

EMEA HOTELS MONITOR

AUGUST 2015

ISSUE 16





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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Introduction

The last six months have been something of a political rollercoaster in Europe. In January, Greece voted for the left wing Syriza party and faced the Grexit precipice. In May, the UK elected a Conservative government with a surprise majority. Multiple terror attacks across Europe and North Africa tested home security and the increasing flow of migrants across the Mediterranean has finally made the world stand up and think about how best to tackle IS.

Against this turbulent backdrop the hotel sector in EMEA appears to be sailing serenely towards record performance levels. Whilst Moscow and Istanbul continue to slide, most destinations appear to be in positive RevPAR territory. The standout performer was Cairo (+72.7% in RevPAR), which is great news for this strife torn nation.

Development cost trends continue to vary across the region: from London where cost growth is starting to challenge viability, through the Middle East where strong development is driving up costs, to Europe where costs are stable as hotel pipelines stagnate.

The first half of 2015 was a bumper period for transactions and in addition to those listed on page 6, we would highlight the following icons that have finally found new owners after years of speculation: Maybourne Hotels (London), Grosvenor House (London) and Gleneagles (Scotland). Hyatt's investment in Onefinestay will be interesting to observe as a hotel major finally recognises the sharing economy.

Against this turbulent backdrop the hotel sector in EMEA appears to be sailing serenely towards record performance levels.

Our back-page feature provides an overview of trends in the transactions sector, highlighting changes in average price-per-key in London, Regional UK and across Euroland.

Philip Camble

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Performance Trends

Jan-Jun City	2015			2014			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	€	%	€	€	%	€	Abs (€)	%	Abs %	%	Abs (€)	%
Amsterdam	132.03	76.9	101.51	124.58	73.9	92.11	7.44	6.0	3.0	4.0	9.40	10.2
Berlin	94.80	72.5	68.73	88.65	70.3	62.28	6.16	6.9	2.2	3.2	6.45	10.3
Budapest	71.20	68.7	48.92	66.76	63.4	42.31	4.45	6.7	5.3	8.4	6.61	15.6
Cairo	93.20	54.0	50.31	73.59	39.6	29.13	19.62	26.7	14.4	36.4	21.18	72.7
Cape Town	107.79	65.0	70.03	86.85	68.9	59.84	20.94	24.1	-3.9	-5.7	10.19	17.0
Copenhagen	127.98	75.0	95.98	123.26	69.6	85.79	4.72	3.8	5.4	7.8	10.20	11.9
Dubai	212.42	80.4	170.73	184.10	83.3	153.39	28.33	15.4	-2.9	-3.5	17.34	11.3
Dublin	105.89	79.2	83.81	92.03	74.5	68.56	13.86	15.1	4.7	6.2	15.25	22.2
Edinburgh	109.12	77.1	84.09	95.02	75.4	71.68	14.10	14.8	1.6	2.2	12.41	17.3
Helsinki	99.52	63.5	63.23	101.14	64.0	64.71	-1.63	-1.6	-0.4	-0.7	-1.48	-2.3
Istanbul	123.54	66.8	82.56	130.98	64.7	84.74	-7.44	-5.7	2.1	3.3	-2.19	-2.6
London	189.21	79.7	150.88	166.56	80.3	133.72	22.65	13.6	-0.5	-0.7	17.16	12.8
Madrid	92.19	68.5	63.18	83.62	64.2	53.67	8.57	10.2	4.4	6.8	9.51	17.7
Milan	154.42	66.4	102.60	136.09	65.3	88.91	18.33	13.5	1.1	1.7	13.69	15.4
Moscow	90.26	56.4	50.91	118.91	58.6	69.64	-28.65	-24.1	-2.2	-3.7	-18.72	-26.9
Muscat	196.30	66.0	129.64	170.98	73.0	124.90	25.32	14.8	-7.0	-9.6	4.75	3.8
Paris	257.09	75.6	194.31	244.31	79.1	193.27	12.78	5.2	-3.5	-4.5	1.04	0.5
Prague	80.33	68.2	54.76	72.79	63.7	46.39	7.54	10.4	4.4	7.0	8.37	18.0
Riyadh	217.74	64.8	141.09	172.23	65.1	112.14	45.51	26.4	-0.3	-0.5	28.96	25.8
Rome	150.99	66.3	100.14	145.98	67.1	97.91	5.02	3.4	-0.8	-1.1	2.23	2.3
Vienna	100.73	67.2	67.65	93.77	67.2	63.06	6.96	7.4	-0.1	-0.1	4.60	7.3
Warsaw	69.84	72.7	50.80	67.58	68.1	46.02	2.26	3.3	4.6	6.8	4.77	10.4
Zurich	227.80	70.3	160.10	198.72	69.3	137.72	29.08	14.6	1.0	1.4	22.38	16.3

Source: STR Global

- Please note, above data is in euro and the significant exchange fluctuations in the region in the past six months will have had an impact on performance numbers. Below are some country specific data for YTD June 2015.
- Italy posted a 7.4% increase in occupancy (to 74.5%), and double-digit growth in ADR (+12.3% to €167.62) and RevPAR (+20.5% to €124.81), where southern Italy showed greatest growth in demand (+30%).
- Spain experienced a 3.5% increase in occupancy (to 76.5%), an 8.4% lift in ADR (to €97.58) and a 12.2% rise in RevPAR (to €74.69). ECOSUD 2015 and NETSCI 2015 contributed to demand increases in Valencia (+18.9%) and Zaragoza (+15.5%).
- South Africa reported a 0.5% decrease in occupancy (to 55.4%), but ADR (+7.2% to ZAR1,013.28) and RevPAR (+6.6% to ZAR561.08) each increased. According to STR Global: supply, demand and pipeline growth have all remained muted due to prevailing economic performance levels.

Hotel Construction Costs

Country	Budget hotels	Mid market – low	Mid market – high	Luxury
	€ per sqm	€ per sqm	€ per sqm	€ per sqm
UK	1,522 - 2,420	2,090 - 2,900	2,720 - 4,110	3,390 - 5,130
Austria	1,380 - 1,540	1,690 - 2,240	2,340 - 2,960	3,040 - 3,580
Belgium	1,170 - 1,710	1,530 - 1,970	1,710 - 2,120	2,310 - 2,900
Bulgaria	690 - 810	810 - 1,010	1,000 - 1,210	1,530 - 1,930
Finland	2,150 - 2,780	2,400 - 3,120	2,780 - 3,610	3,170 - 4,120
France	1,620 - 2,130	2,130 - 2,740	2,640 - 3,550	3,200 - 4,560
Germany	1,700 - 1,870	1,780 - 2,090	1,908 - 2,970	2,475 - 3,490
Greece	1,080 - 1,270	1,520 - 1,660	1,910 - 2,350	2,640 - 3,230
Hungary	740 - 970	1,070 - 1,470	1,270 - 1,960	1,570 - 2,450
Ireland	1,400 - 1,710	1,710 - 2,030	1,850 - 2,270	2,560 - 3,120
Italy	1,520 - 1,770	1,670 - 1,920	1,870 - 2,220	2,220 - 2,840
Norway	2,030 - 2,400	2,240 - 2,570	2,450 - 2,990	2,880 - 3,390
Netherlands	1,160 - 1,340	1,240 - 1,490	1,450 - 1,840	1,630 - 1,940
Portugal	970 - 1,220	1,120 - 1,320	1,370 - 1,730	1,470 - 1,990
Romania	810 - 910	910 - 1,120	1,120 - 1,420	1,620 - 2,080
Russia	1,260 - 1,440	1,380 - 1,860	1,890 - 2,280	2,110 - 3,120
Slovakia	760 - 1,210	860 - 1,310	1,110 - 1,570	1,360 - 1,820
Spain	1,010 - 1,760	1,510 - 2,010	2,010 - 2,760	2,510 - 3,520
Sweden	2,090 - 2,560	2,560 - 2,990	2,990 - 3,330	3,330 - 4,280
Turkey	820 - 930	880 - 1,110	1,000 - 1,660	1,110 - 2,190
Ukraine	1,010 - 1,460	1,120 - 1,660	1,270 - 1,780	1,310 - 2,390
Abu Dhabi	1,580 - 2,120	1,720 - 2,390	2,250 - 2,910	2,862 - 4,760
Qatar	1,790 - 1,910	1,910 - 2,170	2,300 - 2,930	2,871 - 4,720
Dubai	1,580 - 2,110	1,710 - 2,370	2,230 - 3,420	2,844 - 4,730
Saudi Arabia	1,190 - 1,370	1,670 - 1,810	1,850 - 1,970	2,030 - 2,600
Mozambique	1,300 - 1,500	1,600 - 1,900	2,100 - 2,500	2,600 - 3,000
South Africa	1,390 - 1,620	1,730 - 1,970	2,070 - 2,310	2,540 - 2,770
Botswana	1,310 - 1,520	1,620 - 1,830	1,940 - 2,140	2,350 - 2,560
Namibia	1,420 - 1,650	1,760 - 1,990	2,110 - 2,330	2,550 - 2,780
Mauritius	1,420 - 1,640	1,750 - 2,070	2,300 - 2,730	2,840 - 3,280
Seychelles	2,270 - 2,760	2,890 - 3,190	3,260 - 3,780	3,930 - 5,170

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

- Exchange rate fluctuations continue to have a significant impact on costs when a common currency is used.
- Some European cities (eg London) are starting to see construction price inflation begin to challenge viability of some projects. Regional country variations can be significant.
- A number of other European countries appear to have a fairly stagnant construction sector, with little movement in tender price inflation. Where there is inflation, this tends to be driven by input costs for materials with a global market.
- Middle Eastern hotel construction activity remains strong, particularly in Riyadh and Dubai.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				€	€
	6x Les Hotels du Roy	France	472	350,000,000	742,000
	22x B&B hotels	Germany	2,271	128,000,000	56,000
	29x Accor hotels	Germany, Netherlands	3,354	209,000,000	62,000
	9x Moran Bewleys	Ireland	2,506	455,000,000	182,000
	2x Island Hotels	Malta	589	106,500,000	181,000
	2x Mercure hotels	Poland	164	6,200,000	38,000
	5x Center Parcs	UK	4,321	3,384,000,000	783,000
	8x Feathers Hotel Group	UK	724	86,800,000	120,000
	30x Mal & HdV hotels	UK	2,082	512,400,000	246,000
Single Asset Transactions					
Africa	Four Seasons Anahita ¹	Mauritius	136	36,900,000	272,000
	La Plantation d'Albion Club Med	Mauritius	266	63,500,000	239,000
	Royal Hotel	Durban, South Africa	204	6,000,000	29,000
France	Le Grand Hotel	Paris	470	330,000,000	702,000
	Novotel Paris Centre Tour Eiffel	Paris	764	200,000,000	262,000
Ireland	Gresham Metropole Hotel	Cork	112	4,000,000	36,000
	InterContinental Dublin	Dublin	197	50,000,000	254,000
	Waterford Castle & Golf Resort	Waterford	39	6,500,000	167,000
Middle East	The Varsano	Tel Aviv, Israel	10	23,500,000	2,348,000
	five-star hotel	Mecca, Saudi Arabia	759	367,600,000	484,000
UK	Sheraton Skyline	Heathrow	350	45,600,000	130,000
	Hoax Liverpool	Liverpool	52	6,300,000	120,000
	Ace Hotel London Shoreditch	London	258	205,900,000	798,000
	St Ermins	London	331	246,900,000	746,000
Spain	Hotel Bagues	Barcelona	31	3,800,000	123,000
	Ritz Hotel	Madrid	167	130,000,000	778,000
	Villa Magna	Madrid	150	190,000,000	1,267,000
	Vincci Malaga	Malaga	105	10,400,000	99,000
Other Europe	Courtyard by Marriott Vienna	Vienna, Austria	251	35,000,000	139,000
	Le Meridien Munich	Munich, Germany	381	158,000,000	415,000
	Gritti Palace	Venice, Italy	82	105,000,000	1,280,000
	Kurhaus Hotel	The Hague, Netherlands	253	32,600,000	129,000
	MGallery	Zurich, Switzerland	138	32,000,000	232,000

Source: Whitebridge Hospitality

¹ For a 50% stake

- Africa has been particularly active, other deals include: Sun International acquiring Peermont (casino resorts); KIA acquiring 100% of Sudanese-Kuwait Hotels Co; sale of Le Recif on Reunion.
- Above is the first table in many editions without a receivership deal, but such deals continue to occur in the UK and Ireland, together with multiple NPL sales.
- Additional corporate deals include: ClubMed (France, €939m), Jurys Inn (Ireland, €680m), Una Hotels (Italy,

€287m), Oceana Hotels (UK) and a London IPO for Elegant Hotels.

- Spain is resurgent, including creative deals such as the small portfolio JVs between Hispania + Barcelo, and Starwood Capital + Melia.

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.

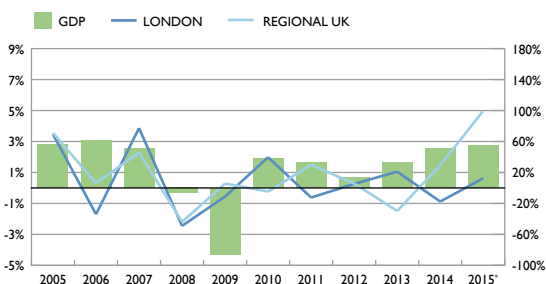
HOTEL SALES PRICING TO GDP

Introduction

Typically, we are unable to list all the transactions concluded within a period in the Hotels Monitor because of lack of space and we simply list those we think could be of most interest. For this feature we have interrogated our data in more depth to provide a quick overview of trends in hotel transaction values and to see if there is a link between pricing and GDP performance.

London and Regional UK

The graph below summarises the year-on-year growth rates achieved in the average annual price-per-key relating to hotel real estate transactions that closed in each year in London and Regional UK.



* YTD
Source: Whitebridge Hospitality research

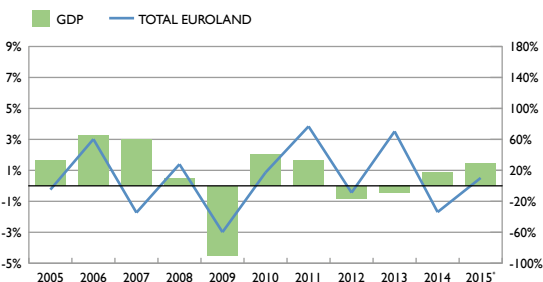
From this data it is evident that there is some correlation between GDP and hotel prices, although there are significant deviations to the GDP trendline. For example, in 2006, GDP was particularly strong, but average price-per-key fell in London and grew modestly in Regional UK. In London, the years either side of 2006 counted relatively few deals (mostly high end hotels), whilst 2006 recorded many more including a large number of lower grade hotel assets, thus driving down the average.

More recent data would suggest that values in Regional UK are undergoing a resurgence, with growth in price-per-key growing in both 2014 and 2015. The YTD value for 2015 is particularly dramatic and this has been driven in large part by the successful sale of Center Parcs (accounting for nearly 20% of all keys sold YTD 2015). Even without the Center Parcs deal, the growth in price-per-key would have been a still encouraging 16%.

Euroland

Individual European countries are far less liquid and transparent than the UK and so we have consolidated all Euroland deals. The value of London deals analysed was worth over 1/4 of the qualifying deals in all Euroland over the period under consideration (and Regional UK over 3/4 of Euroland).

The graph below summarises the YOY growth rates achieved in the average annual price-per-key relating to hotel real estate transactions that closed in each year in all Euroland countries.



* YTD
Source: Whitebridge Hospitality research

The foregoing also shows that there is some correlation between GDP and hotel transaction values, but volatility in pricing is much greater compared to the UK. The volume of transactions in 2009 was the lowest in our analysis, in which France was the most active market (the biggest deal being the sale of B&B Hotels to The Carlyle Group, driving down the average price-per-key).

France also had a significant influence in 2012 (The Carlyle Group sold a large part of B&B, again suppressing the average) and in 2013 (Starwood Capital sold leading hotels and Mandarin Oriental bought its Paris hotel, thus driving a peak in average pricing). Longer term economic recovery should see more consistent growth in transaction volumes and average pricing.

Conclusion

Whilst there is well-documented evidence of the correlation between GDP and operating performance, average sales prices have a high dependency on the categories of assets sold and the correlation with GDP is relatively weakened. Nonetheless, there is a clear link between the two.



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