



EMEA HOTELS MONITOR

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Introduction

Many in our industry will be glad to see the back of 2009. The first half of the year was painful for most markets, but not as deadly as some had feared. Latest results from STR Global for H2 2009 would indicate that many markets are showing signs of recovery. Transaction volumes fell to their lowest level in years and in the UK 50% of deals completed were under distressed conditions. Is this the first ripple of an impending tsunami? Will 2010 yield a greater number of distressed opportunities? Or will the investment market remain locked in ice? To get a feel for what 2010 has in store for our industry, stay in touch with the key metrix and look out for the next edition of EMEA Hotels Monitor in Summer 2010.



Cushman & Wakefield Hospitality employs a team of dedicated professionals globally, covering all disciplines. From the world's largest wholly-owned offices platform, the team can serve you and your business wherever you are based and wherever you want to go.

EC HARRIS BUILT ASSET CONSULTANCY

EC Harris is a leading built asset consultancy generating positive outcomes for clients. We have an international team of Hotel experts - part of a wider network of over 3,500 professionals - who enable clients to get the most from their spend on building, operating, using and owning built assets.



STR Global provides clients with access to hotel research with regular and custom reports covering over 38,000 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 and Census data covering all aspects of the industry.

Performance Trends

City	2009			2008			Growth					
	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	€	%	€	€	%	€	Abs (€)	%	Abs %	%	Abs (€)	%
Amsterdam	120.22	69.0	82.94	139.81	74.7	104.47	-19.58	-14.0	-5.7	-7.7	-21.53	-20.6
Berlin	80.02	67.8	54.29	86.52	69.3	59.94	-6.49	-7.5	-1.4	-2.1	-5.65	-9.4
Budapest	68.02	53.2	36.18	79.93	62.7	50.09	-11.91	-14.9	-9.5	-15.1	-13.91	-27.8
Cairo	92.37	65.4	60.37	90.84	74.3	67.52	1.53	1.7	-9.0	-12.1	-7.15	-10.6
Cape Town	89.54	59.9	53.67	82.20	66.9	54.98	7.34	8.9	-6.9	-10.4	-1.31	-2.4
Copenhagen	113.75	63.4	72.13	118.20	67.8	80.13	-4.45	-3.8	-4.4	-6.5	-8.01	-10.0
Dubai	169.95	69.1	117.52	211.96	76.7	162.58	-42.01	-19.8	-7.6	-9.8	-45.06	-27.7
Dublin	85.80	63.5	54.52	105.06	66.7	70.10	-19.26	-18.3	-3.2	-4.8	-15.58	-22.2
Edinburgh	88.23	75.3	66.44	102.64	74.8	76.74	-14.41	-14.0	0.5	0.7	-10.30	-13.4
Helsinki	99.02	60.1	59.50	108.09	66.0	71.29	-9.07	-8.4	-5.9	-8.9	-11.80	-16.5
London	130.23	80.5	104.78	152.23	79.6	121.21	-22.00	-14.5	0.8	1.0	-16.43	-13.6
Madrid	91.67	57.6	52.79	110.88	64.3	71.29	-19.21	-17.3	-6.7	-10.4	-18.50	-25.9
Milan	137.89	57.0	78.65	154.13	62.9	97.03	-16.24	-10.5	-5.9	-9.4	-18.38	-18.9
Moscow	145.72	58.4	85.05	221.55	64.3	142.41	-75.83	-34.2	-5.9	-9.2	-57.36	-40.3
Muscat	191.41	53.3	102.11	176.37	67.6	119.28	15.04	8.5	-14.3	-21.1	-17.17	-14.4
Oslo	108.99	62.7	68.32	120.02	67.2	80.65	-11.03	-9.2	-4.5	-6.7	-12.33	-15.3
Paris	167.23	73.8	123.37	181.59	77.6	140.89	-14.36	-7.9	-3.8	-4.9	-17.52	-12.4
Prague	76.03	56.6	43.02	95.63	63.3	60.57	-19.60	-20.5	-6.8	-10.7	-17.55	-29.0
Riyadh	183.29	58.5	107.18	163.52	70.8	115.83	19.77	12.1	-12.4	-17.4	-8.65	-7.5
Rome	137.66	62.8	86.48	157.81	64.7	102.09	-20.15	-12.8	-1.9	-2.9	-15.61	-15.3
Stockholm	99.47	67.2	66.80	116.25	69.6	80.95	-16.79	-14.4	-2.5	-3.5	-14.15	-17.5
Vienna	95.60	65.9	63.01	106.76	70.9	75.67	-11.16	-10.5	-5.0	-7.0	-12.66	-16.7
Zurich	138.90	68.6	95.33	156.54	72.7	113.86	-17.64	-11.3	-4.1	-5.6	-18.53	-16.3

Source: STR Global

- Within the first quarter of 2009 all global regions saw RevPAR decline in double digits. Throughout the second half of 2009, these declines stabilised and RevPAR growth returned to Europe for the last two months of the year (in US\$ terms).
- Generally speaking, the Southern and Eastern European markets suffered more than their counterparts in Western and Northern Europe. The more difficult the economic situation in the country (eg Greece, Spain and Hungary), the more RevPAR declined and markets could not replace the missing corporate demand with leisure guests.
- The UK benefited from the weak pound and the increasing numbers of European tourists at least filled hotel rooms. London and Edinburgh are the only two cities out of the European cities reviewed here to show any kind of growth, with occupancy levels growing 1% and 0.7% respectively.
- Dubai is one of the hardest hit cities in the Middle East as it struggles to absorb new supply and deal with falling demand. Despite its 27.7% RevPAR decline (31.4% in local currency), Dubai achieved the second highest RevPAR of the 23 cities reviewed and was only beaten by Paris.
- Cape Town benefited from the various pre-FIFA World Cup events and reported strong average room rate growth (3.6% in local currency).

Hotel Construction Costs

Country	Budget hotels	Mid market - low	Mid market - high	Luxury
	€ per key	€ per key	€ per key	€ per key
UK	42,000 - 52,000	101,000 - 118,000	130,000 - 158,000	188,000 - 239,000
Austria	38,000 - 48,000	48,000 - 67,000	67,000 - 114,000	124,000 - 209,000
Belgium	30,000 - 43,000	63,000 - 86,000	124,000 - 171,000	154,000 - 215,000
Bulgaria	15,000 - 29,000	38,000 - 52,000	52,000 - 72,000	90,000 - 143,000
Croatia	31,000 - 44,000	45,000 - 78,000	67,000 - 121,000	100,000 - 162,000
Czech Republic	24,000 - 43,000	38,000 - 67,000	67,000 - 124,000	124,000 - 190,000
Denmark	47,000 - 62,000	72,000 - 103,000	154,000 - 205,000	184,000 - 308,000
France	48,000 - 71,000	91,000 - 105,000	114,000 - 152,000	190,000 - 285,000
Germany	51,000 - 79,000	93,000 - 143,000	119,000 - 178,000	169,000 - 260,000
Greece	30,000 - 40,000	62,000 - 81,000	86,000 - 124,000	143,000 - 190,000
Hungary	26,000 - 49,000	62,000 - 90,000	87,000 - 128,000	128,000 - 219,000
Ireland	55,000 - 65,000	109,000 - 124,000	160,000 - 180,000	213,000 - 244,000
Italy	34,000 - 52,000	49,000 - 76,000	112,000 - 169,000	133,000 - 205,000
Latvia	-	48,000 - 55,000	83,000 - 94,000	103,000 - 128,000
Netherlands	51,000 - 65,000	98,000 - 125,000	143,000 - 183,000	191,000 - 246,000
Poland	28,000 - 41,000	49,000 - 73,000	85,000 - 124,000	120,000 - 197,000
Portugal	29,000 - 38,000	52,000 - 62,000	82,000 - 93,000	111,000 - 145,000
Romania	19,000 - 25,000	35,000 - 46,000	59,000 - 93,000	105,000 - 158,000
Russia	33,000 - 40,000	70,000 - 83,000	105,000 - 128,000	141,000 - 211,000
Serbia	24,000 - 33,000	46,000 - 66,000	67,000 - 105,000	100,000 - 143,000
Slovenia	32,000 - 47,000	48,000 - 82,000	69,000 - 127,000	105,000 - 170,000
Spain	39,000 - 51,000	94,000 - 112,000	116,000 - 138,000	157,000 - 228,000
Sweden	48,000 - 62,000	114,000 - 162,000	138,000 - 181,000	181,000 - 228,000
Turkey	29,000 - 33,000	38,000 - 48,000	47,000 - 62,000	76,000 - 127,000
Abu Dhabi	41,000 - 54,000	58,000 - 78,000	100,000 - 135,000	174,000 - 299,000
Dubai	38,000 - 50,000	53,000 - 70,000	90,000 - 123,000	158,000 - 272,000
Ghana	28,000 - 45,000	48,000 - 78,000	87,000 - 125,000	106,000 - 165,000
Kenya	17,000 - 21,000	22,000 - 31,000	35,000 - 48,000	44,000 - 52,000
Qatar	60,000 - 71,000	89,000 - 104,000	128,000 - 167,000	248,000 - 347,000
Saudi Arabia	35,000 - 50,000	50,000 - 76,000	90,000 - 119,000	140,000 - 239,000
South Africa	37,000 - 65,000	70,000 - 112,000	123,000 - 186,000	157,000 - 265,000

Costs of 4 and 5 star hotels depend upon the efficiency ratios of the net bedroom to gross floor area which is driven by the density of the bedrooms in relation to meeting and ancillary accommodation. Costs above may include for dry leisure facilities but not swimming pools. Note that figures exclude the costs of furniture, fittings and equipment. Costs include contractors' preliminaries and overheads and profits, but no allowance for land costs, land procurement fees, or consultants' fees. Costs are based on a conversion rate of £1 = €1.11.

Source: EC Harris

- The global recession has seen prices in most countries fall, in some cases quite dramatically. Prices are lower for labour and materials and many contractors are reducing their allowance for overheads and profits in order to secure workload.
- Although the value of the euro has stabilised over the past few months, the increase over the past year (8% against US\$, 2% against UK£) has had an offsetting effect on some of the reductions in price.
- Looking ahead through 2010, there are signs that world commodity prices are now again on the rise and this will filter through to higher construction prices. Meanwhile, the current volatile market means contractors have few opportunities to increase profits because the contracting market remains depressed.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price (€)	Price per Key (€)
Portfolio Transactions					
	158 x FI hotels	France	12,300	272,000,000	22,000
	12 x Azorim Tourism hotels	Israel	3,181	175,000,000	55,000
Single Asset Transactions					
Germany	Motel One Dresden	Dresden	228	14,000,000	61,000
	Radisson Blu	Hamburg	560	155,000,000	277,000
Scandinavia	First Hotel G	Gothenburg, Sweden	300	41,000,000	137,000
	Vildmarkshotellet Resort Hotel	Norrkoping, Sweden	213	15,200,000	71,000
UK	Heathlands Hotel	Bournemouth	115	3,400,000	29,000
	Barnsley House	Cirencester	18	7,400,000	411,000
	Popinjay Hotel	Clyde Valley	34	3,500,000	103,000
	Shendish Manor	Hertfordshire	70	8,400,000	120,000
	St Brelade's Bay Hotel	Jersey	82	13,400,000	164,000
	Comfort Hotel Royal	Kettering	41	500,000	13,000
	The Ellington	Leeds	35	3,400,000	96,000
	The Stafford	London	105	86,800,000	827,000
	Lord Milner Hotel	London	11	1,200,000	112,000
	Forbury Hotel	Reading	40	11,200,000	280,000
	Liddington Hotel	Swindon	192	10,600,000	55,000
Other Europe & Africa	Fabz Estate Hotel & Restaurant	Johannesburg, South Africa	28	1,700,000	60,000
	Perla Jonica Resort	Sicily, Italy	498	46,350,000	93,000
	Novotel Den Haag World Forum	The Hague, Netherlands	216	25,000,000	116,000
	Melia Madrid Princesa	Madrid, Spain	274	87,800,000	320,000
	Gudem Resort Hotel	Bodrum, Turkey	100	36,000,000	360,000

Source: Cushman & Wakefield Hospitality

- There has been a clear increase in transaction volumes in the second half of 2009, with a number of transactions taking place in the UK (including a couple of big ones in London, both of which involved the services of Cushman & Wakefield Hospitality), Germany, France and Spain. However, the prices at which many of these deals closed are not in the public domain and therefore cannot be included in the table above.
- Many of the deals in the UK were under distressed conditions, including the sale of 336-337 Strand, the former Silken Hotel project, a partially completed hotel and residential tower situated close to the City of London.
- It is interesting to note that there were no deals in Ireland in 2009 and there was very little activity in CEE. Perhaps a reflection of the poor state of their domestic economies.
- There was an interesting burst of activity in the French Alps, for which there is limited public information, including Intrawest Hotels & Resorts' sale of two resorts in Savoie.
- Further afield, a number of hotels have transacted in Turkey and there was a portfolio deal in Israel. However, across the Middle East and Africa the volume of activity was extremely low.

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.

EXAMPLE PROJECT

Agency Services

Cushman & Wakefield Hospitality were appointed by the fixed charge receivers at PricewaterhouseCoopers to sell the partially completed hotel development at 336-337 Strand, in central London. We coordinated a highly structured and confidential approach to a targeted list of potential purchasers and ensured a swift and transparent process throughout. A number of bids were received in excess of the Minimum Sales Price of £110 million and our work concluded with a successful sale of the property in December 2009 to a subsidiary of BBVA Bank for an amount in excess of the asking price.



336-337 Strand

Integrated Technical Services

Marriott International appointed EC Harris to develop an Integrated Technical Services approach on their developments in the UK, Europe, Middle East and Asia Pacific. The objective was to achieve brand protection, operational reliability, certainty of delivery and reduced risk for Marriott International and their owners. EC Harris worked with the Marriott team as hotel brand ambassadors, helping owners and consultant teams design and construct properties



Marriott International
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in accordance with Marriott's brand standards, ensuring greater certainty of handover and opening dates, and improved operational reliability.



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