

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.



Rider Levett Bucknall (RLB) is a global independent construction, property and management consultancy, with a team of more than 4,300 people working across 40 countries to shape the future of the built environment. By providing independent advice through the skills and passion of our people, we deliver value and sustainable solutions for our clients. We are committed to developing new services and techniques that respond to how we build for the future, integrating wellbeing, economic and environmental impacts. Our 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.



HotStats are specialists in hotel profitability data. Drawing on a database of monthly P&L data from hotels across the globe the HotStats platform provides unparalleled insight for the purpose of evaluating hotel performance to a wide range of industry stakeholders. Hotel operators, owners, investors, advisers, analysts and observers benefit from market insight and ongoing benchmarking of operational performance at individual hotel and portfolio level as well as from bespoke market sets.

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Introduction

If we thought H1 2023 was tough from a financial perspective, H2 2023 brought much of the same and the added spice of another regional conflict within EMEA. Such wars and the ensuing uncertainty do not help the deal making environment and are impacting new development in many countries. Persistent high inflation in many markets is keeping interest rates high and banks cautious, adding further treacle to the business of buying and building hotels. With 2024 shaping up to be a highly politicised year (over half the world's population will vote this year), who knows where we will end up by January 2025.

Most markets showed continued growth in revenues and GOP, with the only markets showing signs of capping out or even heading down the curve being a few in the Middle East, namely: Doha (GOPPAR -55%) and Bahrain (GOPPAR -7.6%). By contrast the star performer in euro terms was Cairo (RevPAR +77% and GOPPAR +83%).

Construction costs overall remain high and have increased again in many markets, even though many pipelines have shrunk in the last year or so.

The slowdown in the deal space is reflected in this edition of our Monitor, with the Transaction Tracker listing less than the normal deal count. This is also in part due to deal makers being unwilling to share information publicly, thus limiting the number of deals we can mention. Come on Europe, be more open and give us some data.

Wars and the ensuing uncertainty do not help the deal making environment.

In such a tough climate and in such increasingly uncertain times, we are particularly grateful to our friendly valuers for their contributions this year and we are pleased to present our tenth consecutive annual Consensus Yield Matrix as our back page feature.

Philip Camble

Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor

Performance Trends

Jan-Dec City	2023				2022				Growth			
	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR	ADR	Occ	RevPAR	GOPPAR
	€	%	€	€	€	%	€	€	%	%	%	%
Amsterdam	250.19	73.6	184.18	90.33	230.01	62.5	143.79	71.92	8.8	17.8	28.1	25.6
Bahrain	192.71	52.6	101.28	51.49	197.28	53.3	105.11	55.70	-2.3	-1.4	-3.6	-7.6
Berlin	197.13	65.2	128.63	49.92	190.02	54.3	103.22	38.92	3.7	20.1	24.6	28.3
Budapest	196.04	70.1	137.36	68.32	179.97	64.3	115.78	64.24	8.9	8.9	18.6	6.4
Cairo	190.63	69.0	131.47	115.23	107.58	68.9	74.16	62.99	77.2	0.0	77.3	82.9
Cape Town	118.57	74.4	88.18	49.04	90.07	61.1	55.07	28.97	31.6	21.6	60.1	69.3
Doha	142.26	59.3	84.31	47.99	223.20	57.6	128.48	106.77	-36.3	3.0	-34.4	-55.1
Dubai	204.22	78.3	159.93	114.50	208.70	72.9	152.11	104.66	-2.1	7.5	5.1	9.4
Dublin	242.73	82.8	201.08	122.53	225.24	79.1	178.21	117.33	7.8	4.7	12.8	4.4
Edinburgh	193.43	77.1	149.12	76.14	174.20	69.7	121.37	62.30	11.0	10.7	22.9	22.2
Istanbul	285.97	63.7	182.04	118.54	191.69	74.5	142.83	103.33	49.2	-14.6	27.5	14.7
Jeddah	199.86	65.0	129.97	70.59	210.46	62.1	130.66	68.17	-5.0	4.7	-0.5	3.6
London	264.39	78.1	206.51	111.20	254.94	68.0	173.26	94.87	3.7	14.9	19.2	17.2
Madrid	227.12	64.8	147.07	73.37	212.17	57.4	121.84	55.26	7.0	12.8	20.7	32.8
Milan	406.60	69.6	282.86	155.18	370.66	61.7	228.55	115.59	9.7	12.8	23.8	34.3
Muscat	162.94	52.6	85.72	28.77	153.91	44.5	68.50	14.60	5.9	18.2	25.1	97.0
Paris	517.67	69.2	358.43	149.78	493.56	63.8	314.68	134.71	4.9	8.6	13.9	11.2
Prague	193.66	67.2	130.19	72.50	176.32	58.3	102.77	51.96	9.8	15.3	26.7	39.5
Riyadh	209.94	66.8	140.29	93.24	179.16	64.5	115.49	67.61	17.2	3.7	21.5	37.9
Rome	508.34	67.9	345.41	173.06	456.67	62.2	284.08	130.77	11.3	9.2	21.6	32.3
Vienna	235.11	72.1	169.48	69.87	211.78	60.4	127.86	49.96	11.0	19.4	32.5	39.8
Warsaw	118.12	73.9	87.25	44.59	104.63	72.0	75.33	38.12	12.9	2.6	15.8	17.0

Source: HotStats

- Revenue growth slowing, but still overall positive trajectory.
- F&B continues to be the challenge around Europe due to slow revenue growth and high cost inflation.
- Ancillary guest spend slowed year-on-year, but overall positive, in particular, Wellness activities.
- Energy costs calming in Europe, peak much lower than prior year.
- Labour rates slow, but continue to rise in line with living wage increases. Further centralising and automation expected in 2024.
- Midscale hotels performing best relative to 2022. In particular in select service.
- Lebanon, Egypt and Turkey saw huge levels of inflation in 2023, impacting performance, overall, positively.

[Click here for further market insight from HotStats.](#)

Hotel Construction Costs

Country	Budget hotels	Mid market – low	Mid market – high	Luxury
	€ per sqm	€ per sqm	€ per sqm	€ per sqm
UK	2,610 - 2,970	2,610 - 3,320	2,900 - 4,680	3,850 - 5,220
Austria	1,830 - 2,170	1,830 - 2,500	2,330 - 3,400	3,160 - 3,770
Belgium	1,420 - 2,080	1,870 - 2,390	2,080 - 2,570	2,800 - 3,530
Czech Republic	1,620 - 1,810	1,620 - 2,000	1,910 - 2,170	1,760 - 2,780
Denmark	1,860 - 2,130	1,860 - 2,400	2,270 - 4,000	3,600 - 4,600
Finland	2,730 - 3,550	3,040 - 3,940	3,550 - 4,600	4,010 - 5,220
France	2,500 - 2,880	2,500 - 3,250	3,060 - 3,320	3,000 - 3,800
Germany	1,470 - 1,860	1,470 - 2,250	2,060 - 2,840	2,460 - 3,430
Greece	1,420 - 1,660	1,980 - 2,180	2,510 - 3,090	3,440 - 4,220
Hungary	1,360 - 1,520	1,360 - 1,670	1,600 - 1,800	1,460 - 2,300
Ireland	2,220 - 2,530	2,220 - 2,830	2,680 - 3,110	2,830 - 3,540
Italy	2,030 - 2,500	2,350 - 2,980	2,720 - 3,230	3,030 - 4,070
Montenegro	1,500 - 1,500	1,500 - 1,500	1,500 - 2,450	2,450 - 2,450
Norway	2,540 - 3,300	2,540 - 4,060	3,680 - 3,910	3,400 - 4,670
Netherlands	1,730 - 2,080	1,730 - 2,440	2,270 - 2,700	2,130 - 3,560
Poland	1,650 - 2,070	1,650 - 2,480	2,280 - 2,630	1,960 - 3,620
Portugal	1,220 - 1,300	1,220 - 1,380	1,340 - 1,720	1,520 - 2,030
Spain	1,600 - 1,850	1,600 - 2,100	1,980 - 2,620	2,300 - 3,100
Sweden	2,670 - 3,280	3,280 - 3,830	3,830 - 4,270	4,270 - 5,470
Abu Dhabi	1,590 - 1,900	1,590 - 2,220	2,170 - 2,520	2,340 - 3,140
Qatar	1,350 - 1,680	1,350 - 2,010	2,240 - 2,870	2,420 - 3,250
Dubai	1,660 - 2,060	1,660 - 2,470	2,340 - 3,080	2,470 - 3,910
Saudi Arabia	1,700 - 1,940	1,700 - 2,180	3,250 - 3,750	4,570 - 5,440
Mozambique	2,390 - 2,780	2,390 - 3,160	3,560 - 4,710	4,890 - 6,100
Botswana	2,090 - 2,340	2,090 - 2,590	2,520 - 2,730	2,920 - 3,960
Mauritius	1,990 - 2,320	1,990 - 2,650	2,960 - 3,940	4,080 - 5,150
South Africa	1,420 - 1,840	1,730 - 2,150	2,050 - 2,250	2,470 - 3,300

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

- Across much of Europe, weak to no growth is leading to slowing pipelines for the construction sector.
- Material inflation has eased somewhat but cost of living pressures impacting labour costs in some countries.
- With easing pipelines, margin compression is a feature in many regions with the resulting more competitive pricing.
- However, confidence is not entirely dented, with projects coming forward, often just slowed.
- Much of the Middle East regional inflation is being driven by the Kingdom of Saudi Arabia's mega projects.
- Currency fluctuations are a significant impact on costs reported to a common currency.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				€	€
	4x Citadines hotels	France	333	44,400,000	133,000
	6x Dom Pedro hotels	Portugal	1,126	250,000,000	222,000
	2x Nobis hotels	Spain	68	35,000,000	515,000
	2x Hoxton hotels	UK	430	249,400,000	580,000
	2x Marriott hotels ¹	UK	429	116,000,000	270,000
Single Asset Transactions					
Ireland	Imperial Hotel	Cork	131	25,000,000	191,000
	Crowne Plaza Dundalk	Dundalk	129	11,000,000	85,000
	Park Hotel	Kenmare	46	17,000,000	370,000
Italy	HD8 Hotel Milano	Milan	79	23,000,000	291,000
	Six Senses Rome	Rome	96	245,000,000	2,552,000
Portugal	Cascade Wellness Resort	Lagos	170	50,000,000	294,000
	Pestana Vila Sol	Vilamoura	189	43,000,000	228,000
Spain	Gallery Hotel	Barcelona	110	50,000,000	455,000
	Fergus Conil Park Hotel ²	Cadiz	183	41,900,000	229,000
	NH Marbella	Marbella	163	20,000,000	123,000
	AC Ciudad de Sevilla	Seville	86	6,500,000	87,000
UK	Hilton Belfast	Belfast	202	46,400,000	230,000
	Mercure City	Glasgow	91	8,700,000	96,000
	Ryebeck Hotel	Lake Windermere	29	3,500,000	120,000
	Ibis Style Dale Street ²	Liverpool	123	18,400,000	150,000
	Hilton Hyde Park	London	136	58,000,000	426,000
	Premier Inn Preston Central ²	Preston	140	10,100,000	72,000
	Hotel Riviera	Sidmouth	26	4,100,000	156,000
	Premier Inn West Quay	Southampton	155	18,400,000	119,000
Other	Travelodge Taunton	Taunton	64	4,500,000	71,000
	Holiday Inn City Hauptbahnhof ²	Mannheim, Germany	150	70,000,000	467,000
	Corfu Palace ³	Corfu, Greece	106	30,000,000	283,000
	Coroana Postavaru Hotel	Brasov, Romania	76	9,400,000	123,000

Source: Whitebridge Hospitality

¹ price includes refurb

² mixed-use, price includes other uses

³ for a 75% stake

- Big resort activity: Black Sea Property acquired large stake in Grand Hotel Varna Co (Bul); Eagle Hills Zagreb RE acquired stakes in Suncani Hvar Hotels (Cro); Prodea acquired large stake in Mediterranean Hospitality Venture (Cyp); Arrow Global acquired Palmares Ocean Living & Golf (Por).
- Corporate compacts: LHC acquired The Dean Hotel Group (Ire); Numa Group acquired Yays (Net); Five Holdings acquired much of Pacha Group (Spa); Mubadala acquired stake in Aman Group (Swi).
- Groovy Greece: HIG acquired Hotel of Chounta (Athens); Mare SA acquired Sunshine Village & Beach hotels (Crete).
- Other interesting: CapitaLand Ascott Trust acquired Temple Bar (Ire) and Cavendish London (UK); Olayan acquired Mandarin Oriental Barcelona (Spa); RAK National Hotels acquired Marjan Island Resort & Spa (UAE); ADIA acquired 7x more Melia hotels (Spa).

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 averages of the inputs provided).

UK

The range of yields within the London markets and elsewhere in the UK have narrowed in recent years and this year yields have moved again out across the board (by around 0.5%). However, it is 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 (especially as valuers noted there is often a lack of sufficient deal evidence at the moment and 'there is still an over-reliance on sentiment').

UK	Budget	Mid-Mkt	Upscale	Luxury
Vacant Possession				
Central London	6.0%	6.0%	5.6%	4.3%
Greater London	6.9%	7.0%	6.8%	6.1%
Primary Cities ¹	8.1%	8.0%	7.5%	6.9%
Other Cities	9.6%	9.4%	8.7%	7.9%
Country house		9.4%	9.3%	8.3%
Adjustment Margin				
Lease	-1.0%	-0.7%	-0.6%	0.0%
Management Contract		0.2%	0.1%	0.4%

¹ For example: Birmingham, Manchester, Edinburgh, Glasgow.

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

A key factor remains - what income stream should such yields be used to capitalise? Market performances have remained somewhat erratic and London in particular is still well below pre-C19 levels in occupancy terms, even if further signs of recovery were evident in 2023.

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 unless it is a Luxury property, for any other type of hotel Leases are more advantageous.

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 show the popularity of Paris as the only true France Gateway City and a tighter yield range has 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.

Europe	Budget	Mid-Mkt	Upscale	Luxury
Vacant Possession				
France - Gateway Cities	6.7%	6.9%	6.4%	4.8%
France - Rest	8.2%	8.5%	8.1%	6.4%
Germany - Gateway Cities	6.7%	6.9%	6.5%	5.6%
Germany - Rest	8.1%	8.5%	8.3%	7.3%
Spain - Gateway Cities	6.3%	6.6%	6.0%	4.8%
Spain - Rest	8.2%	8.5%	8.0%	6.9%
E. Europe - Gateway Cities	8.3%	8.5%	8.1%	6.6%
E. Europe - Rest	10.1%	10.3%	9.9%	8.3%
Adjustment Margin				
Lease	-0.9%	-0.8%	-0.8%	-0.2%
Management Contract		0.1%	0.1%	0.4%

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

Valuers noted that there is a lot of money out there at the moment that is keen to find a home and hospitality appears to be a key target sector. However, many material headwinds are suppressing transactions activity and the lack of pricing visibility may constrain the market again and well into 2024.

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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