

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 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 last six months of 2018 revealed a mixed bag of economic performances across Europe. Germany witnessed GDP declines, whilst a pugilistic Italy went head-to-head with the EU and fell into recession in Q4. The UK grew, but 'could have done better', and among the star performers were the old PIGS, with estimated GDP growth rates well above 2%.

In stark relief to this relatively topsy turvy economic background, the European hotel sector performed strongly, with only Edinburgh and Warsaw showing signs of weakness (in euro terms). The top performers were in recovery mode, including: Cairo, Istanbul, Moscow and Paris. Those markets with negative RevPAR growth were characterised by both tough local economic climates and new supply pressures, namely: Cape Town, Dubai, Muscat and Riyadh.

As presented at our 14th annual New Year Hotel Investment Summit, although the total number of deals was relatively small compared to recent years, 2018 recorded the highest level of transactions activity by value, with multiple mega-deals pushing the bar higher. Among the deals was our favourite, the cross-Channel marriage of London-based Belmond to Paris-based LVMH.

Within the construction sector, the volume of new projects across EMEA seems to be strong, with tender price inflation issues perhaps increasing in the next 12 months.

2018 recorded the highest level of transaction activity by value, with multiple mega-deals pushing the bar higher.

With grateful thanks to our contributing valuers, we are pleased to present our fifth consecutive annual Consensus Yield Matrix as our back page feature.

Philip Camble

*Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor*

Performance Trends

Jan-Dec City	2018			2017	
	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	150.76	81.3	122.53	143.55	81.5
Berlin	100.52	78.3	78.66	95.98	76.6
Budapest	86.53	79.0	68.34	84.20	77.5
Cairo	81.67	72.5	59.21	76.51	65.3
Cape Town	114.48	64.7	74.05	120.55	69.3
Copenhagen	144.73	79.5	115.04	141.33	78.5
Dubai	145.76	75.4	109.94	162.76	77.3
Dublin	145.15	83.8	121.70	136.31	83.3
Edinburgh	116.82	82.9	96.90	117.17	83.6
Helsinki	111.39	71.3	79.42	107.85	70.2
Istanbul	82.73	71.1	58.82	74.91	63.1
London	168.71	83.3	140.59	168.77	81.8
Madrid	109.15	74.2	81.02	106.83	72.5
Milan	141.39	71.4	100.93	137.64	70.5
Moscow	100.56	73.1	73.54	81.72	69.4
Muscat	139.62	56.7	79.21	148.87	59.7
Paris	217.16	78.3	169.94	195.63	75.4
Prague	90.35	78.8	71.20	87.33	80.1
Riyadh	144.26	55.6	80.17	168.25	54.1
Rome	150.17	71.8	107.85	144.97	70.8
Vienna	102.22	77.8	79.49	96.62	75.2
Warsaw	75.36	75.3	56.72	75.36	78.9
Zurich	197.53	75.3	148.80	201.43	73.0

Source: STR

- Full year data reported performance growth for European hotel industry in 2018, showing +1.2% increase in occupancy, +3.9% lift in ADR and +5.2% jump in RevPAR.
- ME&A region posted modest RevPAR increase (+0.3%), influenced significantly by growth in Northern Africa (+27.2%) and Southern Africa (+4.9%), and a decline in the Middle East (-5.7%).
- At a major market level: Moscow, Istanbul, Cairo and Paris reported highest growth in 2018; enjoying double digit increases in RevPAR. Moscow, a host city for 2018 FIFA World Cup, experienced +23.1% lift in ADR.

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
117.02	7.21	5.0	-0.2	-0.3	5.51	4.7
73.55	4.54	4.7	1.6	2.1	5.11	6.9
65.25	2.32	2.8	1.5	1.9	3.09	4.7
49.95	5.16	6.7	7.2	11.0	9.26	18.5
83.53	-6.06	-5.0	-4.6	-6.7	-9.48	-11.3
110.93	3.40	2.4	1.0	1.3	4.11	3.7
125.84	-17.00	-10.4	-1.9	-2.5	-15.90	-12.6
113.53	8.84	6.5	0.6	0.7	8.17	7.2
98.00	-0.35	-0.3	-0.7	-0.8	-1.09	-1.1
75.70	3.54	3.3	1.1	1.6	3.72	4.9
47.28	7.83	10.4	8.0	12.7	11.55	24.4
137.98	-0.06	0.0	1.6	1.9	2.61	1.9
77.44	2.32	2.2	1.7	2.4	3.58	4.6
97.07	3.75	2.7	0.9	1.2	3.86	4.0
56.73	18.84	23.1	3.7	5.3	16.81	29.6
88.91	-9.24	-6.2	-3.0	-5.0	-9.70	-10.9
147.59	21.53	11.0	2.8	3.7	22.35	15.1
70.00	3.02	3.5	-1.3	-1.7	1.21	1.7
91.04	-23.99	-14.3	1.5	2.7	-10.87	-11.9
102.67	5.21	3.6	1.0	1.4	5.18	5.0
72.64	5.61	5.8	2.6	3.4	6.85	9.4
59.47	0.01	0.0	-3.6	-4.6	-2.74	-4.6
146.98	-3.90	-1.9	2.4	3.2	1.82	1.2

- Dubai, Riyadh, Cape Town and Muscat reported the sharpest declines. Supply in the Middle East continues to outpace demand, resulting in overall RevPAR decline.

Hotel Construction Costs

Country	Budget hotels	Mid market – low
	€ per sqm	€ per sqm
UK	1,540 - 2,440	2,100 - 2,920
Austria	1,420 - 1,590	1,740 - 2,300
Belgium	1,200 - 1,760	1,580 - 2,030
Bulgaria	710 - 840	840 - 1,040
Finland	2,210 - 2,870	2,470 - 3,210
France	1,670 - 2,190	2,190 - 2,820
Germany	1,750 - 1,930	1,840 - 2,150
Greece	1,110 - 1,310	1,570 - 1,710
Hungary	910 - 1,190	1,310 - 1,800
Ireland	1,570 - 1,910	1,910 - 2,260
Italy	1,550 - 1,810	1,700 - 1,960
Norway	2,240 - 2,650	2,470 - 2,840
Netherlands	1,300 - 1,710	1,430 - 2,010
Portugal	1,000 - 1,250	1,150 - 1,360
Romania	870 - 980	980 - 1,200
Russia	1,430 - 1,630	1,570 - 2,110
Slovakia	790 - 1,240	890 - 1,350
Spain	1,010 - 1,760	1,510 - 2,010
Sweden	2,250 - 2,750	2,750 - 3,220
Turkey	1,210 - 1,370	1,290 - 1,630
Ukraine	1,150 - 1,670	1,270 - 1,890
Abu Dhabi	1,550 - 2,070	1,690 - 2,340
Qatar	1,940 - 2,070	2,070 - 2,350
Dubai	1,620 - 2,160	1,750 - 2,430
Saudi Arabia	1,280 - 1,470	1,790 - 1,940
Mozambique	2,000 - 2,300	2,500 - 2,800
South Africa	1,450 - 1,680	1,800 - 2,050
Botswana	1,903 - 2,204	2,362 - 2,690
Namibia	1,600 - 1,850	1,980 - 2,250
Mauritius	2,100 - 2,500	2,700 - 3,000
Seychelles	2,630 - 3,080	3,400 - 3,700

Source: Rider Levett Bucknall

- Sub-Saharan Africa seeing noticeable increase in projects at planning stages, with Mozambique, Mauritius and South Africa seeing increased hotel construction activity in particular.
- Abu Dhabi and Dubai both seeing peak construction in the sector, with Abu Dhabi already starting to see a decline in number of new starts.

Mid market – high

Luxury

€ per sqm		€ per sqm	
2,740	- 4,140	3,410	- 5,170
2,410	- 3,050	3,130	- 3,690
1,760	- 2,180	2,380	- 2,990
1,030	- 1,240	1,580	- 1,990
2,870	- 3,720	3,260	- 4,240
2,720	- 3,660	3,290	- 4,700
1,970	- 3,060	2,550	- 3,600
1,970	- 2,420	2,720	- 3,320
1,560	- 2,400	1,920	- 3,010
2,060	- 2,530	2,850	- 3,470
1,910	- 2,260	2,260	- 2,900
2,700	- 3,300	3,170	- 3,740
1,660	- 2,430	1,920	- 2,780
1,410	- 1,780	1,520	- 2,050
1,200	- 1,530	1,740	- 2,230
2,150	- 2,590	2,400	- 3,540
1,140	- 1,620	1,400	- 1,880
2,010	- 2,760	2,510	- 3,520
3,220	- 3,580	3,580	- 4,600
1,470	- 2,450	1,630	- 3,240
1,450	- 2,030	1,490	- 2,720
2,200	- 2,850	2,810	- 4,660
2,490	- 3,170	3,110	- 5,110
2,280	- 3,500	2,910	- 4,850
1,980	- 2,110	2,180	- 2,790
2,900	- 3,300	3,500	- 4,000
2,150	- 2,400	2,640	- 2,880
2,820	- 3,149	3,463	- 3,778
2,370	- 2,640	2,900	- 3,170
3,200	- 3,600	4,000	- 4,600
3,900	- 4,600	4,800	- 5,610

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.

- Europe activity generally increasing, with strong performance in Ireland. Resource constraints raising concerns re quickening in pace of tender price inflation.
- UK generally seeing a buoyant hotel cycle, but with regional variances and Q1 Brexit uncertainty hampering conversion of pipeline into spades in the ground.

Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	6x CapMan hotels	Finland
	3x Melia hotels	Spain
	5x Emaar hotels	UAE
	22x Holiday Inn hotels	UK
	5x Travelodge hotels	UK
	Fowey & Metropole hotels*	UK
	PI & Hub by Premier Inn	UK, Edinburgh
Single Asset Transactions		
Ireland	Hilton Dublin Airport	Dublin
	Ibis Dublin	Dublin
	Premier Suites Plus Ballsbridge	Dublin
	Heritage Hotel & Spa	Killenard
Italy	Hotel Cerretani ¹	Florence
	Meininger Rome	Rome
Spain	Hotel Villa Magna	Madrid
	Riu Buena Vista*	Tenerife
UK	The George	Cheltenham
	Theobalds Estate Hotel	Cheshunt
	Radisson Blu Glasgow	Glasgow
	Travelodge T5	Heathrow
	Devonport House	London
	Hilton Kensington*	London
	The Beaumont	London
	The Curtain	London
	The Manor	London
	Travelodge Euston Station	London
	Travelodge Union Street	London
	Midland Hotel	Manchester
	Grand Harbour	Southampton
	Hotel Colessio	Stirling
Legoland Windsor Resort Hotel	Windsor	
Other	Penha Longa Resort	Sintra, Portugal
	Mercure Bucharest Unirii	Bucharest, Romania

Source: Whitebridge Hospitality

* Sold out of receivership

- Action in Africa: Bon Hotels acquired 2x Protea hotels (RSA); Cytonn acquired Wasini Resorts (Ken).
- Corporate deals: Apollo GM acquired Tifco (€600m, Ire); Accor acquired Orbis (Pol); Jin Jiang acquired 50.21% in Radisson AB (€266m, Sca); Auberge Resorts joined forces with Grace Hotels (UK); LRC Group acquired Amaris Hospitality (UK); LVMH acquired Belmond (€2.6bn, UK).
- Sparkling Spain: Apple Leisure acquired Alua Hotels; Gaw Capital acquired Hospes (€125m); Minor International acquired NH Hotels; KKR acquired Finca Cortesin.

No. of Keys	Total Price	Price per Key
	€	€
919	72,000,000	78,000
1,131	73,400,000	65,000
993	525,600,000	529,000
5,280	842,300,000	160,000
387	50,200,000	130,000
95	17,600,000	186,000
248	43,400,000	175,000
166	22,500,000	136,000
150	14,000,000	93,000
49	17,500,000	357,000
98	8,800,000	90,000
86	40,600,000	472,000
118	25,800,000	219,000
150	210,000,000	1,400,000
509	71,000,000	139,000
31	3,600,000	118,000
140	26,900,000	192,000
247	43,300,000	175,000
297	44,900,000	151,000
100	24,700,000	247,000
601	291,200,000	485,000
73	146,100,000	2,000,000
120	101,100,000	842,000
49	6,700,000	136,000
150	45,000,000	300,000
202	63,200,000	313,000
312	130,400,000	418,000
173	33,300,000	192,000
37	6,700,000	182,000
150	40,300,000	269,000
194	100,000,000	515,000
114	11,400,000	100,000

¹ for a 95% stake

- Other notables: Renaissance Hansiartal mixed use (€220m, Ger); Tropical Islands indoor resort (€226m, Ger); Montreux Palace (Swi); Grosvenor House London again (€600+m, UK); 4x Grange hotels (€1+bn, UK); 5x Marriotts by Britannia 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.

CONSENSUS HOTEL YIELDS

Introduction

We approached a selection of hotel valuers 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 remains relatively tight, however, as the market becomes less defined (such as Other Cities), the range of yields widens materially. 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.

UK	Budget	Mid-Mkt	Upscale	Luxury
Vacant Possession				
Central London	5.0%	5.3%	5.1%	3.9%
Greater London	5.8%	6.4%	6.4%	5.2%
Primary Cities ¹	7.0%	7.3%	7.0%	6.1%
Other Cities	8.8%	8.7%	8.1%	7.6%
Country house		9.2%	8.3%	7.4%
Adjustment Margin				
Lease	-1.5%	-1.1%	-1.1%	0.2%
Management Contract		-0.1%	0.0%	0.8%

¹ For example: Birmingham, Manchester, Edinburgh, Glasgow

Source: Avison Young, Christie & Co, Gerald Eve, Knight Frank, Lambert Smith Hampton, Savills.

Compared to 12 months ago, the consensus view is that yields have changed little in most locations. Notable rises in yield appear to be in Other Cities, and there was some yield compression in Upscale Greater London.

Adjustment Margin

In order to adjust the yields assumed for Vacant Possession, to allow 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 VP is perhaps more valuable. The adjustment margins for Leases and Management Contracts within Luxury hotels have dropped, perhaps a sign to watch in future as more Luxury hotels open in the capital in the next few years.

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 France Gateway City and an equally tight yield range has now evolved in Germany Gateway Cities. Again, the Mid-market segment attracts higher yields and the trend in Adjustment Margins is also very similar to the UK (although in Luxury segment, the margins remain much more positive towards Vacant Possession).

Europe	Budget	Mid-Mkt	Upscale	Luxury
Vacant Possession				
France - Gateway Cities	6.2%	6.3%	6.0%	3.4%
France - Rest	6.8%	8.1%	7.6%	5.8%
Germany - Gateway Cities	5.8%	6.5%	6.3%	5.4%
Germany - Rest	7.4%	8.2%	7.9%	6.6%
Spain - Gateway Cities	6.4%	7.0%	6.3%	5.6%
Spain - Rest	8.4%	8.9%	8.8%	8.0%
E. Europe - Gateway Cities	7.9%	8.2%	7.9%	6.0%
E. Europe - Rest	9.4%	9.6%	9.3%	8.2%
Adjustment Margin				
Lease	-1.4%	-1.1%	-1.2%	1.1%
Management Contract		-0.3%	-0.3%	0.8%

Source: Avison Young, Christie & Co, Gerald Eve, Knight Frank, Lambert Smith Hampton, Savills.

Increasing investor interest in Spain and Gateway Cities around Europe has resulted in some yields continuing to sharpen to some degree for the fifth year running.

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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