

EMEA HOTELS MONITOR

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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 first half of this year has been largely uneventful compared to the last 13 six-month periods we have been monitoring in EMEA. Aside from unrest in Ukraine, there have been no new major conflicts. As a result, economic recovery is beginning to take hold across the region and certain markets are booming in terms of new development and hotel performance levels.

The "double-hot" markets (where strong performances are coupled with high levels of new development) of London and Dubai continue to expand with apparent ease. It remains to be seen if the "simply hot" markets like Amsterdam, Edinburgh and Dublin will have sufficient stamina to drive new development in the near future.

Our feelings go out to those markets and their people where performance levels have been badly hit through geopolitical issues and unrest, including the great cities of Cairo, Istanbul and Moscow.

It is evident that with relative stability and renewed growth prospects, the transaction space in EMEA has picked up in the first six months of 2014, with a significant number of portfolio deals already concluded across Europe and a landmark deal in Africa (where Marriott International acquired Protea Hotels).

The "double-hot" markets of London and Dubai continue to expand with apparent ease.

Our special feature for this edition is based on an interrogation of our London new supply tracker, referencing data from 2011 to 2018 and including a large number of "unscheduled" new openings in the city.

Philip Camble

*Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor*

Performance Trends

Jan-Jun City	2014			2013			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	€	%	€	€	%	€	Abs (€)	%	Abs %	%	Abs (€)	%
Amsterdam	124.44	74.3	92.50	118.72	72.1	85.59	5.73	4.8	2.2	3.1	6.91	8.1
Berlin	88.87	70.2	62.40	88.30	69.5	61.35	0.57	0.6	0.7	1.0	1.04	1.7
Budapest	66.68	63.5	42.31	65.06	61.5	39.98	1.62	2.5	2.0	3.3	2.33	5.8
Cairo	74.58	39.4	29.41	78.66	45.0	35.39	-4.08	-5.2	-5.6	-12.3	-5.98	-16.9
Cape Town	86.86	68.8	59.73	93.90	65.0	61.03	-7.04	-7.5	3.8	5.8	-1.31	-2.1
Copenhagen	123.27	69.7	85.90	109.20	65.6	71.68	14.07	12.9	4.0	6.2	14.22	19.8
Dubai	187.83	83.5	156.80	183.50	84.7	155.45	4.33	2.4	-1.2	-1.5	1.36	0.9
Dublin	92.90	74.4	69.14	87.20	72.4	63.09	5.70	6.5	2.1	2.9	6.05	9.6
Edinburgh	95.56	75.6	72.20	87.11	74.7	65.06	8.45	9.7	0.9	1.2	7.15	11.0
Helsinki	101.19	64.0	64.76	101.53	63.3	64.31	-0.34	-0.3	0.7	1.0	0.45	0.7
Istanbul	135.65	64.6	87.68	151.37	70.0	106.01	-15.72	-10.4	-5.4	-7.7	-18.33	-17.3
London	167.17	80.3	134.23	155.08	79.8	123.82	12.09	7.8	0.5	0.6	10.41	8.4
Madrid	84.22	64.9	54.67	87.03	62.5	54.40	-2.81	-3.2	2.4	3.9	0.27	0.5
Milan	138.00	65.6	90.59	134.19	64.2	86.09	3.81	2.8	1.5	2.3	4.50	5.2
Moscow	125.52	60.7	76.24	147.24	64.6	95.18	-21.72	-14.8	-3.9	-6.0	-18.94	-19.9
Muscat	172.93	73.2	126.56	169.05	72.7	122.92	3.89	2.3	0.5	0.6	3.64	3.0
Paris	248.14	79.1	196.28	261.19	78.3	204.52	-13.05	-5.0	0.8	1.0	-8.24	-4.0
Prague	73.19	63.4	46.42	72.67	63.8	46.37	0.52	0.7	-0.4	-0.6	0.04	0.1
Riyadh	176.52	65.2	115.12	198.59	61.8	122.78	-22.07	-11.1	3.4	5.5	-7.66	-6.2
Rome	146.55	67.2	98.50	148.40	64.4	95.54	-1.85	-1.2	2.8	4.4	2.96	3.1
Vienna	94.16	67.7	63.71	94.55	66.4	62.81	-0.39	-0.4	1.2	1.9	0.90	1.4
Warsaw	70.33	70.2	49.38	70.22	69.6	48.90	0.11	0.2	0.6	0.8	0.48	1.0
Zurich	199.49	69.4	138.47	197.25	69.5	137.09	2.23	1.1	-0.1	-0.1	1.38	1.0

Source: STR Global

- Within MEA while there has been little movement in occupancy, rate has increased by 5.4% when measured on a constant-currency basis (USD¹), resulting in RevPAR growth of 6.4% for the first six months. We see rate growth in all three sub-regions, including ME (+2.4%), NA (+2.0%) and Southern Africa (+7.2%).
- Year to date, Europe is growing in terms of both occupancy and ADR; achieving a 4.6% growth in RevPAR, in constant-currency terms (euro¹). Looking at the four sub-regions, N and S Europe have achieved more than 7.0% growth in RevPAR (constant-currency). E Europe was the only region to report negative RevPAR results (-0.9%), but this is mostly driven by a drop in occupancy of 3.8%.
- As economies across Europe improve, we are starting to see the impact on the hotel industry. There are some standout performers, such as the UK, where the economy is improving fast. However, concerns still exist, particularly in France, where the proposal of a new hotel tax is on the horizon.

¹ All constant currency ADR and RevPAR figures have been converted with the exchange rate as of 31 Jan 2014.

Hotel Construction Costs

Country	Budget hotels	Mid market – low	Mid market – high	Luxury
	€ per sqm	€ per sqm	€ per sqm	€ per sqm
UK	1,590 - 2,150	1,860 - 2,580	2,420 - 3,650	3,010 - 4,560
Austria	1,370 - 1,520	1,670 - 2,220	2,320 - 2,930	3,010 - 3,540
Belgium	1,160 - 1,700	1,520 - 1,960	1,700 - 2,110	2,300 - 2,880
Bulgaria	690 - 810	810 - 1,010	1,000 - 1,210	1,520 - 1,920
Czech Republic	910 - 1,260	1,210 - 1,410	1,260 - 1,770	1,620 - 2,120
France	1,620 - 2,120	2,120 - 2,730	2,630 - 3,540	2,830 - 4,550
Germany	1,690 - 1,860	1,770 - 2,080	2,110 - 2,960	2,740 - 3,480
Greece	1,100 - 1,300	1,550 - 1,700	1,950 - 2,400	2,700 - 3,300
Hungary	740 - 980	1,080 - 1,480	1,280 - 1,970	1,580 - 2,460
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 - 2,830
Norway	1,980 - 2,340	2,180 - 2,500	2,390 - 2,910	2,810 - 3,300
Netherlands	1,150 - 1,330	1,230 - 1,480	1,440 - 1,820	1,610 - 1,920
Portugal	960 - 1,210	1,110 - 1,310	1,360 - 1,720	1,460 - 1,970
Romania	830 - 930	930 - 1,140	1,140 - 1,450	1,650 - 2,120
Russia	1,470 - 1,670	1,600 - 2,160	2,200 - 2,650	2,450 - 3,630
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	2,150 - 2,640	2,640 - 3,080	3,080 - 3,430	3,430 - 4,410
Turkey	820 - 930	880 - 1,100	990 - 1,650	1,100 - 2,180
Ukraine	990 - 1,440	1,100 - 1,630	1,250 - 1,750	1,290 - 2,350
Abu Dhabi	1,240 - 1,660	1,350 - 1,870	1,760 - 2,280	2,490 - 3,730
Qatar	1,440 - 1,540	1,540 - 1,750	1,850 - 2,360	2,570 - 3,800
Dubai	1,240 - 1,650	1,340 - 1,860	1,750 - 2,680	2,480 - 3,710
Saudi Arabia	930 - 1,070	1,310 - 1,420	1,450 - 1,540	1,590 - 2,040
Mozambique	1,320 - 1,520	1,620 - 1,920	2,130 - 2,530	2,630 - 3,040
South Africa	1,280 - 1,490	1,590 - 1,810	1,910 - 2,130	2,340 - 2,550
Botswana	1,300 - 1,510	1,610 - 1,820	1,930 - 2,130	2,340 - 2,550
Namibia	1,330 - 1,540	1,650 - 1,860	1,970 - 2,180	2,390 - 2,600
Mauritius	1,340 - 1,540	1,650 - 1,950	2,160 - 2,570	2,670 - 3,090
Seychelles	1,880 - 2,280	2,390 - 2,640	2,690 - 3,120	3,250 - 4,270

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

- European growth continues to vary by country. Modest recovery continues in most countries. Through the second part of 2014 political tensions may further hamper the fragile growth.
- The Middle East construction sectors continue to improve, partly resulting from increased public spending and partly from "mega" projects. Dubai's 2020 Expo and the Qatar 2022 World Cup are examples for the future.
- Some construction markets are beginning to see the result of increased demand, with lead times for materials stretching out, and tender price inflation beginning to be an increasingly dominant feature and risk.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				€	€
	Protea Hospitality Holdings	Africa	10,148	133,500,000	13,000
	18 x IHG hotels	Europe	3,868	425,000,000	110,000
	97 x Accor hotels ¹	Europe	12,878	900,000,000	70,000
	2 x Hoiliday Inn Express ²	Germany	278	42,000,000	151,000
	4 x InterCity hotels	Germany	868	80,000,000	92,000
	3 x hotels ³	Mauritius	530	80,000,000	151,000
	14 x Padox hotels	Sweden	2,430	242,400,000	100,000
	De Vere Venues	UK	2,433	283,000,000	116,000
	Four Pillars	UK	929	108,000,000	116,000
Single Asset Transactions					
France	Le Meridien Etoile	Paris	1,025	280,000,000	273,000
	Marriott Champs-Elysees	Paris	192	344,500,000	1,794,000
	Trianon Palace	Versailles	199	140,000,000	704,000
Germany	Steigenberger Bad Homburg	Bad Homburg	169	20,000,000	118,000
	Crowne Plaza Schweizerhof	Hanover	201	17,000,000	85,000
Ireland	Doonbeg Golf Club *	Co Clare	218	15,000,000	69,000
	River Court Hotel *	Co Kilkenny	90	9,000,000	100,000
	Oriel House Hotel *	Cork	78	8,000,000	103,000
	Hilton Dublin	Dublin	193	30,000,000	155,000
	Portmarnock Hotel & Golf Links *	Dublin	138	29,800,000	216,000
	Mount Juliet Resort	Thomastown	86	15,000,000	174,000
Italy	Club Med Pregelato	Pregelato	234	50,000,000	214,000
	Boscolo Palace Roma	Rome	87	65,500,000	753,000
Spain	Renaissance Barcelona	Barcelona	211	78,000,000	370,000
	InterContinental Madird	Madrid	302	70,000,000	232,000
	Esperanza Mar	Mallorca	270	18,000,000	67,000
	Hotel Guadalmina	Marbella	178	21,500,000	121,000
UK	Brighton Grand Hotel	Brighton	201	61,000,000	303,000
	Park Inn Heathrow	Heathrow	895	87,800,000	98,000
	The Randolph	Oxford	151	42,700,000	283,000
	Wyndham Chelsea Harbour	London	158	79,300,000	502,000
	Marriott Grosvenor Square	London	237	152,700,000	644,000
Other EMEA	Kempinski Zografski	Sofia, Bulgaria	421	53,800,000	128,000
	NH Amsterdam Centre	Amsterdam, Netherlands	232	52,400,000	226,000
	Quality Hotel Expo	Oslo, Norway	301	51,600,000	171,000
	Movenpick Jumeirah BR ⁴	Dubai, UAE	294	38,800,000	132,000

Source: Whitebridge Hospitality

*Sold out of receivership

¹ Freehold titles

³ Riu Le Morne, Riu Creole, Riu Coral

² Berlin, Hamburg

⁴ Value based on published finance raised

- Africa has been busy with deals including: Fairview and Country Lodge (Kenya), 3 x Rani Resorts (Mozambique), Mount Rochelles (RSA) and Le Touessrok (Mauritius).
- Other CEE deals of note include: Four Seasons and Hotel Savoy (Prague, Czech) and InterContinental Budapest (Hungary).

- Corporate deals included: Penta Hotel Holdings (Germany) and Redefine (RSA).
- It has been a busy six months in the IPO space too: Dalata (Ireland) and easyHotels (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.

EVOLUTION OF NEW SUPPLY IN LONDON, UK

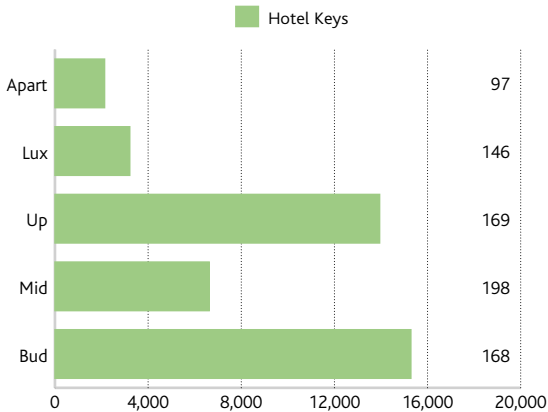
Introduction

A few years ago I wrote a blog on London and the strength of its pipeline. In this edition of the EMEA Hotels Monitor we thought we would dig into London's pipeline in a little more detail, comparing growth in different parts of the city and between categories of hotel.

All of the data presented in this feature are based on hotel openings during the period 2011 to 2014 and London's confirmed pipeline to 2018 and any announced projects for whom their opening dates are still to be confirmed. The values listed to the right of each graph are the average key count of a hotel in that segment.

By Category

The graph below compares the estimated number of rooms by hotel category.



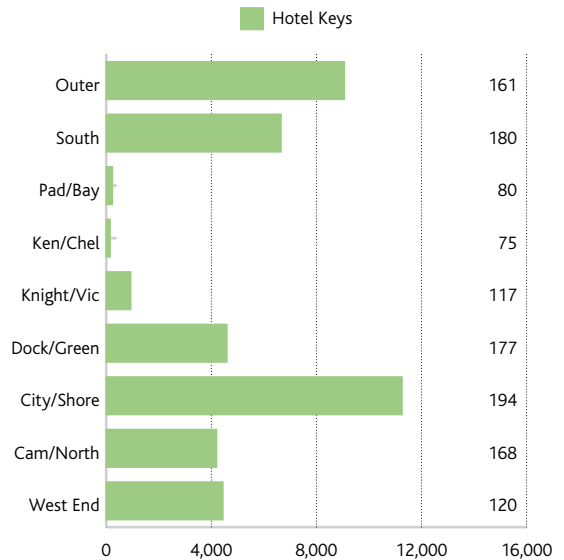
Source: Whitebridge Hospitality research

It is clear that the dominant hotel concepts being developed in London are the Budget and Upscale hotel models, with Budgets leading the way. The big brands, such as Premier Inn (underpinned by their strength of covenant) and Travelodge, account for the largest part of this segment.

It is encouraging to see a good number of aparthotels in the pipeline, although their average size is the smallest within the categories examined (97 keys).

By District

The graph below compares the number of rooms by district of London. The district headings are hopefully self-explanatory, with Outer encompassing everything outside the centre of the city, including Heathrow.



Source: Whitebridge Hospitality research

Apart from the West End, where some significant development has taken place (with a high proportion of Luxury and Upscale hotels), the traditional heart of the city is seeing very limited new development. This is of little surprise given the lack of available sites and the high prices being paid for sites in such locations by residential developers.

The areas witnessing the greatest development activity tend to be around the periphery of the centre (South of the River Thames and around the City/Shoreditch area). Areas outside the centre, Outer, are also very popular, particularly with Budget and Midmarket hotels.



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