MARKET BEAT
UNITED KINGDOM
Hospitality Q1 2024

Published: 2024-04-09

MARKET SUMMARY & OUTLOOK

	YoY Chg.	12-Mo. Forecast.	
Investment Trends	▲	▲	Bid:ask spread slowly narrows but many buyers adopt a wait-and-see approach anticipating base rate cuts against backdrop of impending election. Q1 volumes surged to highest levels since 2019, up 138% YoY. Two portfolio trades comprised 60% of volume, outside of this investment was subdued. Notwithstanding buyer hopes, limited distress is evident buoyed by sustained performance & lender support for the sector. Enduring positive sentiment suggests promising deal flow ahead.
Prime Yields	▬	▼	Yields are relatively stable against those established at the close of 2023. Toward the back end of the year a slow and steady sharpening can be expected in line with the gradual reduction in base rates, although reversion to historic lows of the 2010's is unlikely. The enduring 'flight to quality' continues to dominate, heightening competition for opportunities in prime locations and maintaining a consistently stringent yield environment for premium assets.
Market Performance	▲	▲	Over the last 18 months, the UK has sustained elevated levels of performance, which now appear to be stabilising as the new standard. In Q1 2024, RevPAR surged by c. 6% compared to Q1 2023, propelled by tangible ADR growth of 4% to £107 (+27% increase against Q1 2019) and a 20 bps improvement in occupancy. Despite commendable topline progress, the spread between RevPAR and GOPPAR has further widened, driven by cost pressures.
Supply Outlook	▲	▬	While growth is anticipated to persist, it is expected to proceed at a decelerated rate relative to the past two years. UK-wide room supply grew 0.2% since the beginning of the year with c. 24,000 rooms still under construction (3.4% of inventory). A slowdown in new-build construction can be attributed to increased costs of materials, labour & financing – as a result, conversion activity is expected to be a primary driver of hotel pipeline growth in upcoming months.
Demand Outlook	▲	▲	UK hotel overnights in 2024 are set to surpass 2019, having hit 95% of 2019 levels last year. Leisure demand surpassed 2019 last year and is projected to grow by 6% in 2024, with business demand expected to exceed 2019 by 2025. London demand in 2023 matched 2019 levels and is forecasted to rise 8% in 2024 vs 2019. Consumer confidence is rising against the lows of 2022/23, supporting demand projections to grow at a steady 3.5% p.a. over the next 5 years.

Sources: Cushman & Wakefield / CoStar / Oxford Economics / GFK Consumer Confidence

Note: A contingency of 5% is assumed for transactions in the last two quarters, as some deals are revealed with notable delay.

INVESTMENT TRENDS

HIGHLIGHTS - 2024 Q1

- **£ 1.7** billion transacted
- **93** properties comprising **7,592** rooms sold
- **27%** of capital was deployed by domestic buyers
- **55%** of volume was invested in Upper Upscale hotels

RECENT TRANSACTION TRENDS

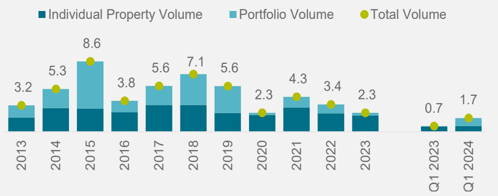
	Last Quarter (Q1 2024)				Last Year (2023)			
	Properties	Rooms	Volume	% Change*	Properties	Rooms	Volume	% Change*
United Kingdom	**93**	**7,592**	**1,695**	**138%**	**152**	**14,364**	**2,338**	**-30%**
Regional	**73**	**4,318**	**293**	**-13%**	**113**	**9,542**	**1,010**	**-47%**
London	20	3,274	1,402	273%	39	4,822	1,328	-8%
Manchester	0	0	0	-	4	471	56	-51%
Edinburgh	0	0	0	-	6	934	170	132%

Volume transacted in GBP millions

*Refers to the % change in transaction volume from the previous period

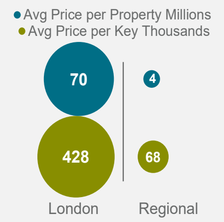
Source: Cushman & Wakefield

ANNUAL TRANSACTION VOLUMES
(2013 - Q1 2024, GBP BILLIONS)

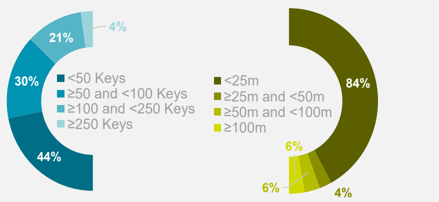


Source: Cushman & Wakefield / RCA

AVERAGE TRANSACTION PRICE
(Q1 2024, GBP)



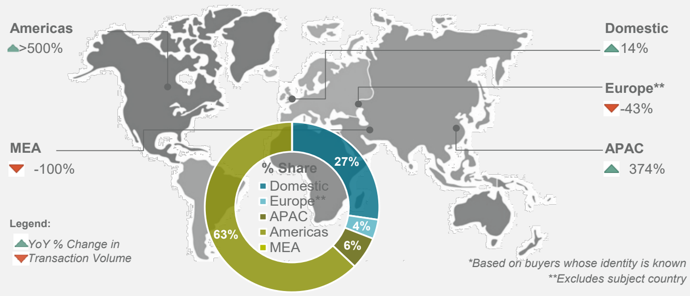
BREAKDOWN BY NO. OF ROOMS SOLD & DEAL SIZE
(Q1 2024, % SHARE OF DEALS)



Source: Cushman & Wakefield

NATURE OF INVESTMENTS

TRANSACTION VOLUME* BY SOURCE OF CAPITAL
(% CHANGE, Q1 2024 vs Q1 2023)



*Based on buyers whose identity is known

**Excludes subject country

Source: Cushman & Wakefield

TRANSACTED VOLUME BY TYPE OF INVESTOR
(Q1 2024, % SHARE OF TOTAL VOLUME)

	BUYERS (% Share) Q1 2024	% Change	SELLERS (% Share) Q1 2024	% Change
Institutional	8%	322% ▲	1%	-88% ▼
Private	69%	249% ▲	62%	270% ▲
Public	23%	245% ▲	36%	>500% ▲
User/Other	0%	0%	0%	-14% ▼

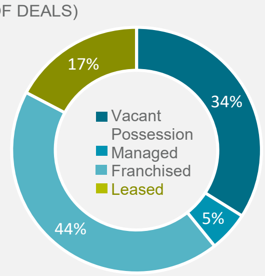
Source: Cushman & Wakefield / RCA

TRANSACTION VOLUME PER HOTEL CLASS
(% CHANGE, Q1 2024 vs Q1 2023)

HOTEL CLASS	*% OF TOTAL VOLUME*	*% CHANGE*	*HOTEL CLASS*	*% OF ROOMS SOLD*	*% CHANGE*
Luxury	14%	▲ 198%	Luxury	3%	▲ 9%
Upper Upscale	55%	▲ >500%	Upper Upscale	32%	▲ 364%
Upscale	11%	▼ -50%	Upscale	7%	▼ -54%
Upper Midscale	0%	▼ -88%	Upper Midscale	2%	▼ -68%
Midscale	0%	▼ -100%	Midscale	0%	▼ -100%
Economy	20%	▲ 50%	Economy	56%	▲ 205%

Source: Cushman & Wakefield

TRANSACTED VOLUME BY OPERATING STRUCTURE
(Q1 2024, % SHARE OF DEALS)



Source: Cushman & Wakefield

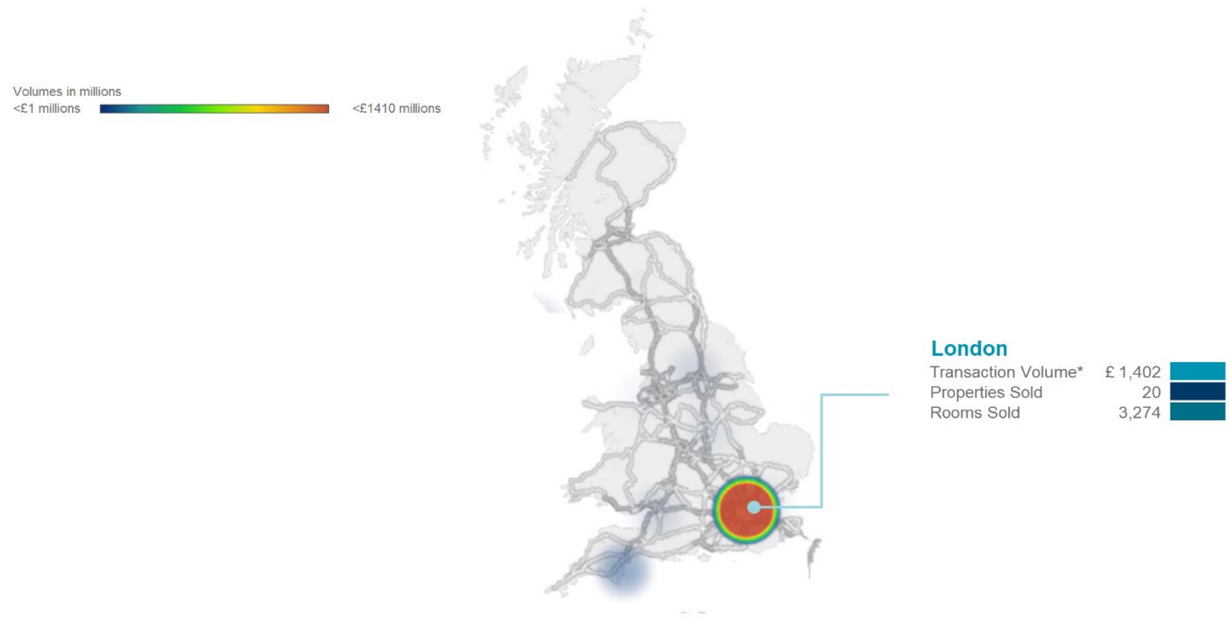
MARKET BEAT
UNITED KINGDOM
Hospitality Q1 2024

MAJOR DEALS OF Q1 2024

Property	Market	Keys	Buyer	Buyer Origin	Seller	Seller Origin
Edwardian UK Radisson Hotel Portfolio	London	2,053	Starwood Capital Group	USA	Edwardian Hotels	GBR
BT Tower	London	TBC	MCR Hotels	USA	British Telecoms Group	GBR
Hyatt Place London City East	London	280	Sun Venture	SGP	Resolution Property	GBR
Ruby Hotel Zoe	London	173	Deka Immobilien	DEU	Frogmore	GBR
Atlas House	London	150	Intergrity International Group	GBR	HINES	USA
Zinc House (Serviced Apartments)	London	15	Glenwell Group	GBR	Baron Investments Limited	GBR
Project Cobalt (Travelodge Portfolio)	Various	c. 3,300	Travelodge	GBR	LXi REIT	GBR
Barnsley House	Gloucestershire	18	KSL Capital Partners	USA	Halo HM UK	GBR
Etap Hotel Belfast	Belfast	146	Andras House	GBR	CBRE Investment Management	GBR
Royal Hotel Weymouth	Weymouth	71	Leisureplex Hotels	GBR	Bespoke Hotels	GBR

Note: Selection based on price per key and ordered by deal size

UNITED KINGDOM TRANSACTIONS - MAP VIEW Q1 2024



Source: Cushman & Wakefield

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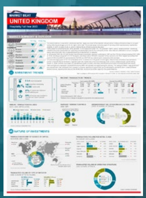

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