

EMEA HOTELS MONITOR

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**WHITE
BRIDGE**

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Introduction

Despite multiple conflicts, airline crashes, economic crises, an Ebola epidemic and political unrest, performance trends in the hotel world have been largely positive in every region of the globe - with North Africa leading the way (RevPAR increased by 17.2% over 2013).

Europe and the Middle East enjoyed high levels of demand growth in 2014, whilst increases in supply were relatively restrained. This fueled increases in RevPAR across all markets reviewed in the Monitor, except for Moscow which fell by nearly 26% compared to 2013 (in euro terms). Based on this evidence, could it be that consumers have become so sanitised to global events that they will travel and experience hotels regardless of conflict and weak economies? A big test coming up will be to see the impact of nearing dollar-euro parity on travel trends within the region (particularly to London).

Although supply growth was relatively modest in 2014 and metal prices have fallen by 40% since early 2011, development costs continue to increase.

The transaction space in the last six months has been particularly active with multiple portfolio and corporate deals. Ireland in particular has been busy (those deals listed herein are only a small sample) with a large number of receivership sales. It is interesting to note that both the UK and Ireland led the restructuring wave in Europe and the remainder of Europe, which has been less reform minded, is facing the prospect of deflation and other economic woes.

Could it be that consumers have become so sanitised to global events that they will travel and experience hotels regardless of conflict and weak economies?

For our back-page feature we consulted with four highly experienced hotel valuers and developed a consensus matrix of hotel investment yields for the UK and Europe.

Philip Camble

Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor

Performance Trends

Jan - Dec	2014			2013	
City	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	123.84	77.3	95.74	121.12	75.8
Berlin	89.30	74.3	66.35	87.51	72.5
Budapest	67.53	69.1	46.63	64.73	65.7
Cairo	80.87	44.7	36.18	76.54	35.8
Cape Town	88.79	67.5	59.96	88.45	64.5
Copenhagen	123.57	72.9	90.09	112.01	70.4
Dubai	183.25	78.5	143.90	176.78	80.1
Dublin	96.23	78.3	75.39	88.50	76.6
Edinburgh	108.12	80.5	87.08	96.44	79.8
Helsinki	100.11	66.0	66.05	99.26	65.2
Istanbul	133.06	65.0	86.53	142.43	67.0
London	175.90	83.0	146.05	161.42	82.5
Madrid	85.74	65.5	56.17	82.60	61.7
Milan	130.42	63.8	83.22	126.98	62.9
Moscow	111.01	60.2	66.80	136.12	66.1
Muscat	177.29	66.1	117.16	164.67	66.3
Paris	255.35	80.4	205.28	254.44	79.8
Prague	73.05	70.5	51.46	71.59	69.4
Riyadh	178.77	59.6	106.49	186.61	56.0
Rome	144.15	69.2	99.70	145.14	67.0
Vienna	96.30	72.3	69.60	93.84	70.9
Warsaw	67.10	71.4	47.93	71.04	70.9
Zurich	197.12	73.2	144.34	193.84	72.2

Source: STR Global

- Europe RevPAR grew by +5.8% in 2014, one of the highest levels since 2011. Both 2013 and 2014 reported similar demand growth (c. +3%), resulting in occupancy growth. But only in 2014 was there ADR improvement. For comparison, annualised ADR in 2011 was €107.02 and in 2014 €106.09 (i.e. very close to previous levels).
- In 2014, the Middle East witnessed one of its lowest supply increases in the last six years. Lower supply, coupled with a +9% increase in demand, has had a positive impact on occupancy, which reached 68.8%, a level not seen since 2008. In USD terms, ADR remained flat in 2014 and is still USD28 below its pre-recession peak in 2008. It is important to note that the supply profile of the Middle East is extremely dynamic and

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
91.78	2.72	2.2	1.5	2.0	3.96	4.3
63.48	1.79	2.0	1.8	2.5	2.87	4.5
42.54	2.80	4.3	3.4	5.2	4.09	9.6
27.44	4.33	5.7	8.9	24.9	8.74	31.9
57.05	0.34	0.4	3.0	4.7	2.91	5.1
78.89	11.56	10.3	2.5	3.6	11.20	14.2
141.53	6.47	3.7	-1.6	-2.0	2.37	1.7
67.76	7.73	8.7	1.7	2.2	7.63	11.3
76.93	11.68	12.1	0.7	0.9	10.15	13.2
64.72	0.85	0.9	0.8	1.2	1.33	2.1
95.38	-9.37	-6.6	-2.0	-3.0	-8.85	-9.3
133.21	14.48	9.0	0.5	0.6	12.84	9.6
50.95	3.14	3.8	3.8	6.2	5.22	10.2
79.92	3.44	2.7	0.9	1.4	3.30	4.1
90.04	-25.11	-18.4	-5.9	-8.9	-23.24	-25.8
109.22	12.62	7.7	-0.2	-0.3	7.94	7.3
203.10	0.91	0.4	0.6	0.8	2.18	1.1
49.71	1.46	2.0	1.1	1.6	1.75	3.5
104.53	-7.84	-4.2	3.6	6.4	1.96	1.9
97.20	-0.99	-0.7	2.2	3.3	2.50	2.6
66.51	2.46	2.6	1.4	2.0	3.09	4.6
50.38	-3.94	-5.5	0.5	0.7	-2.45	-4.9
140.02	3.28	1.7	1.0	1.4	4.32	3.1

changes in supply mix can have an impact on market averages.

- Europe has surpassed its pre-recession peak in demand levels and demand growth has continued to go from strength to strength, increasing the number of rooms sold each year. Over the last four years, international arrivals grew by more than 20 million per annum. Europe commands more than half of global international arrivals, which is forecast to continue in 2015.

Hotel Construction Costs

Country	Budget hotels	Mid market – low
	€ per sqm	€ per sqm
UK	1,440 - 1,940	1,680 - 2,330
Austria	1,400 - 1,550	1,700 - 2,270
Belgium	1,350 - 1,650	1,480 - 1,900
Bulgaria	710 - 830	830 - 1,040
Finland	2,140 - 2,775	2,395 - 3,110
France	1,440 - 1,740	1,550 - 1,850
Germany	1,350 - 1,650	1,520 - 1,820
Greece	1,100 - 1,300	1,550 - 1,700
Hungary	780 - 1,040	1,150 - 1,560
Ireland	1,420 - 1,730	1,730 - 2,050
Italy	1,500 - 1,750	1,650 - 1,900
Norway	2,445 - 2,745	2,132 - 2,432
Netherlands	1,200 - 1,380	1,280 - 1,540
Portugal	990 - 1,250	1,140 - 1,350
Romania	810 - 910	910 - 1,110
Russia	1,500 - 1,900	1,600 - 2,100
Slovakia	780 - 1,250	880 - 1,350
Spain	1,030 - 1,800	1,550 - 2,060
Sweden	2,450 - 3,010	3,010 - 3,510
Turkey	700 - 900	850 - 1,100
Ukraine	2,070 - 3,020	2,300 - 3,420
Abu Dhabi	1,240 - 1,660	1,330 - 1,870
Qatar	1,400 - 1,800	1,800 - 2,100
Dubai	1,320 - 1,680	1,440 - 1,920
Saudi Arabia	1,180 - 1,420	1,420 - 1,650
Mozambique	1,920 - 2,240	2,380 - 2,720
South Africa	1,530 - 1,800	1,910 - 2,170
Botswana	1,610 - 1,850	2,020 - 2,290
Namibia	1,720 - 2,010	2,140 - 2,440
Mauritius	1,900 - 2,110	2,200 - 2,420
Seychelles	2,020 - 2,460	2,640 - 3,340

Source: Rider Levett Bucknall

- Exchange rate fluctuations continue to have a significant impact on costs when a common currency is used. This is expected to be a continuing trend, particularly in the Eurozone.
- In the Middle East, Dubai in particular has seen increased construction activity in the hotels sector.

Mid market – high

Luxury

€ per sqm	€ per sqm
2,190 - 3,300	2,720 - 4,130
2,370 - 2,990	3,070 - 3,610
1,650 - 2,050	2,230 - 2,800
1,030 - 1,250	1,560 - 1,980
2,775 - 3,600	3,165 - 4,110
2,190 - 2,490	3,450 - 3,750
2,200 - 2,500	4,020 - 4,320
1,950 - 2,400	2,700 - 3,300
1,360 - 2,090	1,670 - 2,610
1,870 - 2,290	2,590 - 3,150
1,850 - 2,200	2,200 - 2,800
3,165 - 3,465	3,830 - 4,130
1,490 - 1,890	1,670 - 1,990
1,400 - 1,770	1,510 - 2,030
1,110 - 1,420	1,620 - 2,080
2,100 - 2,600	2,600 - 3,500
1,140 - 1,610	1,400 - 1,870
2,060 - 2,830	2,580 - 3,610
3,510 - 3,900	3,900 - 5,020
950 - 1,250	1,300 - 1,500
2,620 - 3,650	2,700 - 4,920
1,760 - 2,280	2,490 - 3,730
2,000 - 2,500	2,870 - 3,700
1,800 - 2,760	2,520 - 3,840
1,650 - 1,890	1,890 - 2,360
2,860 - 3,080	3,510 - 3,840
2,290 - 2,460	2,810 - 3,070
2,380 - 2,550	2,900 - 3,260
2,520 - 2,710	3,090 - 3,380
2,510 - 2,900	2,990 - 3,390
3,520 - 4,140	4,220 - 4,660

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.

- In many countries regional and city variations in development activity continues to have a significant impact on the spread of costs.

Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	4x B&B hotels	Germany
	10x Balladins hotels	Germany
	4x Adina hotels	Germany, Denmark
	13x Accor hotels	UK
	6x De Vere golf hotels	UK
	8x Hallmark Hotels	UK
	11x QMH hotels	UK
Single Asset Transactions		
Germany	Grand Hotel Esplanade ¹	Berlin
	NH Koln MediaPark	Cologne
	Hilton Frankfurt	Frankfurt
Ireland	Citywest Hotel*	Dublin
	Jacobs Inn Hostel*	Dublin
	Westin Dublin*	Dublin
	Killashee House Hotel*	Co Kildare
	Adare Manor	Limerick
Italy	Club Med Pregelato	Pregelato
	St Regis Rome	Rome
Spain	Abba Formigal Hotel	Formigal
	Hotel Asturias	Madrid
	Hotel Santa Fe*	Mallorca
	Melia Jardines del Teide	Tenerife
UK	Premier Inn Titanic Quarter	Belfast
	The Hyde Park Hotel	London
	Kingsway Hall	London
	Travelodge London Stratford	London
	Tower Hotel	Londonderry
	Ibis Salford	Manchester
Other EMEA	Marriott Copenhagen	Copenhagen, Denmark
	Garden Beach Hotel	Antibes, France
	Anahita Hotel ²	Mauritius
	Radisson Blu Amsterdam	Amsterdam, Netherlands
	Movenpick Bur Dubai	Dubai, UAE

Source: Whitebridge Hospitality

*Sold out of receivership

- Significant corporate deals: Tsogo Sun (€802m), Rocco Forte Hotels (€75m), Orbis-Accor (€142m), Mama Shelter, Groupe du Louvre (up to €1.2m), Meininger (€400m development commitment), Generator (€60m).
- Other portfolio deals: 8x Sun International (Africa, €49m) and in UK - 19x Holiday Inns (€95m), 21x The Hotel Collection (€406m), 144x Travelodge (€655m), 25x Village Urban Resorts (€620m).

No. of Keys	Total Price	Price per Key
	€	€
430	22,000,000	51,000
1,246	100,000,000	80,000
526	107,100,000	204,000
1,193	89,000,000	75,000
861	203,200,000	236,000
730	94,300,000	129,000
1,961	163,800,000	84,000
394	81,000,000	206,000
217	29,500,000	136,000
342	110,000,000	322,000
770	29,000,000	38,000
70	7,000,000	100,000
163	65,000,000	399,000
141	13,000,000	92,000
62	30,000,000	484,000
234	50,000,000	214,000
161	110,000,000	683,000
107	4,600,000	43,000
175	35,000,000	200,000
139	7,000,000	50,000
300	36,000,000	120,000
121	7,600,000	63,000
68	32,600,000	480,000
170	120,800,000	710,000
188	22,600,000	120,000
93	5,500,000	59,000
210	15,300,000	73,000
402	95,000,000	236,000
175	30,000,000	171,000
98	23,100,000	236,000
252	90,000,000	357,000
255	77,500,000	304,000

¹ Gross price listed

² For a 50% stake

- Luxury hotel deals: Augustine (Prague), Savoy (London), JW Marriott (Bucharest), St Regis Saadiyat Island (Abu Dhabi).
- Other notable deals: Sotogrande integrated resort (€255m), loan deal re 2x Arora hotels at Heathrow and various Ulster Bank hotels in Ireland.

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.

CONSENSUS HOTEL YIELDS

Introduction

We approached a selection of hotel valuers based in London and asked them to complete a matrix of hotel yields, bearing in mind market positioning and location in the UK and across Europe. The results of this research are presented here as consensus yield matrices (based on the mathematical average of the inputs provided).

UK

Within the London markets, the range of yields was relatively tight, however, as the market becomes less defined (such as Other Cities), the range of yields became very wide. It is therefore essential that anyone viewing these matrices consider the yields shown as an illustrative guide only, and should seek appropriate professional advice when seeking to value a specific hotel asset.

From the foregoing, it is interesting to note the slightly higher yields indicated for the Mid-market segment.

UK	Budget	Mid-Mkt	Upscale	Luxury
Vacant Possession				
Central London	5.6%	6.0%	5.8%	4.0%
Greater London	6.1%	7.0%	7.1%	5.4%
Primary Cities ¹	7.7%	8.1%	7.4%	6.5%
Other Cities	9.0%	8.9%	8.4%	7.7%
Country house		9.8%	8.3%	7.1%
Adjustment Margin				
Lease	-1.6%	-1.2%	-1.2%	0.9%
Management Contract		-0.1%	-0.1%	0.8%

¹ For example: Birmingham, Manchester, Edinburgh, Glasgow

Source: ES Group, Gerald Eve, Knight Frank, Savills

Adjustment Margin

In order to adjust the yields assumed for Vacant Possession, to provide for either a Lease or Management Contract, appropriate allowances have been estimated. These Adjustment Margins suggest that within the Budget sector a Lease is advantageous, whilst in the Luxury sector Vacant Possession is perhaps more valuable. Within the mid-segments, Management Contracts are nearly as valuable as Vacant Possession, demonstrating the advantages of professional management and branding in this competitive segment.

Europe

For Europe we have concentrated on the key countries, where transactions are most frequent. We have also included East Europe as a broad category for comparison to the specific West European countries.

The matrix clearly shows the popularity of Paris as the only true gateway city in France. There are a number of gateway cities in Germany and this was reflected in the wide range of yields provided. Again, the Mid-market segment attracts higher yields and the trend in Adjustment Margins is also very similar to the UK.

Europe	Budget	Mid-Mkt	Upscale	Luxury
Vacant Possession				
France - Gateway Cities	6.0%	6.2%	6.3%	3.4%
France - Rest	6.8%	8.3%	8.3%	5.7%
Germany - Gateway Cities	6.5%	7.3%	7.0%	5.6%
Germany - Rest	7.3%	8.4%	8.1%	6.7%
Spain - Gateway Cities	7.2%	7.5%	7.1%	5.8%
Spain - Rest	9.1%	9.5%	9.3%	7.9%
E. Europe - Gateway Cities	8.7%	8.7%	8.3%	6.3%
E. Europe - Rest	9.6%	10.0%	9.7%	8.2%
Adjustment Margin				
Lease	-1.4%	-1.1%	-1.2%	1.1%
Management Contract		-0.5%	0.0%	0.4%

Source: ES Group, Gerald Eve, Knight Frank, Savills

It is worth noting that the range of yields for East Europe was particularly wide, for example, Mid-market E. Europe - Rest the range was 8.0% to 12.0%.

Limitations

The foregoing yields:

- are applicable to stabilised earnings and are not for DCF use
- assume freehold title of the asset and no change of use permissible

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