

EMEA HOTELS MONITOR

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WHITE
BRIDGE

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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Rider Levett Bucknall is an independent construction, property and management consultant, providing advice focused on the cost, quality and sustainability of the built environment. Worldwide the firm has over 3,600 staff operating from more than 120 offices. Its international reach ensures that it provides services in line with the latest innovations and examples of best practice, supporting expertise across all sectors of the built environment. Achievements are renowned: from the early days of pioneering quantity surveying, to landmark projects such as the Sydney Opera House, HSBC Headquarters Building in Hong Kong, the 2012 London Olympic Games and CityCenter in Las Vegas.



STR provides clients with access to hotel research with regular and custom reports covering over 66,000 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

This issue of our Monitor series is a landmark in so many ways. First, never has our industry sustained such prodigious pressure on performance across all markets in all countries across all continents for so long and to such a debilitating degree. Second, after nearly 50 editions working together on this industry-recognised publication, we are very sad to announce that this will be the last collaboration with our dear friends at STR. Watch this space for future publication collaborations. Third, Liverpool won the League (earlier and later than any other team).

This is the first, and hopefully only, edition in which every single market recorded negative RevPAR performance. And not just modest declines. Big stonking ones. For example: Amsterdam (-68%), Prague (-73%), Paris (-73%). The best performers were Riyadh (-3%) and Cape Town (-25%). Amazing statistics and thanks so much to STR for being able to share anything in these strange times.

In terms of development costs, tender pricing has remained relatively stable as conflicting forces neutralise each other (namely lower productivity due to C19 safety measures versus lower prices from reduced activity).

Despite C19, there have been a good number of deals in a range of markets, including Africa and CEE/CIS. Of particular note has been the number of 'resort' transactions, especially in Greece, Italy and Portugal (long may this trend continue). More worryingly though, we are starting to see receivership scenarios (especially in UK).

■ This issue of our Monitor series is a landmark in so many ways.

Our final page feature is a comparison of development costs between branded and unbranded hotels, whereby RLB provide a detailed breakdown of the additional costs that a developer/investor can expect to incur when choosing to work with a brand and to abide by their brand standards.

Philip Camble

Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor

Performance Trends

| Jan-Jun City | 2020 | | | 2019 | |
|------------------|--------|------|--------|--------|------|
| | ADR | Occ | RevPAR | ADR | Occ |
| | € | % | € | € | % |
| Amsterdam | 115.92 | 33.8 | 39.20 | 152.79 | 79.9 |
| Berlin | 91.33 | 35.1 | 32.04 | 99.31 | 77.1 |
| Budapest | 78.41 | 30.1 | 23.59 | 87.30 | 74.3 |
| Cairo & Giza | 87.84 | 36.4 | 31.94 | 90.25 | 71.9 |
| Cape Town Centre | 115.97 | 46.5 | 53.88 | 111.73 | 64.3 |
| Copenhagen | 105.64 | 30.6 | 32.37 | 129.89 | 73.3 |
| Dubai | 125.69 | 48.1 | 60.42 | 141.95 | 74.8 |
| Dublin | 111.25 | 39.4 | 43.84 | 139.31 | 81.4 |
| Edinburgh | 81.82 | 45.5 | 37.21 | 104.75 | 78.0 |
| Helsinki | 111.74 | 33.9 | 37.86 | 116.27 | 65.6 |
| Istanbul | 71.97 | 37.2 | 26.76 | 83.23 | 69.8 |
| London | 143.13 | 47.8 | 68.48 | 166.86 | 80.6 |
| Madrid | 98.77 | 41.2 | 40.65 | 116.38 | 76.9 |
| Milan | 134.22 | 29.9 | 40.10 | 151.87 | 74.1 |
| Moscow | 70.27 | 34.7 | 24.40 | 76.41 | 70.9 |
| Muscat | 126.62 | 33.1 | 41.97 | 143.98 | 57.0 |
| Paris | 188.04 | 36.8 | 69.14 | 215.10 | 75.1 |
| Prague | 69.47 | 26.5 | 18.38 | 91.26 | 74.6 |
| Riyadh | 140.26 | 54.5 | 76.47 | 140.99 | 56.0 |
| Rome | 116.97 | 24.6 | 28.83 | 149.66 | 70.6 |
| Vienna | 96.42 | 30.7 | 29.58 | 107.16 | 74.3 |
| Warsaw | 63.92 | 33.7 | 21.55 | 74.73 | 70.8 |
| Zurich | 208.71 | 32.6 | 67.99 | 202.48 | 72.6 |

Source: STR

- C19 had a strong impact on global hotel performance. Europe reported performance decline for YTD June 2020, driven by a -51.4% decline in occupancy, -14.1% decline in ADR, and -58.2% decline in RevPAR.
- Absolute occupancy, ADR and RevPAR levels were up from May levels, but were the lowest for any June on record.
- For week ending 28 June 2020, occupancy of open hotels in Europe ranged from 10%-40%. Israel posted the highest occupancy level (41%), followed closely by France (34%) and Spain (32%).

| RevPAR | Growth | | | | | |
|--------|---------|-------|-------|-------|---------|-------|
| | ADR | | Occ | | RevPAR | |
| € | Abs (€) | % | Abs % | % | Abs (€) | % |
| 122.00 | -36.87 | -24.1 | -46.0 | -57.6 | -82.80 | -67.9 |
| 76.57 | -7.98 | -8.0 | -42.0 | -54.5 | -44.54 | -58.2 |
| 64.84 | -8.89 | -10.2 | -44.2 | -59.5 | -41.25 | -63.6 |
| 64.92 | -2.41 | -2.7 | -35.6 | -49.4 | -32.97 | -50.8 |
| 71.84 | 4.24 | 3.8 | -17.8 | -27.7 | -17.96 | -25.0 |
| 95.26 | -24.25 | -18.7 | -42.7 | -58.2 | -62.89 | -66.0 |
| 106.17 | -16.25 | -11.4 | -26.7 | -35.7 | -45.75 | -43.1 |
| 113.46 | -28.06 | -20.1 | -42.0 | -51.6 | -69.62 | -61.4 |
| 81.71 | -22.94 | -21.9 | -32.5 | -41.7 | -44.50 | -54.5 |
| 76.25 | -4.53 | -3.9 | -31.7 | -48.3 | -38.38 | -50.3 |
| 58.07 | -11.26 | -13.5 | -32.6 | -46.7 | -31.30 | -53.9 |
| 134.50 | -23.73 | -14.2 | -32.8 | -40.6 | -66.02 | -49.1 |
| 89.55 | -17.61 | -15.1 | -35.8 | -46.5 | -48.91 | -54.6 |
| 112.49 | -17.65 | -11.6 | -44.2 | -59.7 | -72.39 | -64.4 |
| 54.17 | -6.15 | -8.0 | -36.2 | -51.0 | -29.77 | -54.9 |
| 82.02 | -17.37 | -12.1 | -23.8 | -41.8 | -40.06 | -48.8 |
| 161.47 | -27.06 | -12.6 | -38.3 | -51.0 | -92.32 | -57.2 |
| 68.11 | -21.79 | -23.9 | -48.2 | -64.5 | -49.73 | -73.0 |
| 78.90 | -0.72 | -0.5 | -1.4 | -2.6 | -2.43 | -3.1 |
| 105.70 | -32.69 | -21.8 | -46.0 | -65.1 | -76.86 | -72.7 |
| 79.66 | -10.74 | -10.0 | -43.7 | -58.7 | -50.08 | -62.9 |
| 52.87 | -10.80 | -14.5 | -37.0 | -52.3 | -31.32 | -59.2 |
| 146.97 | 6.23 | 3.1 | -40.0 | -55.1 | -78.97 | -53.7 |

- Regional markets in Europe are leading the recovery, while main cities have lagged. For example, Finland Provincial posted the country's highest occupancy level (66%), whilst Helsinki occupancy was 23% for the week ending 28 June 2020.

Hotel Construction Costs

| Country | Budget hotels | Mid market – low |
|--------------|---------------|------------------|
| | € per sqm | € per sqm |
| UK | 1,520 - 2,410 | 2,070 - 2,880 |
| Austria | 1,440 - 1,630 | 1,780 - 2,340 |
| Belgium | 1,220 - 1,800 | 1,620 - 2,070 |
| Bulgaria | 730 - 860 | 860 - 1,060 |
| Finland | 2,250 - 2,930 | 2,510 - 3,270 |
| France | 1,680 - 2,200 | 2,200 - 2,820 |
| Germany | 1,790 - 1,970 | 1,880 - 2,190 |
| Greece | 1,160 - 1,360 | 1,610 - 1,780 |
| Hungary | 1,000 - 1,310 | 1,430 - 1,990 |
| Ireland | 1,680 - 2,040 | 2,040 - 2,430 |
| Italy | 1,550 - 1,810 | 1,700 - 1,960 |
| Norway | 2,360 - 2,800 | 2,600 - 2,990 |
| Netherlands | 1,340 - 1,770 | 1,470 - 2,070 |
| Portugal | 1,020 - 1,270 | 1,170 - 1,380 |
| Romania | 890 - 1,000 | 1,000 - 1,220 |
| Russia | 1,360 - 1,540 | 1,490 - 1,990 |
| Slovakia | 810 - 1,260 | 910 - 1,370 |
| Spain | 1,020 - 1,770 | 1,520 - 2,020 |
| Sweden | 2,440 - 2,990 | 2,990 - 3,490 |
| Turkey | 1,400 - 1,580 | 1,490 - 1,890 |
| Ukraine | 950 - 1,380 | 1,050 - 1,560 |
| Abu Dhabi | 1,510 - 2,030 | 1,650 - 2,290 |
| Qatar | 2,000 - 2,130 | 2,130 - 2,420 |
| Dubai | 1,580 - 2,110 | 1,710 - 2,380 |
| Saudi Arabia | 1,260 - 1,440 | 1,750 - 1,900 |
| Mozambique | 2,960 - 3,420 | 3,720 - 4,160 |
| South Africa | 1,560 - 1,810 | 1,940 - 2,210 |
| Botswana | 1,930 - 2,240 | 2,400 - 2,730 |
| Namibia | 1,680 - 1,940 | 2,080 - 2,360 |
| Mauritius | 2,170 - 2,580 | 2,790 - 3,100 |
| Seychelles | 2,580 - 3,030 | 3,340 - 3,640 |

Source: Rider Levett Bucknall

- Impact of C19 significant, whereby activity either stopped or materially reduced, but most countries saw construction recommence quickly.
- Of all sectors, hospitality suffered greatest impact. Different C19 responses (eg lockdowns, economic stimuli) will impact tender prices.
- Most countries concurrently facing inflationary pressures of compliance with new site procedures (e.g. social

Mid market – high

Luxury

| € per sqm | | € per sqm | |
|-----------|---------|-----------|---------|
| 2,700 | - 4,070 | 3,360 | - 5,090 |
| 2,450 | - 3,110 | 3,190 | - 3,770 |
| 1,800 | - 2,220 | 2,420 | - 3,050 |
| 1,050 | - 1,260 | 1,620 | - 2,030 |
| 2,930 | - 3,800 | 3,320 | - 4,320 |
| 2,720 | - 3,680 | 3,320 | - 4,710 |
| 2,010 | - 3,120 | 2,590 | - 3,660 |
| 2,040 | - 2,520 | 2,810 | - 3,440 |
| 1,730 | - 2,660 | 2,120 | - 3,320 |
| 2,210 | - 2,720 | 3,060 | - 3,720 |
| 1,910 | - 2,260 | 2,260 | - 2,900 |
| 2,860 | - 3,480 | 3,350 | - 3,960 |
| 1,710 | - 2,510 | 1,980 | - 2,860 |
| 1,430 | - 1,820 | 1,560 | - 2,090 |
| 1,220 | - 1,570 | 1,780 | - 2,270 |
| 2,050 | - 2,460 | 2,280 | - 3,370 |
| 1,160 | - 1,660 | 1,420 | - 1,920 |
| 2,020 | - 2,770 | 2,520 | - 3,540 |
| 3,490 | - 3,890 | 3,890 | - 5,000 |
| 1,700 | - 2,830 | 1,890 | - 3,750 |
| 1,200 | - 1,680 | 1,230 | - 2,250 |
| 2,140 | - 2,790 | 2,740 | - 4,550 |
| 2,570 | - 3,260 | 3,200 | - 5,270 |
| 2,220 | - 3,430 | 2,840 | - 4,740 |
| 1,940 | - 2,060 | 2,130 | - 2,740 |
| 4,310 | - 4,890 | 5,190 | - 5,940 |
| 2,310 | - 2,590 | 2,840 | - 3,100 |
| 2,870 | - 3,200 | 3,520 | - 3,840 |
| 2,480 | - 2,780 | 3,050 | - 3,330 |
| 3,310 | - 3,720 | 4,130 | - 4,750 |
| 3,840 | - 4,520 | 4,720 | - 5,520 |

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.

distancing) alongside deflationary pressures resulting from pipeline reduction.

- C19 resulted in significantly less tender activity. Medium term, deflationary pressures are expected to win over productivity challenges.
- Pricing volatility to continue short term (tenders not necessarily representative of contracted prices). Currency fluctuations and a 'final' Brexit (UK) add to uncertainty.

Transaction Tracker

| Region | Hotel | Location |
|---------------------------|-----------------------------------|---------------------|
| Portfolio Transactions | | |
| | 3x Belgian hotels | Belgium |
| | 11x B&B hotels | Germany |
| | 3x Cyan hotels | Greece |
| | 8x Dedic Anthology hotels | Ita/Hun/Cze/Fra |
| | 4x Elaia hotels | Spain |
| Single Asset Transactions | | |
| Africa | Monarch Hotel | Johannesburg |
| | Meikles Hotel | Harare |
| Benelux | Hotel Collection Avenue Louise | Brussels |
| | Pullman Eindhoven | Eindhoven |
| | Hilton The Hague | The Hague |
| CEE/CIS | Golden Tulip Bucharest | Bucharest |
| | M-Square Hotel | Budapest |
| | Kempinski Grand Hotel* | Gelendzhik |
| | Hotel Uzbekistan | Tashkent |
| Germany | NH Erlangen | Erlangen |
| | Lindley Lindenberg | Frankfurt |
| Ireland | Jacobs Inn | Dublin |
| | Clayton Charlemont | Dublin |
| Italy | Hotel Quisisana | Capri |
| | Hotel Ancora | Cortina d'Ampezzo |
| Spain | La Maquinista Hotel | Barcelona |
| | Ona Hotel Terra | Barcelona |
| | Hotel Cristina | Gran Canaria |
| UK | Hampton by Hilton Bristol Airport | Bristol |
| | Botleigh Grange Hotel* | Hedge End |
| | Stradey Park Hotel & Spa | Llanelli |
| | Holiday Inn Bloomsbury | London |
| | The Chrysos | London |
| | The Ritz | London |
| | Telford Whitehouse | Telford |
| Other | Zleep Hotel | Copenhagen, Denmark |
| | Cour des Loges Hotel | Lyon, France |

Source: Whitebridge Hospitality

* Sold out of receivership

- Corp deals: KKR acquired Roompot Parks (for a cool €1bn, Net); Three Hills Capital acquired stake in Borealis Hotels (Net); lots of Scandic hotels traded: Helsingør (Nor), Lillestrøm (Nor), CH (Swe) and Linköping City (Swe).
- Interesting singles: Eastern Property Holdings acquired NHOW Berlin (Ger); CG Corp Global acquired Fairmont Mara Safari Club and The Norfolk (Ken); Westmont acquired Sheraton Casablanca (Mor).

| No. of Keys | Total Price | Price per Key |
|-------------|-------------|---------------|
| | € | € |
| 353 | 57,000,000 | 161,000 |
| 1,145 | 115,000,000 | 100,000 |
| 690 | 61,000,000 | 88,000 |
| 1,115 | 573,000,000 | 514,000 |
| 534 | 50,000,000 | 94,000 |
| 12 | 1,200,000 | 100,000 |
| 312 | 18,000,000 | 58,000 |
| 80 | 8,400,000 | 105,000 |
| 320 | 58,000,000 | 181,000 |
| 195 | 70,300,000 | 360,000 |
| 81 | 9,500,000 | 117,000 |
| 71 | 17,000,000 | 239,000 |
| 379 | 14,000,000 | 37,000 |
| 254 | 20,800,000 | 82,000 |
| 138 | 16,800,000 | 122,000 |
| 100 | 21,200,000 | 212,000 |
| 103 | 30,000,000 | 291,000 |
| 187 | 65,000,000 | 348,000 |
| 147 | 209,200,000 | 1,423,000 |
| 49 | 20,000,000 | 408,000 |
| 92 | 11,500,000 | 125,000 |
| 152 | 40,500,000 | 266,000 |
| 306 | 45,000,000 | 147,000 |
| 210 | 27,400,000 | 130,000 |
| 55 | 3,100,000 | 57,000 |
| 77 | 3,700,000 | 48,000 |
| 316 | 105,300,000 | 333,000 |
| 52 | 19,800,000 | 380,000 |
| 136 | 791,000,000 | 5,816,000 |
| 90 | 3,000,000 | 33,000 |
| 76 | 11,800,000 | 155,000 |
| 60 | 24,500,000 | 408,000 |

¹ for a 80% stake

- Rocking resorts: Belterra acquired Porto Carras Grand Resort (Gre); Signa Group acquired Bauer Palazzo Venice (Ita); HNWI acquired Iberostar Selection Algarve (Por); HIP acquired Lake Spa Resort Algarve (Por).
- Rockin' Reuben Bros: La Residence on Mykonos (Gre) and La Palma on Capri (Ita).

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.

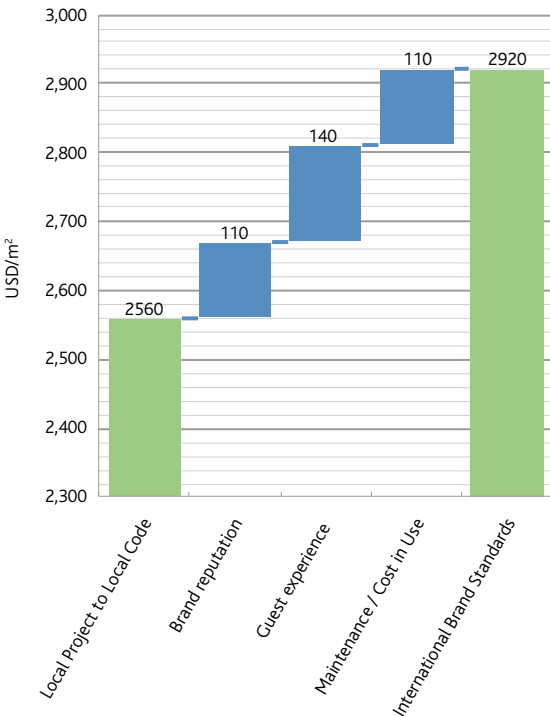
DO INTERNATIONAL BRANDS ATTRACT A CONSTRUCTION COST PREMIUM?

Introduction

At RLB we are used to delivering hotels in diverse locations including lower income countries. These naturally include both the large international brands and those more locally conceived and designed.

We are often asked for benchmark costs and have challenges placed back to us that a local project was delivered for significantly less. Mostly we find that it is not driven by individual design decisions but high-level performance criteria, and the all-important brand standards.

We therefore thought that it would be useful to examine how, and by how much international brand standards may attract a cost premium to those delivered to local code compliance. The costs fall into several categories and are examined here from the perspective of a four-star hotel.



Brand Reputation

To protect brand values enhancements may be made for example:

- to key life safety systems (typically sprinklers)
- to protect health and safety, particularly food safety
- to achieve the particular risk-based security criteria for a defined location.

The locale-specific security driver can have a significant impact on costs with ranges of USD 50 to USD 300/m².

Guest Experience

Users of international brands may expect enhanced service to that mandated by local rating systems. From the range of facilities on offer (leisure/conferencing) to consistency in service such as arrival and welcome experience, even though to mandated finishes.

Items such as acoustic criteria may be enhanced from being merely code complaint to maintain expectation.

In many case decisions will add to the area programme, sometimes adding 10-30% to a cost per key.

Maintenance and Cost in Use

Experienced owners and operators will typically set planned maintenance regimes to reduce life cycle costs and the risk of service outage. Plant may have increased resilience built into it. However, consideration should also be given to the maintenance support available locally and the climatic conditions that may affect design life.

It should also be remembered that design standards are only as good as the execution; having appropriate Quality Control procedures in construction is also a necessity.

SUMMARY

In Pursuit of Cost & Value Alignment

In some cases, the use of international brand standards will take a property beyond being fit for purpose. Where this adds value, through REVPAR or lower operating costs, this may be a sensible investment.

We advocate our clients understand which elements of standards are costing money, which are adding value, and which may be capable of negotiation.



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