

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 3,900 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

Last year, 2019, was a year of political suspense in Europe, continued break-neck development in the Middle East and persistent hesitation in Africa. The biggest news items of the last six months were probably Boris Johnson's landslide victory and him getting Brexit done (Phase 1 anyway), and the hushed birth of a new coronavirus.

Brexit uncertainty issues in 2019 had diverging effects in the UK. On the one hand, Regional UK markets fell back, whilst on the other, London recorded the highest occupancy in the whole EMEA region and grew its RevPAR yet again. Elsewhere, Amsterdam faltered slightly, Paris suffered from gilets jaunes and Milan continued its transmutation into a popular tourist destination. But the star performers of 2019 were Cairo, Istanbul (both still very much in recovery mode) and Riyadh.

Looking forward to the new decade, construction trends in the Middle East are showing signs of a possible slow down as the chunky pipelines of the region reach their climax, especially in Dubai for Expo 2020 and in Qatar for FIFA World Cup 2022.

As highlighted at our 15th annual New Year Hotel Investment Summit in January 2020, the volume of deals in 2019 was well down on 2018, but the range of countries witnessing deals grew extensively. Most notably, for the first time in many years, Greece recorded a good number of transactions, from Athens to Corfu.

London recorded the highest occupancy in the whole EMEA region and grew its RevPAR yet again.

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

Philip Camble

Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor

Performance Trends

Jan-Dec City	2019			2018	
	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	148.57	81.6	121.21	150.93	81.3
Berlin	99.53	79.2	78.88	99.56	78.1
Budapest	90.95	78.3	71.24	86.51	79.0
Cairo	90.82	74.8	67.90	81.68	72.4
Cape Town	108.85	65.6	71.35	111.82	64.4
Copenhagen	134.72	77.2	103.95	136.84	79.0
Dubai	134.08	74.6	100.02	144.50	75.3
Dublin	142.17	82.1	116.73	145.03	83.5
Edinburgh	115.61	82.0	94.77	116.48	82.7
Helsinki	120.16	69.2	83.10	111.50	71.3
Istanbul	89.67	74.0	66.37	82.01	71.2
London	176.15	83.5	147.16	168.16	83.5
Madrid	119.91	75.9	91.01	108.34	74.5
Milan	148.77	73.4	109.22	141.28	71.3
Moscow	80.51	75.1	60.45	99.97	73.0
Muscat	138.40	57.0	78.83	138.99	56.6
Paris	218.79	76.7	167.91	215.67	78.5
Prague	93.25	79.3	73.95	90.61	78.7
Riyadh	146.97	60.5	88.95	144.26	55.5
Rome	153.75	71.8	110.43	150.34	72.1
Vienna	109.34	78.6	85.89	101.78	77.7
Warsaw	74.48	72.6	54.07	74.57	74.8
Zurich	205.02	75.1	154.07	197.73	74.8

Source: STR

- The European hotel industry reported performance growth in 2019, driven by a +0.4% increase in occupancy, +1.8% lift in ADR and +2.2% jump in RevPAR.
- The Middle East & Africa region posted a RevPAR decrease (-2.0%), influenced significantly by declines in the Middle East (-5.1%), and increases in both Southern Africa (+0.9%) and Northern Africa (+5.6%). Supply in Middle East continues to outpace demand, resulting in an overall RevPAR decline.
- At a major market level, Cairo, Istanbul, Madrid, and Riyadh reported the highest growth rates in 2019, producing double-digit increases in RevPAR.

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
122.77	-2.36	-1.6	0.2	0.3	-1.56	-1.3
77.76	-0.02	0.0	1.1	1.5	1.11	1.4
68.33	4.43	5.1	-0.6	-0.8	2.91	4.3
59.15	9.14	11.2	2.3	3.2	8.75	14.8
71.96	-2.97	-2.7	1.2	1.9	-0.61	-0.8
108.05	-2.11	-1.5	-1.8	-2.3	-4.09	-3.8
108.80	-10.41	-7.2	-0.7	-0.9	-8.78	-8.1
121.06	-2.86	-2.0	-1.4	-1.6	-4.32	-3.6
96.39	-0.87	-0.7	-0.8	-0.9	-1.61	-1.7
79.50	8.66	7.8	-2.1	-3.0	3.60	4.5
58.41	7.66	9.3	2.8	3.9	7.96	13.6
140.34	7.99	4.7	0.1	0.1	6.83	4.9
80.76	11.57	10.7	1.4	1.8	10.25	12.7
100.74	7.49	5.3	2.1	3.0	8.48	8.4
72.97	-19.46	-19.5	2.1	2.9	-12.51	-17.2
78.70	-0.60	-0.4	0.3	0.6	0.13	0.2
169.35	3.11	1.4	-1.8	-2.3	-1.44	-0.9
71.29	2.65	2.9	0.6	0.8	2.66	3.7
80.04	2.71	1.9	5.0	9.1	8.91	11.1
108.39	3.41	2.3	-0.3	-0.4	2.04	1.9
79.06	7.57	7.4	0.9	1.1	6.83	8.6
55.79	-0.09	-0.1	-2.2	-2.9	-1.71	-3.1
147.84	7.30	3.7	0.4	0.5	6.23	4.2

- Moscow experienced a significant decline due to hosting 2018 FIFA World Cup matches. Coming from a much higher base in the previous year, their 2019 RevPAR took a hit (-17.2%).

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

- Across Africa, conditions are generally stagnant, with activity down in Cape Town, Durban, Botswana and Mozambique.
- As ever, activity varies around Europe. Dublin and Cork remain busy markets. Norway and Denmark are busy, with tender price growth, but latter showing signs of slowing. In Germany, construction and resources are generally stretched.

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.

- In the Middle East, on-site hotel activity has slowed in Abu Dhabi, Dubai and Doha.
- In UK, Brexit-related stalemate affected prices through Q4 2019. Decisive government majority has seen a release of deferred projects, albeit somewhat muted by wider geo-political issues.
- As ever, a common reporting currency affects some regions, with Sterling becoming stronger.

Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	4x BE Real Estate buildings	Belgium
	32x AXA hotels ¹	Belgium, France
	Dream Castle & Magic Circus	Disneyland Paris, France
	7x HR Group hotels ²	Germany
	5x Louis Group hotels	Greece
	4x MTK hotels	Italy
	2x Meeting Point hotels	Spain
	Sanderson & St Martins Lane	London, UK
	17x Marathon hotels	UK
Single Asset Transactions		
Benelux	Lloyd Hotel	Amsterdam
	Holiday Inn Eindhoven	Eindhoven
France	Explorers	Disneyland Paris
	Club Med Les Arcs Panorama	Les Arcs
	Club MMV Les Melezes	Les Arcs
Germany	Hotel de Rome	Berlin
	Maritim Nuremburg	Nuremburg
Ireland	Portmarnock Hotel & Golf Links	Co Dublin
	Hilton Kilmainham	Dublin
	The Marker	Dublin
Spain	Melia Bilbao	Bilbao
	Isla Bonita de Tenerife	Tenerife
	Travelodge Valencia Airport	Valencia
UK	Tamburlaine Hotel	Cambridge
	Sofitel Gatwick North	Gatwick Airport
Other	Kyriad Comtes d'Urgell	Andorra
	Hilton Am Stadtpark	Vienna, Austria
	Titania Hotel	Athens, Greece
	Sofitel Budapest	Budapest, Hungary
	Mount Zion Hotel	Jerusalem, Israel
	La Maison Arabe ³	Marrakesh, Morocco
	Pestana Delfim Beach & Golf Hotel	Algarve, Portugal
	La Gemma dell'Est & Star of the East	Zanzibar, Tanzania

Source: Whitebridge Hospitality

* Sold out of receivership

- Groovy Greece: US investor acquired 2x Mamidakis; Briq acquired Mr & Mrs Corfu; Safestay acquired AthenStyle.
- Corporate deals: Onomo acquired Bon Hotels (RSA); Accor acquired stakes in Orbis (Pol); Huazhau acquired Deutsche Hospitality (€715m, Ger); MBO and Bidco acquired easyHotels (€165m, UK); Bergaya Land acquired Icelandair Hotels (€130m, Ice); Interglobe acquired K&K Hotels (Eur).
- Honorable single: Mauritius investors acquired Reef Hotel (Sey).

No. of Keys	Total Price	Price per Key
	€	€
183	36,000,000	197,000
6,221	176,000,000	28,000
793	100,000,000	126,000
1,532	290,000,000	189,000
1,464	178,600,000	122,000
749	200,000,000	267,000
509	67,400,000	132,000
354	303,200,000	856,000
3,481	531,000,000	153,000
120	45,000,000	375,000
207	39,800,000	192,000
390	140,000,000	359,000
434	116,000,000	267,000
185	13,000,000	70,000
145	126,000,000	869,000
316	61,000,000	193,000
138	50,000,000	362,000
120	45,000,000	375,000
187	130,000,000	695,000
211	49,200,000	233,000
439	52,600,000	120,000
116	15,000,000	129,000
155	64,500,000	416,000
518	177,000,000	342,000
169	7,900,000	46,000
579	375,000,000	648,000
385	50,000,000	130,000
360	100,000,000	278,000
137	71,200,000	519,000
32	19,700,000	615,000
312	35,000,000	112,000
149	49,000,000	329,000

¹ for a 32% stake

² for a 94.9% stake

³ for a 99.97% stake

- Portfolio scenarios: KSL acquired 5x Hotel d'en Haut (Fra); Groupe Ferre acquired 12x Alliance hotels (Fra); Batipart acquired 6x Accor hotels (Lux); Covivio acquired 3x hotels (Pol); Nordic Leisure acquired 12x Airtours hotels (Spa); Aroundtown acquired 7x Center Parcs (€900m, Eur); HR Group acquired 16x Movenpick hotels (€429m, Eur).

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	4.7%	4.8%	4.6%	3.8%
Greater London	5.9%	6.3%	6.4%	5.6%
Primary Cities ¹	6.8%	7.0%	6.8%	6.2%
Other Cities	8.6%	8.8%	8.1%	7.5%
Country house		8.4%	7.9%	7.2%
Adjustment Margin				
Lease	-1.6%	-1.2%	-1.2%	0.5%
Management Contract		-0.2%	0.0%	0.8%

¹ For example: Birmingham, Manchester, Edinburgh, Glasgow

Source: Avison Young, Christie & Co, Knight Frank, Savills.

Compared to 12 months ago, despite a variation to the participants, the consensus view is that yields have changed little in most locations (with the notable exception of Central London, where yields have noticeably compressed).

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 Vacant Possession is perhaps more valuable. The adjustment margins have varied little since last year, except for Luxury hotels in Central London, which rose this year, but still below the level indicated in 2018.

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. Mid-market and Upscale hotels attract higher yields and the trend in Adjustment Margins is very similar to the UK (although in the Luxury segment, the Management Contract margin is much more positive towards Vacant Possession).

Europe	Budget	Mid-Mkt	Upscale	Luxury
Vacant Possession				
France - Gateway Cities	6.3%	6.4%	6.3%	4.4%
France - Rest	7.6%	7.8%	8.0%	6.1%
Germany - Gateway Cities	6.3%	6.5%	6.8%	5.3%
Germany - Rest	7.1%	7.4%	8.0%	7.0%
Spain - Gateway Cities	6.8%	6.8%	6.5%	6.0%
Spain - Rest	8.5%	8.5%	8.5%	9.0%
E. Europe - Gateway Cities	8.5%	8.5%	8.0%	6.5%
E. Europe - Rest	10.0%	10.0%	9.0%	9.0%
Adjustment Margin				
Lease	-1.3%	-1.1%	-1.1%	0.2%
Management Contract		-0.3%	-0.3%	1.2%

Source: Avison Young, Christie & Co, Knight Frank, Savills.

Year-on-year, yields have moved around quite a bit (some up and others down), with no definable trends obvious at this time.

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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