

# EMEA HOTELS MONITOR

FEBRUARY 2018

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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.

## 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 58,000 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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## FEBRUARY 2018

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### Introduction

The second half of 2017 was positively dull by comparison to the previous 18 months and the hotel markets of Europe have benefited enormously. In fact, as Robin Rossmann of STR highlighted during our 13<sup>th</sup> annual New Year Hotel Investment Summit, Europe as a whole recorded the highest growth in RevPAR of any region in the world (+6.4% on a Constant Currency basis). Roll on the ensuing development pipeline, which has lagged behind demand in Europe for many years now.

Although our euro presented data for London RevPAR indicates a slight decline (-1.7%), in GBP terms the city exceeded all expectations, brushed aside terrorism, politics and new supply, and RevPAR grew by a very robust +4.4%. The collapse of Carillion is unlikely to impede the rate of hotel development in the UK and watch this space in 2018 to see if it has any material impact on development costs.

Elsewhere, Africa hotels performed well, but the Middle East continues to be constrained from regional unrest, low oil prices and an ever growing supply of new hotels in the major markets.

Across EMEA, the transactions arena has been ticking along and we saw a broad range of assets and companies change hands in a wide range of countries, with a particularly large number of portfolio deals in the last six months. Perhaps the most interesting deal of the year was AccorHotels acquiring the rights to the Orient-Express Hotels brand (albeit a year later than predicted in Phil's Forecasts).

**Europe as a whole recorded the highest growth in RevPAR of any region in the world.**

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

### Philip Camble

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

## Performance Trends

Jan-Dec City	2017			2016	
	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	143.91	81.5	117.29	135.70	78.3
Berlin	96.28	76.7	73.87	94.11	77.0
Budapest	84.31	77.5	65.34	75.16	75.3
Cairo	76.67	65.3	50.05	89.66	59.6
Cape Town	123.58	69.3	85.66	106.68	70.3
Copenhagen	140.77	78.4	110.43	138.76	78.4
Dubai	163.56	77.2	126.32	174.55	76.9
Dublin	136.80	83.0	113.49	128.02	82.3
Edinburgh	117.27	83.7	98.10	113.00	82.1
Helsinki	110.31	70.1	77.29	102.89	68.6
Istanbul	76.33	62.5	47.74	88.73	49.6
London	169.93	81.7	138.78	173.31	81.5
Madrid	108.04	72.7	78.49	93.90	70.6
Milan	139.02	70.6	98.09	136.55	65.4
Moscow	82.50	69.4	57.24	75.92	66.3
Muscat	146.85	60.1	88.19	166.55	57.2
Paris	233.75	73.6	171.97	227.71	69.8
Prague	87.53	80.1	70.09	80.91	77.2
Riyadh	169.93	54.2	92.05	187.30	54.0
Rome	148.58	70.1	104.13	148.66	69.6
Vienna	96.93	75.3	72.98	96.42	74.3
Warsaw	75.39	78.8	59.38	67.53	76.9
Zurich	203.12	72.8	147.95	211.19	72.8

Source: STR

- Europe experienced positive results for the full year 2017, with a +6.4% increase in RevPAR (on a Constant Currency basis) across the region as a whole (occupancy up by +2.4% and ADR by +1.2%).
- The MEA region posted an increase in occupancy (+1.6%), but a sizeable drop in ADR (-5.6%), resulting in a -4.1% decrease in RevPAR. The region was mainly pulled down as a result of strong supply growth and low oil prices affecting local markets.
- The major markets that recorded the highest growth in 2017 were: Madrid, Budapest, Cape Town and Warsaw. All increasing by double digit growth in RevPAR. Performances in these markets were primarily driven by recoveries in ADR.

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
106.27	8.20	6.0	3.2	4.1	11.02	10.4
72.42	2.18	2.3	-0.2	-0.3	1.44	2.0
56.56	9.15	12.2	2.2	3.0	8.78	15.5
53.41	-12.99	-14.5	5.7	9.6	-3.36	-6.3
75.00	16.90	15.8	-1.0	-1.4	10.66	14.2
108.73	2.01	1.4	0.1	0.1	1.71	1.6
134.17	-10.99	-6.3	0.4	0.5	-7.86	-5.9
105.35	8.78	6.9	0.7	0.8	8.14	7.7
92.81	4.27	3.8	1.5	1.9	5.30	5.7
70.62	7.42	7.2	1.4	2.1	6.67	9.4
44.05	-12.40	-14.0	12.9	26.0	3.69	8.4
141.18	-3.38	-1.9	0.2	0.3	-2.40	-1.7
66.30	14.14	15.1	2.0	2.9	12.19	18.4
89.24	2.48	1.8	5.2	8.0	8.85	9.9
50.35	6.58	8.7	3.1	4.6	6.89	13.7
95.25	-19.70	-11.8	2.9	5.0	-7.06	-7.4
158.88	6.04	2.7	3.8	5.4	13.09	8.2
62.44	6.62	8.2	2.9	3.8	7.65	12.3
101.11	-17.36	-9.3	0.2	0.3	-9.06	-9.0
103.50	-0.09	-0.1	0.5	0.7	0.63	0.6
71.62	0.51	0.5	1.0	1.4	1.36	1.9
51.91	7.86	11.6	1.9	2.5	7.47	14.4
153.75	-8.07	-3.8	0.0	0.1	-5.80	-3.8

- On the other hand, the markets with the sharpest declines were: Riyadh, Muscat, Cairo and Dubai. Please note that the drop in Cairo was a result of the devaluation in the Egyptian Pound against the euro. Looking at Cairo in local currency, it achieved a remarkable +72.2% increase in RevPAR.

## Hotel Construction Costs

Country	Budget hotels	Mid market – low
	€ per sqm	€ per sqm
UK	1,460 - 2,320	2,000 - 2,760
Austria	1,450 - 1,620	1,800 - 2,350
Belgium	1,280 - 1,870	1,650 - 2,140
Bulgaria	800 - 930	930 - 1,170
Finland	2,330 - 3,010	2,620 - 3,390
France	1,830 - 2,400	2,400 - 3,080
Germany	1,840 - 2,020	1,920 - 2,250
Greece	1,200 - 1,410	1,660 - 1,840
Hungary	840 - 1,100	1,210 - 1,670
Ireland	1,590 - 1,950	1,950 - 2,300
Italy	1,590 - 1,850	1,750 - 2,010
Norway	2,220 - 2,900	2,700 - 3,300
Netherlands	1,360 - 1,800	1,490 - 2,100
Portugal	1,100 - 1,360	1,250 - 1,470
Romania	910 - 1,030	1,030 - 1,260
Russia	1,500 - 1,740	1,660 - 2,230
Slovakia	830 - 1,330	940 - 1,440
Spain	1,090 - 1,900	1,630 - 2,160
Sweden	2,430 - 2,980	2,980 - 3,480
Turkey	860 - 980	920 - 1,170
Ukraine	940 - 1,380	1,060 - 1,550
Abu Dhabi	1,380 - 1,840	1,500 - 2,080
Qatar	1,380 - 1,720	1,634 - 1,950
Dubai	1,340 - 1,790	1,450 - 2,010
Saudi Arabia	1,070 - 1,230	1,490 - 1,620
Mozambique	2,140 - 2,480	2,680 - 3,030
South Africa	1,470 - 1,720	1,840 - 2,090
Botswana	1,470 - 1,720	1,840 - 2,090
Namibia	1,640 - 1,890	2,020 - 2,290
Mauritius	2,140 - 2,480	2,680 - 3,030
Seychelles	2,860 - 3,340	3,470 - 3,780

Source: Rider Levett Bucknall

- Exchange rate fluctuations continue to have a significant impact on costs when a common currency is used. Middle East currencies in particular in the period since the last monitor have been impacted.
- The larger European economies in Germany and France are seeing construction sectors gathering momentum.
- The Middle East construction industry is slowly maintaining a positive sentiment across the region,

## Mid market – high

## Luxury

€ per sqm	€ per sqm
2,600 - 3,930	3,240 - 4,910
2,480 - 3,130	3,220 - 3,790
1,870 - 2,290	2,520 - 3,170
1,160 - 1,400	1,780 - 2,220
3,010 - 3,930	3,450 - 4,480
2,970 - 4,000	3,600 - 5,130
2,060 - 3,210	2,670 - 3,780
2,110 - 2,600	2,900 - 3,560
1,450 - 2,230	1,780 - 2,780
2,100 - 2,580	2,900 - 3,530
1,950 - 2,320	2,320 - 2,960
3,100 - 3,800	3,950 - 4,600
1,740 - 2,550	2,010 - 2,900
1,520 - 1,930	1,620 - 2,210
1,260 - 1,600	1,820 - 2,340
2,270 - 2,730	2,650 - 4,500
1,220 - 1,730	1,490 - 2,010
2,160 - 2,980	2,710 - 3,800
3,480 - 3,880	3,880 - 4,990
1,050 - 1,750	1,170 - 2,310
1,200 - 1,680	1,220 - 2,250
1,960 - 2,540	2,490 - 4,140
2,070 - 2,640	2,590 - 4,240
1,880 - 2,900	2,410 - 4,000
1,650 - 1,760	1,810 - 2,330
3,180 - 3,560	3,900 - 4,260
2,190 - 2,440	2,700 - 2,940
2,190 - 2,440	2,700 - 2,940
2,400 - 2,700	2,960 - 3,230
3,180 - 3,560	3,900 - 4,260
3,850 - 4,350	4,500 - 5,750

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.

which has been significantly impacted by political events over the past five years.

- Across Sub-Saharan Africa there has been a downward movement since our last report, with the hotel, single-family residential (houses) and retail sectors moving downward, and the multi-family residential (apartments) and civil sectors strengthening.

## Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	36x Jurys Inn + HGI Heathrow	Cze, Ire, UK
	13x IHG hotels (SITQ Portfolio)	Ger, Neth
	4x NH hotels	Ger, Neth
	3x resort hotels	Italy
	16x Queens Bilderberg hotels <sup>1</sup>	Netherlands
	14x HI Partners hotels	Spain
	4x Melia hotels <sup>2</sup>	Spain
	2x Hilton Metropole hotels	UK
	2x Ibis hotels	UK
	5x Portland Hotels	UK
	26x QHotels	UK
Single Asset Transactions		
Netherlands	Hyatt Place Amsterdam Airport	Amsterdam
	W Hotel Amsterdam	Amsterdam
	NH Collection Barbizon Palace	Amsterdam
Ireland	Radisson Blu Galway*	Galway
	Knightsbrook Hotel, Spa & Golf Resort	Trim
Spain	Barcelo Guadalmina	Guadalmina
	Vincci Seleccion Posada del Patio	Malaga
	Dolce Sitges	Sitges
UK	Hotel La Tour	Birmingham
	Premier Inn City Centre	Birmingham
	Grosvenor House	London
	Hilton Heathrow T4	London
	Travelodge Tower Bridge	London
	Hilton Reading	Reading
	Hampton by Hilton Stansted	Stansted
Hotel 53	York	
Other	Hotel Cavaliere Surplage	St Tropez, France
	King George	Athens, Greece
	Sofitel Chain Bridge	Budapest, Hungary
	Waldorf-Astoria Jerusalem	Jerusalem, Israel

Source: Whitebridge Hospitality

\* Sold out of receivership

<sup>1</sup> for a 95% stake

<sup>2</sup> for a 80% stake

- There was deal flow in CEE and MEA: RadissonBlu/ Park Inn Bucharest (Rom); Kempinski Adriatic (Cro); Africa-Israel Hotels (Isr); Arusha Hotel (Tan).
- Active, but secretive in Fra and Ita: AC Nice, Radisson Blu Toulouse, Westin Vendome, 45x Simply Hotels (Fra); Sheraton Rome, Westin Europa & Regina, Westin Palace Milan (Ita).
- Other notable deals: 7x Alua Hotels (Spa); Crerar Hotels (UK); 5x Principal Hotels (UK); 5x Luxury Family Hotels (UK).



No. of Keys	Total Price	Price per Key
	€	€
4,694	912,000,000	194,000
2,816	530,000,000	188,000
637	111,000,000	174,000
1,310	60,000,000	46,000
1,663	171,400,000	103,000
3,700	630,700,000	170,000
2,070	230,000,000	111,000
1,849	550,000,000	297,000
103	5,600,000	54,000
536	44,000,000	82,000
3,677	583,000,000	158,000
330	53,800,000	163,000
238	260,000,000	1,092,000
274	155,500,000	568,000
261	50,000,000	192,000
131	19,500,000	149,000
206	19,000,000	92,000
106	26,750,000	252,000
263	40,000,000	152,000
174	33,000,000	190,000
152	29,200,000	192,000
496	666,000,000	1,342,000
395	88,000,000	223,000
190	52,800,000	278,000
210	31,400,000	149,000
357	54,100,000	152,000
100	14,300,000	143,000
60	11,000,000	183,000
102	43,000,000	422,000
357	75,000,000	210,000
226	105,300,000	466,000

- Corporate deals: Groupe du Louvre acquired Hotels & Preference (Fra); AccorHotels acquired licence to Orient-Express (Fra); Hispania acquired control of Bay Hotels & Leisure (Spa); Starwood Capital acquired stake in Yotel (UK); Minor Hotels acquired stake in Corbyn & King (UK); Hua Kee acquired stake in Cycas Hospitality (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.

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## CONSENSUS HOTEL YIELDS

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### Introduction

We approached a selection of hotel valuers and 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
<b>Vacant Possession</b>				
Central London	5.0%	5.3%	5.1%	3.9%
Greater London	5.8%	6.4%	6.5%	5.2%
Primary Cities <sup>1</sup>	7.0%	7.3%	6.9%	6.2%
Other Cities	8.6%	8.8%	8.0%	7.5%
Country house		9.2%	8.4%	7.4%
<b>Adjustment Margin</b>				
Lease	-1.5%	-1.0%	-1.0%	0.7%
Management Contract		-0.1%	0.0%	0.9%

<sup>1</sup> For example: Birmingham, Manchester, Edinburgh, Glasgow  
Source: Bilfinger GVA, Christie & Co, Gerald Eve, Knight Frank, Lambert Smith Hampton, Savills

Compared to 12 months ago, the consensus view is that yields have sharpened for the second year in a row in most locations. Notable rises in yield appear to be within the Central London Luxury segment and in two of the three Country house segments.

### 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 for Management Contracts have come in a bit, even in the Luxury segment, suggesting that such operating agreements are regaining some popularity as a safer option compared to Vacant Possession with investors.

## 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 the Luxury segment, the margin for Management Contracts has moved out significantly).

Europe	Budget	Mid-Mkt	Upscale	Luxury
<b>Vacant Possession</b>				
France - Gateway Cities	6.3%	6.2%	6.1%	3.4%
France - Rest	6.8%	7.9%	7.9%	5.8%
Germany - Gateway Cities	5.9%	6.6%	6.3%	5.5%
Germany - Rest	7.5%	8.2%	7.9%	6.6%
Spain - Gateway Cities	6.4%	7.1%	6.5%	5.6%
Spain - Rest	8.4%	9.0%	8.8%	7.9%
E. Europe - Gateway Cities	8.3%	8.5%	8.0%	6.1%
E. Europe - Rest	9.4%	9.8%	9.4%	8.2%
<b>Adjustment Margin</b>				
Lease	-1.4%	-0.8%	-0.9%	1.1%
Management Contract		-0.2%	-0.1%	1.1%

Source: Bilfinger GVA, 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 for the fourth year running, some very significantly in the last 12 months.

## 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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