

# 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.

## RLB | Rider Levett Bucknall

Rider Levett Bucknall is an independent, global property consultant, providing advice focused on the cost, quality and sustainability of the built environment. The firm, which has over 3,600 staff operating from more than 120 offices, offers Quantity Surveying, Building Surveying, Project Management and Advisory Services.



STR provides clients with access to hotel research with regular and custom reports covering over 55,000 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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## AUGUST 2017

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### Introduction

And we thought 2016 was crazy! The first half of 2017 has given us an inaugurated President Trump, a snap General Election in the UK, multiple terrorist attacks in London and a 39-year old President of France. Just what does H2 have in store for us?

With London having been at the centre of so much uncertainty and the focus of various nefarious incidents, it would have been reasonable to assume that the capital's hotel market had fallen to its knees by this juncture. Quite the opposite. Despite the best efforts of events along the Thames, the UK Government and Brexit, the hotels in this amazing, resilient city have never performed so strongly.

Trends in the rest of Europe are equally positive (aside from Zurich, where currency issues continue to deter international visitors), with across the board positive RevPAR growth. In the Middle East, loaded pipelines continue to suppress performance improvement, although Dubai did have a relatively strong H1 (RevPAR grew by +1.5%).

The transactions landscape has been busy, with a particularly large number of corporate deals taking place across the region, and Spain proving to be particularly liquid at the moment in terms of sales of existing assets (including a very warm welcome to Lionel Messi who joined the hotel owners club with his acquisition of MiM Sitges).

**I** In the Middle East, loaded pipelines continue to suppress performance improvement.

We would like to thank Edge Design for contributing a short piece on how hotels could improve their F&B operations through sensitive design and working harder to realise the saying: "Where there's food, there's brass".

### Philip Camble

*Director, Whitebridge Hospitality*  
*Editor, EMEA Hotels Monitor*

## Performance Trends

Jan-Jun City	2017			2016	
	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	145.11	78.6	114.09	139.58	75.6
Berlin	95.99	74.6	71.62	93.41	73.5
Budapest	79.67	73.8	58.82	73.62	68.3
Cairo	78.60	61.9	48.63	93.93	56.4
Cape Town	132.30	71.1	94.09	99.64	69.9
Copenhagen	138.21	76.9	106.26	132.14	73.6
Dubai	183.39	77.9	142.77	184.46	76.3
Dublin	132.60	80.7	107.03	124.62	80.1
Edinburgh	108.32	80.2	86.85	104.88	77.7
Helsinki	110.36	66.8	73.71	101.64	66.9
Istanbul	72.38	53.3	38.58	96.24	49.2
London*	166.86	79.8	133.10	172.19	77.3
Madrid	108.87	73.6	80.13	94.31	71.6
Milan	140.81	70.6	99.47	143.10	64.9
Moscow	86.77	64.9	56.35	74.62	61.8
Muscat	157.02	60.9	95.61	167.90	59.6
Paris	236.13	71.7	169.29	224.41	67.9
Prague	86.10	73.8	63.58	80.32	69.1
Riyadh	175.69	53.9	94.72	193.86	58.7
Rome	148.33	68.1	101.06	147.52	66.6
Vienna	97.26	70.7	68.78	95.55	68.1
Warsaw	75.35	76.3	57.49	66.77	74.8
Zurich	205.76	71.3	146.81	214.69	70.9

Source: STR

\* Weak performance of London in EUR heavily affected by weak GBP (in GBP, ADR increased by +6.2% to £143.57).

- Europe's hotel industry experienced positive results in H1 2017, with RevPAR increasing by +4.0%, occupancy by +2.8% and ADR by +1.1%.
- Major markets that recorded the highest growth in H1 were: Cape Town, Moscow, Madrid and Budapest. All increased by double digit growth in RevPAR. Performance in these markets was primarily driven by ADR.

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
105.49	5.54	4.0	3.0	4.0	8.60	8.2
68.65	2.58	2.8	1.1	1.5	2.97	4.3
50.26	6.05	8.2	5.6	8.2	8.56	17.0
52.94	-15.33	-16.3	5.5	9.8	-4.31	-8.1
69.66	32.66	32.8	1.2	1.7	24.43	35.1
97.26	6.07	4.6	3.3	4.4	9.00	9.3
140.72	-1.07	-0.6	1.6	2.0	2.05	1.5
99.82	7.98	6.4	0.6	0.8	7.20	7.2
81.51	3.44	3.3	2.5	3.2	5.34	6.6
68.03	8.71	8.6	-0.1	-0.2	5.68	8.3
47.36	-23.86	-24.8	4.1	8.3	-8.78	-18.5
133.04	-5.33	-3.1	2.5	3.2	0.05	0.0
67.55	14.55	15.4	2.0	2.8	12.59	18.6
92.93	-2.30	-1.6	5.7	8.8	6.54	7.0
46.10	12.15	16.3	3.2	5.1	10.25	22.2
100.04	-10.88	-6.5	1.3	2.2	-4.43	-4.4
152.34	11.72	5.2	3.8	5.6	16.96	11.1
55.48	5.77	7.2	4.8	6.9	8.09	14.6
113.71	-18.17	-9.4	-4.7	-8.1	-18.99	-16.7
98.20	0.81	0.5	1.6	2.4	2.86	2.9
65.04	1.70	1.8	2.7	3.9	3.74	5.8
49.93	8.58	12.8	1.5	2.0	7.56	15.1
152.22	-8.93	-4.2	0.4	0.6	-5.41	-3.6

- Markets with sharpest declines were Istanbul (still affected by ongoing security concerns), Riyadh (increasingly affected by high volumes of new supply) and Cairo. The key underlying factor for performance declines in key Middle East cities has been continuing high levels of supply growth.

## Hotel Construction Costs

Country	Budget hotels	Mid market – low
	€ per sqm	€ per sqm
UK	1,522 - 2,420	2,090 - 2,900
Austria	1,380 - 1,540	1,690 - 2,240
Belgium	1,170 - 1,710	1,530 - 1,970
Bulgaria	690 - 810	810 - 1,010
Finland	2,150 - 2,780	2,400 - 3,120
France	1,620 - 2,130	2,130 - 2,740
Germany	1,700 - 1,870	1,780 - 2,090
Greece	1,080 - 1,270	1,520 - 1,660
Hungary	740 - 970	1,070 - 1,470
Ireland	1,400 - 1,710	1,710 - 2,030
Italy	1,520 - 1,770	1,670 - 1,920
Norway	2,030 - 2,400	2,240 - 2,570
Netherlands	1,260 - 1,660	1,390 - 1,950
Portugal	970 - 1,220	1,120 - 1,320
Romania	810 - 910	910 - 1,120
Russia	1,260 - 1,440	1,380 - 1,860
Slovakia	760 - 1,210	860 - 1,310
Spain	1,010 - 1,760	1,510 - 2,010
Sweden	2,090 - 2,560	2,560 - 2,990
Turkey	820 - 930	880 - 1,110
Ukraine	1,010 - 1,460	1,120 - 1,660
Abu Dhabi	1,580 - 2,120	1,720 - 2,390
Qatar	1,790 - 1,910	1,910 - 2,170
Dubai	1,580 - 2,110	1,710 - 2,370
Saudi Arabia	1,190 - 1,370	1,670 - 1,810
Mozambique	1,300 - 1,500	1,600 - 1,900
South Africa	1,390 - 1,620	1,730 - 1,970
Botswana	1,310 - 1,520	1,620 - 1,830
Namibia	1,420 - 1,650	1,760 - 1,990
Mauritius	1,420 - 1,640	1,750 - 2,070
Seychelles	2,270 - 2,760	2,890 - 3,190

Source: Rider Levett Bucknall

- Exchange rate fluctuations continue to have a significant impact on costs when a common currency is used.
- UK inflation varies by region, with many larger contractors having fuller order books, whereas many cities are showing more competition on smaller contract values.
- The Middle East still has volatility in material input costs.

## Mid market – high

## Luxury

€ per sqm	€ per sqm
2,720 - 4,110	3,390 - 5,130
2,340 - 2,960	3,040 - 3,580
1,710 - 2,120	2,310 - 2,900
1,000 - 1,210	1,530 - 1,930
2,780 - 3,610	3,170 - 4,120
2,640 - 3,550	3,200 - 4,560
1,908 - 2,970	2,475 - 3,490
1,910 - 2,350	2,640 - 3,230
1,270 - 1,960	1,570 - 2,450
1,850 - 2,270	2,560 - 3,120
1,870 - 2,220	2,220 - 2,840
2,450 - 2,990	2,880 - 3,390
1,610 - 2,360	1,860 - 2,700
1,370 - 1,730	1,470 - 1,990
1,120 - 1,420	1,620 - 2,080
1,890 - 2,280	2,110 - 3,120
1,110 - 1,570	1,360 - 1,820
2,010 - 2,760	2,510 - 3,520
2,990 - 3,330	3,330 - 4,280
1,000 - 1,660	1,110 - 2,190
1,270 - 1,780	1,310 - 2,390
2,250 - 2,910	2,862 - 4,760
2,300 - 2,930	2,871 - 4,720
2,230 - 3,420	2,844 - 4,730
1,850 - 1,970	2,030 - 2,600
2,100 - 2,500	2,600 - 3,000
2,070 - 2,310	2,540 - 2,770
1,940 - 2,140	2,350 - 2,560
2,110 - 2,330	2,550 - 2,780
2,300 - 2,730	2,840 - 3,280
3,260 - 3,780	3,930 - 5,170

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.

## Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	8x Vienna House hotels	Cze, Pol, Rom
	4x Copenhagen hotels	Denmark
	2x Meininger hostels	Germany
	2x Motel One hotels	Germany
	4x Africa-Israel hotels	Israel
	7x Boscolo hotels	Ita, Cze, Fra, Hun
	8x Sidorme (B&B Hotels) hotels	Spain
	3x Ifa hotels	Spain
	3x Torbay hotels	UK
Single Asset Transactions		
Benelux	Silken Berlaymont	Brussels, Belgium
	Doubletree Centraal Station	Amsterdam, Netherlands
	NH Amsterdam Zuid	Amsterdam, Netherlands
CEE	EXE Danube	Budapest, Hungary
	Sheraton Grand	Krakow, Poland
	Westin Warsaw	Warsaw, Poland
Spain	Silken Diagonal	Barcelona
	Selomar Hotel	Benidorm
	NH Malaga	Malaga
	MiM Sitges	Sitges
UK	Billesley Manor	Billesley
	Imperial Hotel	Blackpool
	Holiday Inn Express City Centre*	Edinburgh
	Courtyard by Marriott <sup>1</sup>	Edinburgh
	Doubletree Westminster	London
	South Place Hotel	London
	Holiday Inn City Centre	Manchester
	The Lowry	Manchester
Other	Steigenberger Kiel	Kiel, Germany
	Ledra Athens*	Athens, Greece
	Marriott Copenhagen	Copenhagen, Denmark
	Lux Park Hotel	Lisbon, Portugal
	Umubano Hotel	Kigali, Rwanda

Source: Whitebridge Hospitality

\* Sold out of receivership

<sup>1</sup> Ground lease only

- Lots of activity in the hostel space: Queensgate acquired Generator (UK); Safestay acquired U Hostels (Spain); PGIM acquired Safestay (UK).
- Corporate deals: Karma Group acquired Sanctum Hospitality (UK); Accor acquired 50% of Rixos (Turkey); Stena Sessan Rederi acquired Scandic (Sweden); Best Western acquired Sweden Hotels (Sweden); Scandic acquired Restel (Finland); Portobello Capital acquired Blue Sea Hotels (Spain); Kartesia acquired High Tech Hotels (Spain).



No. of Keys	Total Price	Price per Key
	€	€
1,610	180,000,000	112,000
473	102,000,000	216,000
464	48,500,000	105,000
636	77,000,000	121,000
837	130,800,000	156,000
1,010	455,000,000	450,000
760	30,000,000	39,000
866	104,000,000	120,000
295	14,600,000	50,000
212	32,700,000	154,000
557	356,000,000	638,000
213	45,000,000	211,000
101	14,800,000	146,000
232	70,000,000	302,000
361	56,000,000	155,000
240	80,000,000	333,000
245	16,000,000	65,000
133	23,000,000	173,000
77	30,000,000	390,000
72	9,400,000	130,000
180	15,000,000	83,000
161	20,700,000	129,000
240	26,900,000	112,000
460	222,300,000	483,000
80	78,400,000	980,000
298	64,400,000	216,000
165	61,400,000	372,000
164	16,700,000	102,000
315	33,000,000	105,000
406	134,000,000	330,000
95	16,000,000	168,000
100	18,700,000	187,000

- Other notable deals: 3x McGrath hotels (South Africa); Carlton Downtown (Dubai); Fattal acquired 3x hotels in Cyprus; Thanos Hotels acquired Aloe Hotel (Cyprus).

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.

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## WHERE THERE'S FOOD, THERE'S BRASS

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### Setting the Scene

Whilst currencies may falter and governments may change, our appetite for more, different and more-often places to eat and drink grows. This seemingly insatiable human passion is reflected in the continuing avalanche of new, innovative eating and drinking concepts.

However, are hotels truly 'smelling the coffee' when it comes to realising the revenue potential that a knock-out F&B offer can bring?

How a hotel leverages this potential is critical e.g. 'borrowing' the brand equity of an existing franchise; 'match-making' with an outlet that mirrors your values; or 'creating' a new F&B brand. Whichever way, there's an offer out there that's right for you. And well executed, such offers can deliver brand reinforcement, overall awareness and increased profitability.

### Citadines Barbican London

This project illustrates how design can unlock the commercial potential of an otherwise dead space, and create a complementary, strategic alliance with an expert partner in order to reap rewards beyond F&B profitability.

Detailed consumer mapping by Edge (based on both emotional as well as functional characteristics) drove a partner match-making process which resulted in a fit being identified with 'Sourced Market' (known for taking the best of London's small, independent food producers on the road, and with outlets at St. Pancras and Old Street). The plan was for Sourced Market to create a high quality, ready-to-eat range for Citadines, delivered from an enticing space.



A whole design language was created for the underutilised ground floor, bringing to life a sense of joined-at-the-hip-ness between the partners. Large, 'almost there', transparent screens blur lines between F&B and the hotel itself, creating a holistic, flowing destination. To date, the soft feedback from guests and staff has been extremely positive.

### **Costa Coffee**

Whitbread do it differently, installing own brand, Costa coffee, into their Premier Inns. In a drive to increase relevance, Whitbread took the Costa brand back to its roots, testing a new concept in early 2017 (which included the trialling of a new evening offering – a selection of alcoholic drinks to complement its existing range). New design features included creating two distinct moods within the space: a bar area that immerses the customer in the art of coffee, and a more relaxed lounge area for chilling out.



The post-completion survey showed that 90% of customers are 'extremely likely' to revisit (vs 65% pre-refit), that they want to come back more, for more occasions - and are willing to pay more.

### **A Final Thought**

Customer experience is at the heart of making a success of F&B, whichever model is pursued. An excellent example of successful consumer-centric thinking and design is the schizo-space created by CitizenM. Is it a bar, a restaurant, a meeting place, a work space – or all of these and more? Here, the customer takes control, makes the decision about what and how to use the space at any given time.

Is this the future for all F&B – creating organic experiences within hotels where people can eat, drink, play and work? Wherever we are headed, one thing is for sure, "where there's food, there's brass".

For further information: [karen.winfield@edgegb.com](mailto:karen.winfield@edgegb.com)

Photographs provided by Edge.



WHITE  
BRIDGE

Telephone: +44 (0)20 7195 1482  
philip.camble@whitebridgeh.com  
www.whitebridgehospitality.com

## RLB | Rider Levett Bucknall

Telephone: +44 (0)20 7398 8300  
EMEA: paul.beeston@uk.rlb.com  
London: jeremy.spill@uk.rlb.com  
www.rlb.com



Telephone: +44 (0)20 7922 1930  
info@strglobal.com  
www.strglobal.com

