world still in operation today, namely the Hotel Goldener Hirsch in Salzburg, Austria, which opened for business in 1594, and is managed under the Luxury Collection brand). For the purposes of this, analysis we have divided Europe into four sub-regions, as follows:

- West Europe - Austria, Benelux, France, Germany, Switzerland
- North Europe - Baltic States, Ireland, Scandinavia, UK
- South Europe - Balkan States, Cyprus, Greece, Italy, Malta, Portugal, Spain, Turkey
- East Europe - Belarus, Bulgaria, CIS States, Czech, Hungary, Poland, Romania, Russia, Slovakia, Ukraine

EXISTING – NUMBER OF ROOMS

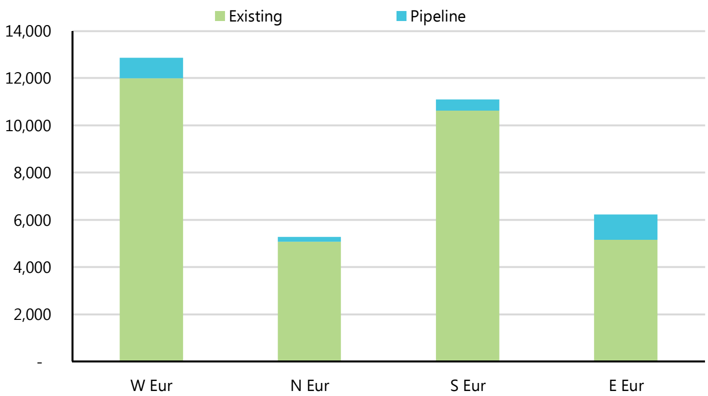
The graph below shows that West and South Europe account for the majority of branded luxury hotel rooms in Europe, with West Europe leading the market in terms of the highest number of Hard-branded hotel rooms. A more detailed interrogation of the data shows that by country, Germany has the highest number of Hard-Branded rooms (over 5,400 keys), France has the highest number of Soft-Branded rooms (over 7,100 keys) and Italy has the largest number of luxury branded rooms overall (over 10,000 keys).



Source: Whitebridge Hospitality research

PIPELINE "HARD-BRANDED" – NUMBER OF ROOMS

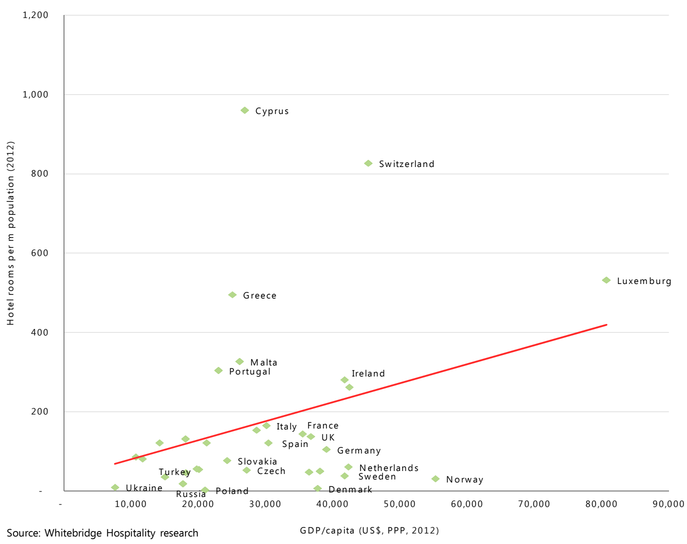
The Hard-Branded luxury hotel pipeline across Europe is remarkably evenly spread. There were 16 new hotels in the pipeline, of which only one was in North Europe (the Shangri-La in the The Shard in London). The majority of new supply was in West Europe (six hotels, including: the Peninsula Paris, Park Hyatt Vienna, Chedi Andermatt and the recently opened Waldorf-Astoria Berlin) and in East Europe (five hotels, including: the Four Seasons St Petersburg, 2x Fairmonts in Baku and Moscow, and the recently re-opened Hotel Bristol Warsaw).



Source: Whitebridge Hospitality research

ANALYSIS – ALL

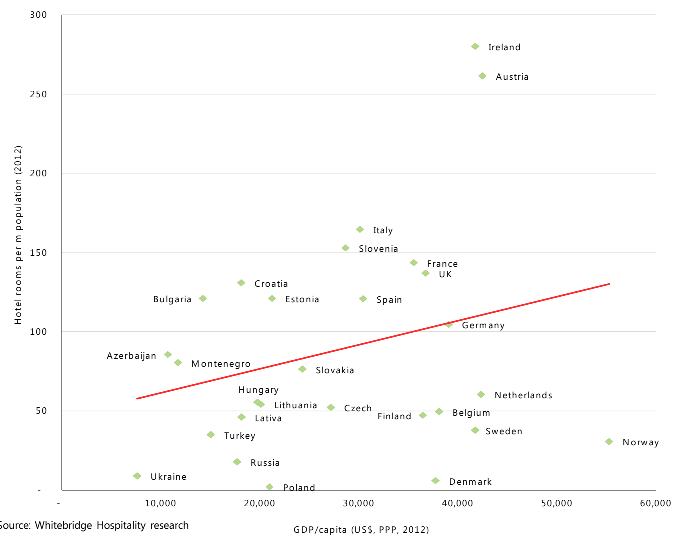
The data presented below relates to both Soft and Hard-Branded hotels in each of the 34 European countries analysed. It is evident that countries with relatively small populations and strong leisure tourism demand far exceed the trend line (such as Cyprus, Greece, Malta, Portugal). Switzerland, as arguably the home of luxury, has a very substantial luxury hotel market. The more mature and larger markets of Europe all appear below the trend line (such as UK, France, Germany and Scandinavia), reflecting their relative balance between supply and demand. Countries below the trend line are assessed with more clarity in the graph bottom right.



Source: Whitebridge Hospitality research

ANALYSIS – SELECTED

The data presented below is the same as that presented left, but we have excluded the small countries with strong tourism demand and rebased the trend line to show a more accurate picture of the market in Europe. In this graph, we can see that mature markets such as France and the UK are still close to the trend line, whereas Germany is right on the line. Ireland and Austria are materially above the new trend line. Notable countries below the trend line (where additional luxury hotels could be considered) include Scandinavia (where owner aversion to management contracts has limited the supply of luxury hotels), Russia and Turkey.



Source: Whitebridge Hospitality research

HotelBeat

BRANDED LUXURY HOTELS, EMEA

March 2013

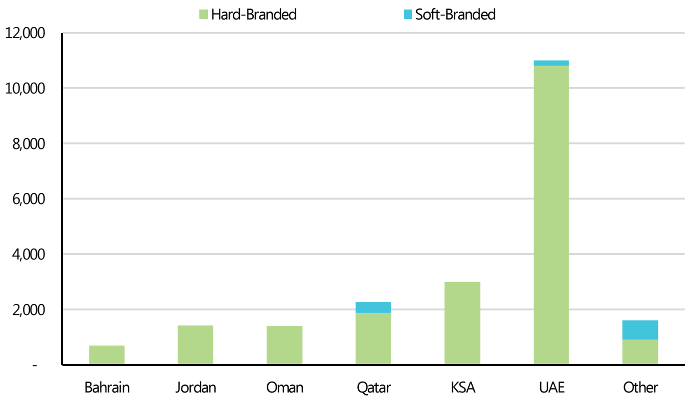
WHITE BRIDGE

OVERVIEW – MIDDLE EAST

The Middle East is rapidly emerging as the epicentre of Hard-Branded hotel luxury, with some of the most active development pipelines in the world for Hard-Branded hotels. The region has come a long way in a very short period of time. The oldest luxury hotel in the Middle East is probably the Al Bustan Palace in Muscat, Oman, which opened in 1985 and today is managed under the Ritz-Carlton brand. The vast majority of the branded luxury hotel supply in the region was built and opened in the last 10 years or so, on the back of Dubai's very successful redevelopment of the Chicago Beach Hotel (the beach barbeque venue of choice in the early 1990's) in Jumeirah into the Burj Al Arab and Jumeirah Beach Hotel in 1997. For the purposes of this analysis, we have looked at the largest luxury hotel markets in their own right (namely: Bahrain, Jordan, Oman, Qatar, Kingdom of Saudi Arabia and United Arab Emirates) and we have grouped the remaining countries into Other (including: Iran, Iraq, Israel, Kuwait, Lebanon, Palestine, Syria and Yemen).

EXISTING – NUMBER OF ROOMS

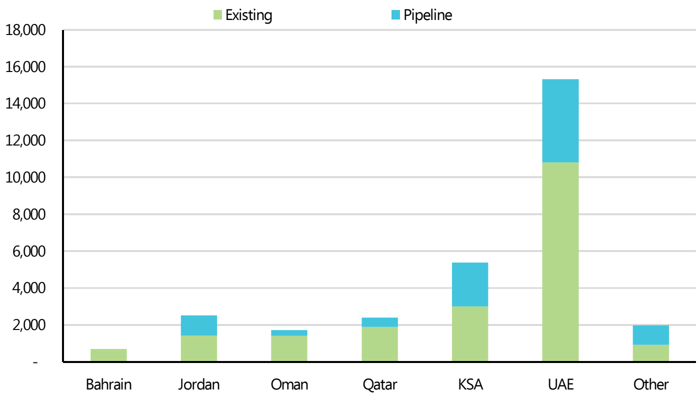
The graph below shows that the UAE dominates the region in terms of Hard-branded hotel rooms. Within the UAE, Dubai is the dominant market, with over 7,100 Hard-Branded luxury hotel rooms in this one emirate alone. Abu Dhabi is the second largest within the UAE, offering over 3,300 Hard-Branded luxury hotel rooms. In terms of Soft-Branded luxury hotels, Dubai has one (the H Hotel), whilst other countries (such as Israel, Lebanon and Qatar) have several. However, most countries do not have any Soft-Branded hotels.



Source: Whitebridge Hospitality research

PIPELINE "HARD-BRANDED" – NUMBER OF ROOMS

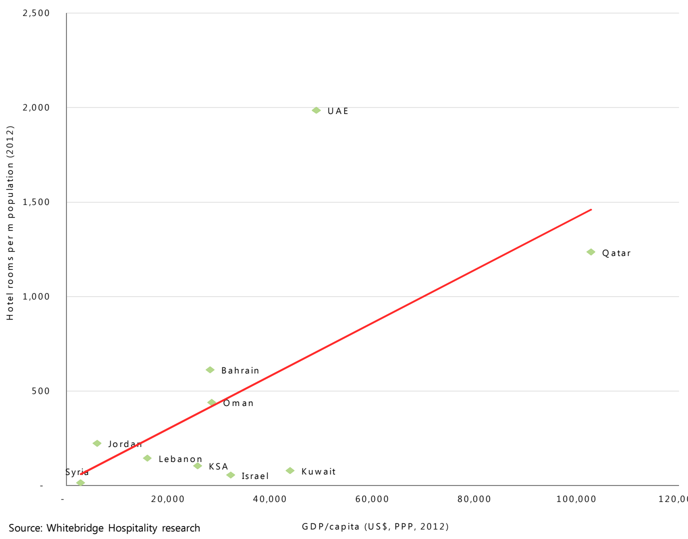
Although the graph below would suggest that virtually every country in the region has a healthy pipeline of new Hard-Branded luxury hotels, of the 15 countries/territories reviewed, only seven of them have a identifiable pipeline. Those without a pipeline are notable for their prevailing unrest and instability (including Bahrain, Iraq, Syria and Yemen). Of those with pipelines, we would highlight that the expected growth in supply in the UAE is a very strong 42%, but is eclipsed by 77% in Jordan, 80% in KSA and over 130% in Kuwait.



Source: Whitebridge Hospitality research

ANALYSIS – ALL

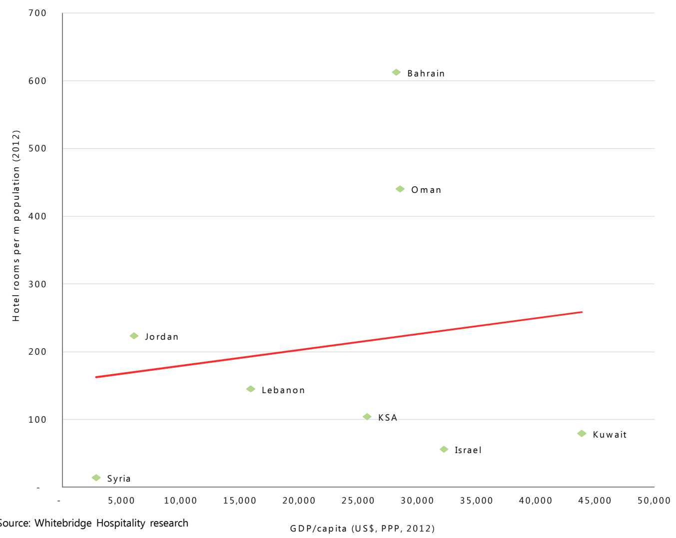
The data presented below relates to both Soft and Hard-Branded hotels in each of the countries assessed. The UAE is clearly well above the trend line, but has proven it can sustain such high levels of luxury hotel supply, largely because of Dubai's status as a regional hub for commerce and its position as the 13th most visited city in the world (ref *Euromonitor International's Top City Destinations Ranking, 2012*), and because of the rapid growth of Emirates and Etihad airlines. Bahrain also exceeds the trend line, as it was once the regional hub in the Middle East, but its future prospects from a luxury hotel perspective are less certain at this time.



Source: Whitebridge Hospitality research

ANALYSIS – SELECTED

The data presented below is the same as that presented left, but we have excluded the UAE and Qatar. A notable trend is Kuwait's very low position below the trend line despite its very high GDP per capita. This is probably because Kuwait does not promote itself as a leisure tourist destination, preferring to focus on specific corporate markets. Saudi Arabia is also below the trend line, but given its significant pipeline, we would expect it to move closer to the line in the next few years. Both Syria and Israel have potential as leisure tourist destinations, but will require many years before moving closer to the trend line.



Source: Whitebridge Hospitality research

HotelBeat

BRANDED LUXURY HOTELS, EMEA

March 2013

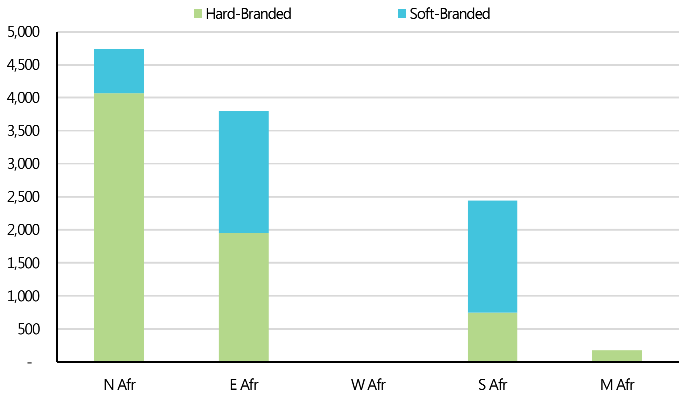
OVERVIEW – AFRICA

For the purposes of this analysis we have divided Africa into five sub-regions, as follows:

- North Africa - Algeria, Egypt, Libya, Morocco, Tunisia
- East Africa - Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mayotte, Mozambique, Rwanda, Seychelles, Somalia, Tanzania, Uganda, Zambia, Zimbabwe
- West Africa - Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo
- Southern Africa - Botswana, Lesotho, Namibia, South Africa, Swaziland
- Middle Africa - Angola, Cameroon, CAR, Chad, Congo, Eq Guinea, Gabon, Guinea, Guinea Bissau, ST&P

EXISTING – NUMBER OF ROOMS

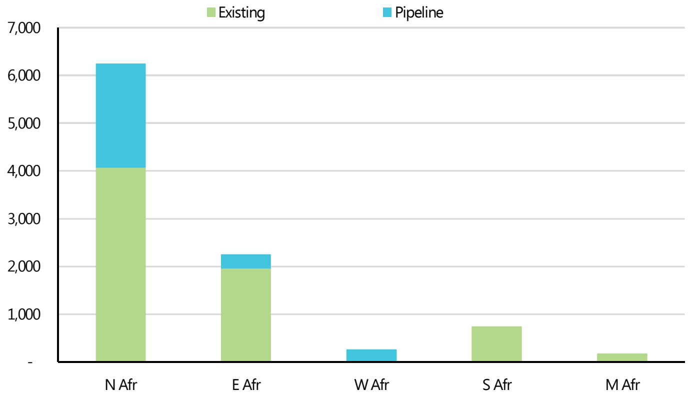
The graph below shows that in 2012 there were no branded luxury hotels in West Africa, which is surprising given the oil wealth that is available in this region. The largest Hard-Branded region is North Africa, which includes the tourist powerhouse of Egypt (accounting for nearly 3,800 keys). East Africa has a good mix of Soft and Hard-Branded hotel rooms, but in Southern Africa Soft-Brands appear to dominate (with *Leading Hotels of the World* listing over 1,300 keys in the country). Middle Africa had no Soft-Branded luxury hotel stock.



Source: Whitebridge Hospitality research

PIPELINE "HARD-BRANDED" – NUMBER OF ROOMS

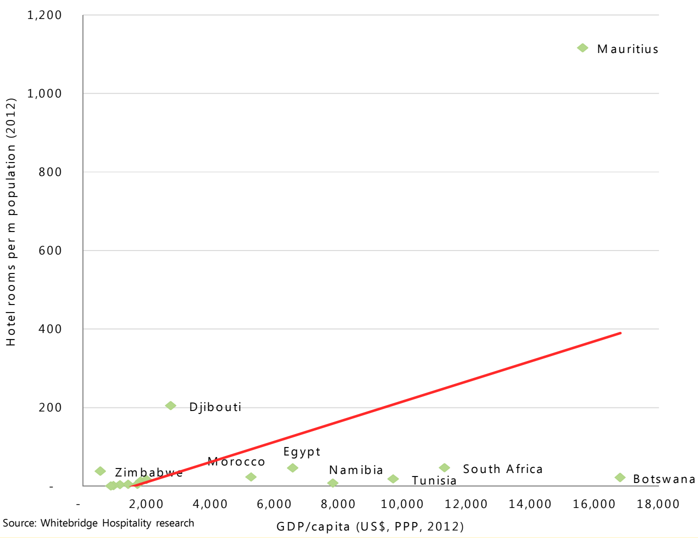
The Hard-Branded luxury hotel pipeline across the continent is heavily concentrated in North Africa, with Egypt and Morocco leading the pack. In East Africa, new supply includes 2x Kempinski's and a Virgin Limited Edition lodge in Kenya, and a Four Seasons lodge in the Serengeti. The first luxury hotel in West Africa is anticipated in 2013 (the Hotel Gold Coast City in Accra, to be managed by Kempinski). No new projects were identified in Southern Africa and Middle Africa.



Source: Whitebridge Hospitality research

ANALYSIS – ALL

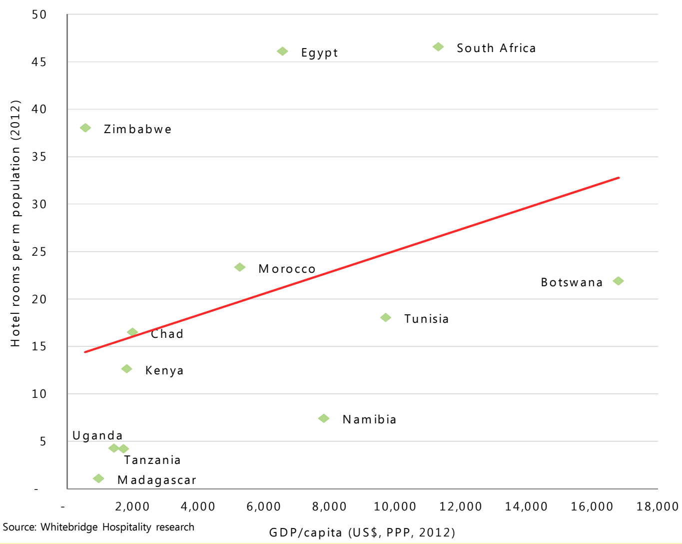
The data presented below relates to both Soft and Hard-Branded hotels and excludes the Seychelles, which has a "Hotel room per m population" in excess of 5,000 and would distort the graph too much. As with the Seychelles, Mauritius is a popular tourist destination with a small population and achieves a position well above the trend line. Luxury brands in Seychelles and Mauritius include: Angsana, Four Seasons, Oberoi, One & Only, Banyan Tree, Kempinski and Raffles. Djibouti also appears above the line, which is due to its only luxury hotel, the Djibouti Palace, managed by Kempinski.



Source: Whitebridge Hospitality research

ANALYSIS – SELECTED

The data presented below is the same as that presented left, excluding the small countries with strong tourism demand. Established markets such as Egypt and South Africa appear above the line, while less mature markets tend to appear below the line, including countries that show signs of promise as luxury hotel destinations, such as: Madagascar, Tanzania and Botswana. Although there are many more countries in Africa, we can only show those with existing luxury hotel stock. We are therefore hoping that more countries will be able to join our analysis in the future.



Source: Whitebridge Hospitality research

HotelBeat

BRANDED LUXURY HOTELS, EMEA

March 2013

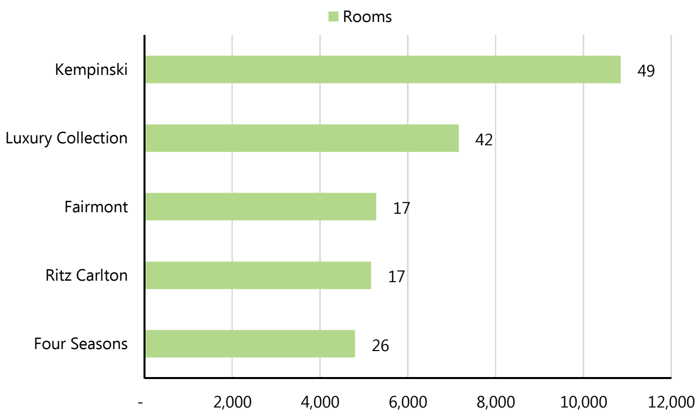
WHITE BRIDGE

OVERVIEW – HOTEL OPERATOR BRANDS (THE "HARD-BRANDS")

Our analysis concentrated on those hotel brands which are considered by the market to best represent the values of a luxury hotel brand, namely: focus, consistency, quality, rarity and heritage. As such 43 hotel operating company brands are included in this paper, 14 from Asia, 14 from Europe and 14 from North America, and only one from the Middle East. The oldest recognised brand is Kempinski, which can trace its heritage back to 1897 as a hotel company and back to 1872 when Herr Berthold Kempinski opened a wine-merchant's business in his own name on Friedrichstrasse in Berlin. Within our list of luxury hotel brands, we are also tracking new brands, which to date have no hotels in operation anywhere in the world (including Baccarat and Biltmore) and Peninsula, which to date does not have a hotel in EMEA. Of these, Baccarat has five projects in the pipeline and the Peninsula Paris is awaited with great anticipation.

EXISTING – NUMBER OF ROOMS

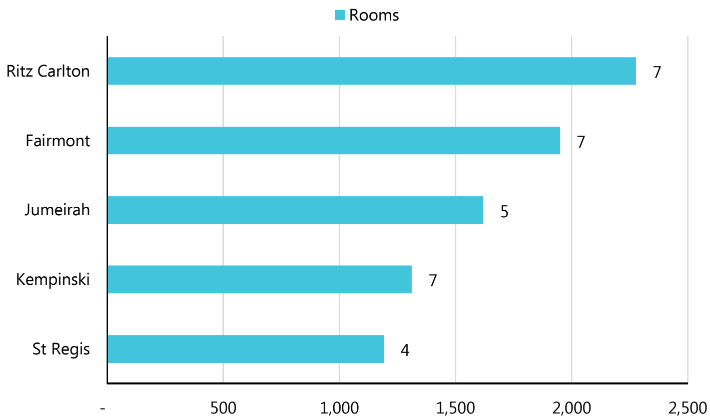
The graph below shows the number of rooms listed by each of the top five brands in the EMEA, together with the total number of hotels by brand shown as a number to the right of each green bar. Kempinski not only has the largest number of hotel rooms (over 10,800 keys), but it also has the largest number of hotels (49). Another key observation is that four of the top five brands are North American.



Source: Whitebridge Hospitality research

PIPELINE – NUMBER OF ROOMS

Looking into the future, as at end 2012, 21 of the 43 brands had not listed any new projects for development within the EMEA region. Of the other brands, Ritz-Carlton has the strongest declared pipeline, with over 2,200 keys in some seven hotels (most of these being in the Middle East). Of the top five "growth" brands, three are North American, one is European and one is from the Middle East (with four out of five of its projects earmarked for the Middle East).



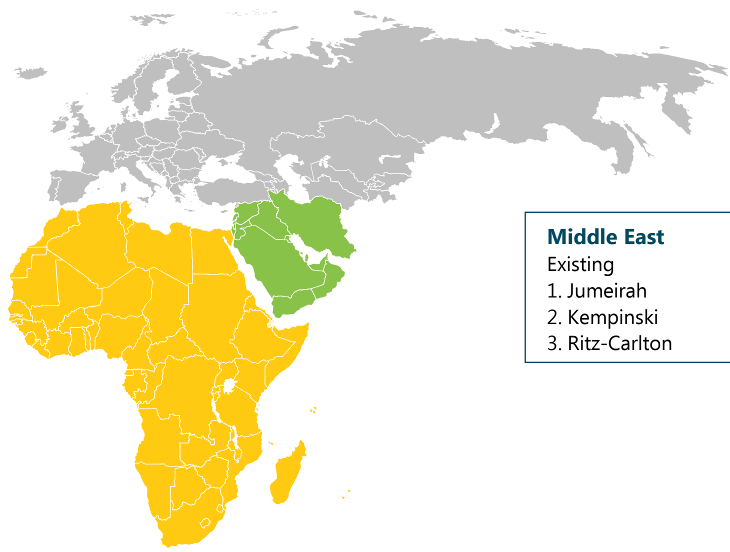
Source: Whitebridge Hospitality research

ANALYSIS BY REGION

- In terms of Existing hotels, Kempinski appears in the top three in each of the three regions under review and leads the market in Europe.
- Although Kempinski leads the Hard-Branded market in EMEA overall, it has some way to go to catch two of the Soft-Brands (*Leading Hotels of World* and *Small Luxury Hotels of the World*, over 25,000 keys and nearly 15,000 keys respectively).
- In terms of Pipeline, there is a mix of brands, but Ritz-Carlton is the clear leader in both Africa and the Middle East.
- Fairmont's leading pipeline in Europe includes projects in Moscow and Baku.
- Ritz-Carlton's leading pipeline in Africa includes projects in Cairo and Tetouan (Morocco).
- Ritz-Cartlon's leading pipeline in the Middle East includes projects in Israel, Abu Dhabi, Jeddah and Muscat.

Europe

Existing	Pipeline
1. Kempinski	1. Fairmont
2. Luxury Collection	2. Kempinski
3. Ritz-Carlton	3. Four Seasons



Middle East

Existing	Pipeline
1. Jumeirah	1. Ritz-Carlton
2. Kempinski	2. Fairmont
3. Ritz-Carlton	3. Jumeirah

Africa

Existing	Pipeline
1. Fairmont	1. Ritz-Carlton
2. Four Seasons	2. Kempinski
3. Kempinski	3. Rocco Forte

Source: Whitebridge Hospitality research

HotelBeat

BRANDED LUXURY HOTELS, EMEA

March 2013

OVERVIEW – CONCLUDING REMARKS

Although this paper is intended to be informative, it should not be considered as a tool to determine investment and development planning decisions. The analyses indicating which countries may have future development potential are based on only one potential filter. In reality, many more filters should be applied before reaching any definitive conclusion. Additional filters that we would consider in any appraisal undertaken by Whitebridge, include: tourism trends to the destination; a review of its tourism product and potential appeal to visitors; trends in business/MICE/diplomatic/government and other forms of corporate-related demand; accessibility of the destination and its location/proximity to key source markets; political and economic stability within a destination; and degree of maturity as a tourist destination. An assessment of all these factors and others would provide the basis for a full "gap analysis". Then, consideration needs to be given to specific locations within any given country. Should luxury hotel development take place in the cities or in remote resort locations or elsewhere?

CONCLUDING REMARKS – EUROPE

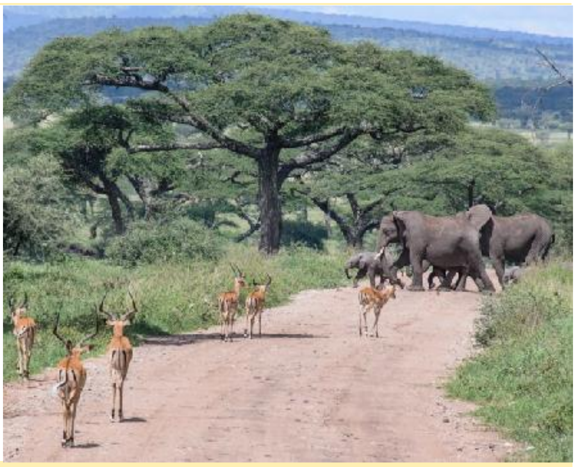
- Still the largest market for branded luxury hotels in EMEA, Europe is likely to be overtaken by the Middle East in terms of number of Hard-Branded hotel rooms – perhaps as soon as 2020, especially if the 2010's fulfil their promise as a decade of economic stagnation across much of the European continent.
- Countries/regions where luxury hotel development could be considered, include: Scandinavia, Russia and Turkey.
- A rapidly growing middle class in Russia could fuel luxury demand in not only the key cities of Moscow and St Petersburg, but also in the emerging winter/summer resort of Sochi (whose 2014 Winter Olympics should result in increased awareness both domestically and internationally).
- Istanbul is already a hotbed of development activity in Turkey (the country with the fastest growing property sector in the world, even overtaking China in June 2012, ref *IPIN Global*), but the attractive Mediterranean coastline is also attracting interest as the country offers a competitive price alternative to other more mature European destinations on the Med.
- Elsewhere in Europe, development opportunities will be much less general and much more city/location specific. In mature countries, such as France and the UK, their capital cities, Paris and London, could probably still support additional branded luxury hotel supply. High-end tourist destinations, such as the Alps and the Mediterranean coast, are also likely to support additional supply, as the increasing wealth and populations of Asia seek to fulfil their dreams of travelling to the birthplace of luxury – Europe.

CONCLUDING REMARKS – MIDDLE EAST

- Rapidly becoming the largest Hard-Branded luxury hotel market in EMEA in terms of number of rooms, buoyed by the demonstrable success of Dubai in the last 10-15 years.
- Dubai has successfully reinvented itself from a quiet trading post on the Gulf into the region's most important commercial hub and leading leisure tourism destination. Blessed with a central location (between Europe, Africa and Asia), stability and a "go-getting" attitude, the growth of Emirates airline has enhanced these attributes and driven high-end demand to the emirate – where over 40% of hotel room supply is graded five-star.
- Other countries in the region are keen to grow their own tourism sectors (both corporate and leisure) and pipelines across the region are significant.
- There are many countries in the Middle East with an incredible depth of history and culture that could become popular tourist destinations, if only stability and security could be guaranteed. Future luxury supply growth is likely to remain constrained in this countries for some time.
- It is worth highlighting that for such a major player in the luxury hotel sector, the Middle East has only one home-grown recognised luxury hotel brand and very few hotels that are Soft-Branded – could there be further opportunity to create more luxury hotel stock without resorting to the major hotel operators?

CONCLUDING REMARKS – AFRICA

- The largest region in EMEA by population, land mass and number of countries, Africa had the smallest market in terms of number of luxury hotels and rooms. Many countries did not have any luxury hotels (including all of West Africa) and those that did, had relatively few compared to Europe and the Middle East.
- Within Africa, the largest luxury hotel markets were in North and East Africa. The strongest pipeline was in North Africa, particularly in the key tourist destinations of Egypt and Morocco. Within Egypt, the principal development hotspot for luxury hotels was Cairo. Developments in Morocco were more widely spread across the multiple tourist zones being promoted by the country.
- Established tourist destinations (such as Morocco, Tunisia and Kenya) were relatively close to the trend line, however, there are a significant number of countries below the line that could merit further investigation as international awareness grows for their exceptional wildlife and unspoilt environments (including Tanzania, Botswana, Namibia, Madagascar and Uganda).
- In future years, as their economies experience accelerated growth, we would expect the luxury hotel markets in West Africa to grow and begin to appear on our analyses.



For further information, please contact:
Whitebridge Hospitality Limited
9 Clifford Street, London, W1S 2FT, UK
T: +44 20 7195 1480
E: philip.camble@whitebridgeh.com
www.whitebridgehospitality.com