

EMEA HOTELS MONITOR

AUGUST 2019

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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.



Rider
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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 60,000 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

The first six months of 2019 have provided some thought provoking events: Brexit was postponed (twice), the Gillet Jaunes ravaged Paris on a weekendly basis, tankers were holed or seized in the Gulf, Trump had tea with the Queen and Liverpool won the Champions League (again).

Have the hotel markets of EMEA reflected these events? Not really. Despite actions in the Gulf, Riyadh and Muscat witnessed RevPAR growth. The decline in Dubai is continually attributable to its chunky pipeline. Even in the face of worsening Brexit uncertainty, London and Edinburgh RevPAR grew (in euro terms). The Gillet of Paris could not dent its hotel market (with RevPAR growing by +1.2%). Other markets were less fortunate, whereby 7 of the 23 cities surveyed witnessed RevPAR declines (such declines largely unrelated to political events).

Trends in construction cost pressures are starting to vary across the region, with more subdued growth in Europe and increases expected in the island nations around Africa as more projects are pipelined and developed.

Deals wise, there were plenty of corporate tie ups, quite a few portfolio sales and a good number of development transactions, but a lesser number of single asset deals compared to the same period last year. We also note that the breadth of geographical locations in which deals have been reported is one of the widest for many a year. Interesting times.

Trump had tea with the Queen and Liverpool won the Champions League (again).

For our final page feature we have prepared a case study in respect of a long running Whitebridge assignment - the conceptualisation, branding, development and operation of a new hotel in Belfast Harbour. This iconic development for Northern Ireland is open for business and awaiting your visit.

Philip Camble

Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor

Performance Trends

Jan-Jun City	2019			2018	
	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	153.74	79.6	122.31	153.57	80.1
Berlin	99.66	77.1	76.85	96.27	74.5
Budapest	87.27	73.9	64.48	82.43	74.5
Cairo	90.39	72.2	65.28	76.84	68.1
Cape Town	111.76	64.1	71.68	120.42	62.8
Copenhagen	129.94	73.5	95.46	135.59	76.6
Dubai	144.15	75.0	108.12	153.68	76.6
Dublin	139.42	81.5	113.56	140.53	82.0
Edinburgh	116.01	79.5	92.25	115.82	78.3
Helsinki	116.31	65.5	76.23	109.07	69.4
Istanbul	83.90	69.7	58.46	77.43	67.2
London	167.26	80.7	134.98	159.89	79.8
Madrid	120.71	75.9	91.67	106.61	74.7
Milan	151.82	74.2	112.70	146.49	72.0
Moscow	76.55	70.9	54.31	105.75	70.2
Muscat	144.05	56.9	81.97	139.79	57.8
Paris	217.97	74.9	163.24	209.13	77.2
Prague	91.41	74.5	68.13	88.47	73.2
Riyadh	141.38	56.5	79.94	145.89	54.0
Rome	153.36	69.6	106.76	148.98	70.3
Vienna	107.98	74.2	80.14	96.58	71.1
Warsaw	75.58	71.8	54.24	76.10	73.3
Zurich	202.57	72.8	147.45	196.79	72.3

Source: STR

- Half year 2019 data reported performance growth in the European hotel industry, driven by a +0.2% increase in occupancy, a +2.6% lift in ADR, and a 2.8% jump in RevPAR.
- ME&A region posted a RevPAR decrease (-2.5%), influenced significantly by declines in the Middle East (-6.6%), and increases in Southern Africa (+0.3%) and North Africa (+12.6%).
- At a major market level, Cairo, Istanbul, Madrid and Vienna reported the highest growth in H1 2019, producing double-digit increases in RevPAR.

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
123.06	0.16	0.1	-0.6	-0.7	-0.75	-0.6
71.74	3.39	3.5	2.6	3.5	5.11	7.1
61.39	4.84	5.9	-0.6	-0.8	3.09	5.0
52.32	13.55	17.6	4.1	6.1	12.96	24.8
75.66	-8.66	-7.2	1.3	2.1	-3.98	-5.3
103.81	-5.65	-4.2	-3.1	-4.0	-8.35	-8.0
117.78	-9.54	-6.2	-1.6	-2.1	-9.66	-8.2
115.18	-1.11	-0.8	-0.5	-0.6	-1.63	-1.4
90.66	0.19	0.2	1.2	1.6	1.59	1.7
75.68	7.24	6.6	-3.9	-5.6	0.54	0.7
52.03	6.47	8.4	2.5	3.7	6.43	12.4
127.63	7.37	4.6	0.9	1.1	7.35	5.8
79.67	14.10	13.2	1.2	1.6	12.00	15.1
105.45	5.32	3.6	2.2	3.1	7.25	6.9
74.26	-29.20	-27.6	0.7	1.0	-19.95	-26.9
80.77	4.26	3.0	-0.9	-1.5	1.20	1.5
161.36	8.84	4.2	-2.3	-2.9	1.88	1.2
64.73	2.94	3.3	1.4	1.9	3.39	5.2
78.84	-4.51	-3.1	2.5	4.6	1.09	1.4
104.77	4.38	2.9	-0.7	-1.0	2.00	1.9
68.65	11.40	11.8	3.1	4.4	11.49	16.7
55.76	-0.52	-0.7	-1.5	-2.1	-1.53	-2.7
142.31	5.78	2.9	0.5	0.7	5.14	3.6

- On the other hand, Moscow, Copenhagen, Dubai and Cape Town reported the sharpest declines. Moscow experienced a significant decline due to hosting 2018 FIFA World Cup matches, thus, coming from a much higher base in 2018 their 2019 RevPAR took a hit (-26.9%).

Hotel Construction Costs

Country	Budget hotels	Mid market – low
	€ per sqm	€ per sqm
UK	1,640 - 2,600	2,240 - 3,110
Austria	1,430 - 1,610	1,760 - 2,320
Belgium	1,210 - 1,780	1,600 - 2,050
Bulgaria	720 - 850	850 - 1,050
Finland	2,230 - 2,900	2,490 - 3,240
France	1,680 - 2,200	2,200 - 2,830
Germany	1,770 - 1,950	1,860 - 2,170
Greece	1,130 - 1,330	1,590 - 1,740
Hungary	940 - 1,230	1,350 - 1,850
Ireland	1,630 - 1,990	1,990 - 2,350
Italy	1,550 - 1,810	1,700 - 1,960
Norway	2,280 - 2,700	2,520 - 2,900
Netherlands	1,310 - 1,730	1,440 - 2,030
Portugal	1,010 - 1,260	1,160 - 1,370
Romania	880 - 990	990 - 1,210
Russia	1,340 - 1,520	1,470 - 1,970
Slovakia	800 - 1,250	900 - 1,360
Spain	1,020 - 1,770	1,520 - 2,020
Sweden	2,270 - 2,780	2,780 - 3,250
Turkey	1,300 - 1,470	1,380 - 1,750
Ukraine	1,160 - 1,690	1,280 - 1,910
Abu Dhabi	1,570 - 2,090	1,710 - 2,370
Qatar	2,010 - 2,140	2,140 - 2,430
Dubai	1,640 - 2,180	1,770 - 2,460
Saudi Arabia	1,250 - 1,430	1,740 - 1,890
Mozambique	2,010 - 2,320	2,520 - 2,820
South Africa	1,470 - 1,710	1,830 - 2,080
Botswana	1,860 - 2,160	2,310 - 2,630
Namibia	1,620 - 1,870	2,000 - 2,270
Mauritius	2,090 - 2,480	2,680 - 2,980
Seychelles	2,430 - 2,850	3,140 - 3,420

Source: Rider Levett Bucknall

- Currency fluctuations remain a key issue for common currency comparisons.
- There has been a significant increase in hotel and resort developments and redevelopments in the island nations surrounding Africa, especially Mauritius, Maldives and Seychelles.

Mid market – high

Luxury

€ per sqm	€ per sqm
2,920 - 4,410	3,630 - 5,510
2,430 - 3,080	3,160 - 3,730
1,780 - 2,200	2,400 - 3,020
1,040 - 1,250	1,600 - 2,010
2,900 - 3,760	3,290 - 4,280
2,730 - 3,680	3,310 - 4,720
1,990 - 3,090	2,580 - 3,640
2,000 - 2,460	2,760 - 3,370
1,610 - 2,470	1,980 - 3,100
2,140 - 2,630	2,960 - 3,610
1,910 - 2,260	2,260 - 2,900
2,750 - 3,370	3,230 - 3,810
1,680 - 2,450	1,940 - 2,810
1,420 - 1,800	1,540 - 2,070
1,210 - 1,550	1,760 - 2,250
2,010 - 2,420	2,250 - 3,310
1,150 - 1,640	1,410 - 1,900
2,020 - 2,770	2,520 - 3,540
3,250 - 3,620	3,620 - 4,650
1,580 - 2,630	1,750 - 3,480
1,460 - 2,050	1,500 - 2,750
2,220 - 2,880	2,840 - 4,710
2,580 - 3,280	3,220 - 5,290
2,310 - 3,540	2,940 - 4,900
1,930 - 2,050	2,120 - 2,720
2,920 - 3,320	3,520 - 4,030
2,180 - 2,440	2,680 - 2,920
2,760 - 3,080	3,390 - 3,700
2,390 - 2,670	2,930 - 3,200
3,180 - 3,580	3,970 - 4,570
3,610 - 4,250	4,440 - 5,190

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.

- UAE construction is continuing to contract, although tourism is increasing and the Dubai Expo 2020 remains a driver of activity.
- Across Europe, despite material and labour input pressures, tender prices have remained subdued for the main part and growth rates are generally slowing.

Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	6x Aedifica hotels	Belgium
	5x Gecino hotels	France
	3x Dorint hotels	Germany
	3x Israel Land hotels	Israel
	3x Minor hotels	Lisbon, Portugal
	4x Dylan hotels	London, UK
	2x Eclectic hotels	Manchester, UK
	9x Hilton hotels*	UK
	26x Hallmark hotels	UK
Single Asset Transactions		
CEE	InterContinental Prague	Prague, Czech
	88 Rooms Hotel	Belgrade, Serbia
	Austria Trend Ljubljana	Ljubljana, Slovenia
Germany	Westin Bellevue ¹	Dresden
	Hilton Nuremberg	Nuremberg
Ireland	Conrad Dublin	Dublin
	Dublin Citi Hotel + Trinity Bar	Dublin
	Powerscourt Hotel	Enniskerry
Italy	Royal Hotel	Bologna
	Grand Palazzo della Fonte*	Fiuggi
Netherlands	Doubletree Amsterdam	Amsterdam
	Holiday Inn Express Sloterdijk	Amsterdam
	Staybridge Suites The Hague	The Hague
Spain	B&B Viladecans	Barcelona
	Tryp Chamartin Hotel	Madrid
	Melia Valencia	Valencia
UK	Travelodge Southwark	London
	Crowne Plaza Kensington	London
	Templeton Hotel	Templepatrick
Other	Hilton Nicosia ²	Nicosia, Cyprus
	Chateau La Messardiere	St Tropez, France
	Barcelo Palmaraie	Marrakesh, Morocco
	Park Hyatt	Istanbul, Turkey

Source: Whitebridge Hospitality

* Sold out of receivership

- Corporate deals: Deutsche Hospitality acquired 51% in Zleep Hotels (Den); Goldman Sachs acquired B&B Hotels (€1.8bn, Fra); Vienna House acquired Arcona (Ger); Dur Hospitality acquired Shada Homes (KSA); GIC acquired 25% in CitizenM (Ned); Accor acquired multiple tranches of Orbis (Pol); BlackRock acquired Amistat International (€100m, Spa); Marriott acquired balance of 40% in AC Hotels (€140m, Spa); Best Western acquired WorldHotels Collection (UK); Interglobe acquired K&K Hotels (UK).

No. of Keys	Total Price	Price per Key
	€	€
544	73,000,000	134,000
814	181,000,000	222,000
565	103,000,000	182,000
579	50,600,000	87,000
683	313,000,000	458,000
131	19,000,000	145,000
70	56,500,000	807,000
1,439	282,900,000	196,600
2,401	287,500,000	120,000
372	200,100,000	538,000
88	6,300,000	72,000
214	8,900,000	42,000
340	49,500,000	146,000
152	15,600,000	103,000
192	118,000,000	615,000
27	12,000,000	444,000
200	50,000,000	250,000
236	32,900,000	139,000
153	16,500,000	108,000
557	425,000,000	763,000
254	42,800,000	169,000
101	16,200,000	160,000
216	6,600,000	31,000
199	27,500,000	138,000
300	42,300,000	141,000
202	65,300,000	323,000
162	97,800,000	604,000
24	8,100,000	335,000
294	54,900,000	187,000
117	154,000,000	1,316,000
252	35,000,000	139,000
90	50,000,000	556,000

¹ for a 94.5% stake ² for a 96.82% stake

- Honourable mentions: Brussels Airport Co acquired its Sheraton (Bel); Oaktree acquired 15x Castello SGR hotels (€300m, Ita); Bon Hotels bought again, this time Die Kliphuis (RSA); Azora acquired 7x Med Playa hotels (Spa); Pop House acquired all parts of Scandic Hasselbacken (Swe); Centrebridge Partners acquired 27x Macdonald hotels (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.

CASE STUDY: AC HOTEL BY MARRIOTT, CITY QUAYS, BELFAST

A DECADE IN THE EVOLUTION OF A NEW HOTEL

Introduction

City Quays at Belfast Harbour represents a £275 million regeneration of 20-acres of ex-shipping land located (as its name implies) on the waterfront but within close proximity of the city centre. The completed development will include 750,000 square feet of the highest quality "Grade A" office space in Northern Ireland of which over 400,000 square feet has been completed or is currently under construction.



The rationale for a hotel at City Quays came primarily from a desire to animate the waterfront estate and support the growing number of international businesses occupying the office space plus, of course, recognition of a profitable investment opportunity.

What we did

The involvement of the directors of Whitebridge Hospitality in the City Quays' hotel development began initially in 2009 with a feasibility study followed by an operator selection process. However, that proved to be a false start as the deteriorating market and economic conditions throughout the UK at that time resulted in the project being deferred.

Market demand & financial feasibility

Fast-forward to 2013 when Belfast Harbour Commissioners asked us for an update on the market prospects for a hotel. Our high-level review concluded that hotel demand had returned to pre-recession room occupancy performance although ADR was still playing catch-up. The review provided sufficient confidence to undertake a full feasibility study that we completed in 2014.

The report supported the evidence of a strong market recovery in Belfast and provided the green light to move forward with a fresh operator selection process.

Operator selection

Our analysis indicated a shift in the market and changes to hotel supply that, from a commercial standpoint, clearly favoured a select-service hotel specification as opposed to the original full-service concept from five years' earlier. Whilst the commercial imperative was unequivocal, an "off-the-shelf" select-service hotel posed a dilemma as the project criteria called for an upscale hotel with prominent restaurant and bar activities under a well-recognised major international, preferably US, brand.

We solved the issue by identifying AC Hotel by Marriott as a stylish but relatively lesser known brand concept in the UK at that time whilst agreeing an independent franchise arrangement for the food & beverage. This had the benefit of retaining the slim operational model of a select-service hotel and bolting-on an exciting restaurant and bar feature without corrupting efficient profit margins.



The restaurant operations required a testing combination of destination dining flair with a pragmatic menu offering to service the broad range of corporate and leisure guests of a busy 188 room hotel. Ultimately, we engaged Jean Christophe Novelli under a branding franchise and it has proved a resounding success.

The final part in the operator selection matrix was the appointment of Interstate Hotels & Resorts for the over-arching hotel management agreement.

Development & Design

Construction started on site in 2016. We advised throughout the development programme on design, appointments, strategy and budget to ensure that the operational objectives were embedded in the final product.

Owners Representative

The hotel opened in April 2018 amid a wave of new hotel completions in Belfast. Nevertheless, a year on and the hotel RGI is trending above par in its competitive set of established upscale and upper upscale properties.

Whitebridge Hospitality has an ongoing asset management role as owners' representative.



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