

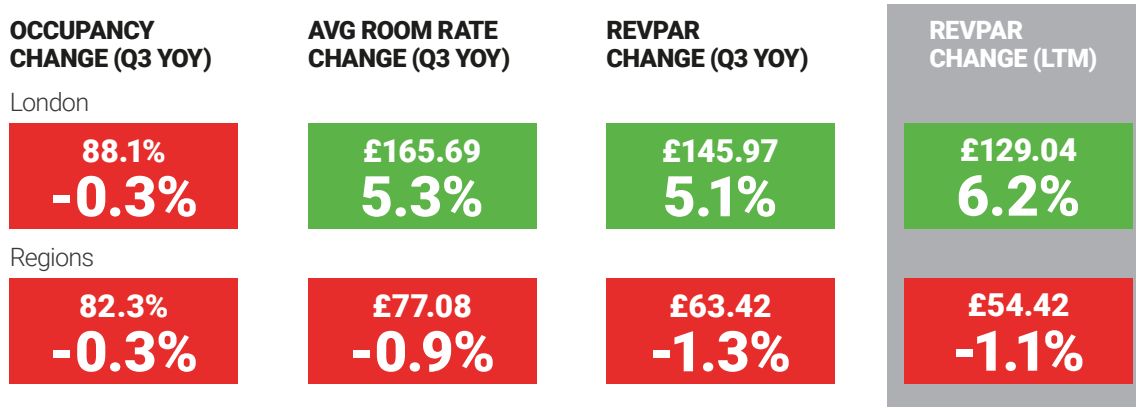
# UK HOTEL MARKET TRACKER: Q3 2019

## London and the regions continue to polarise

London recorded another strong quarter in Q3 2019, as events and a historically-low Sterling fueled rate-driven RevPAR growth. Regional RevPAR performance declined for a third consecutive quarter. The pressure on profitability continues to intensify in the regions, especially given low EBITDA margins and high active pipeline levels.

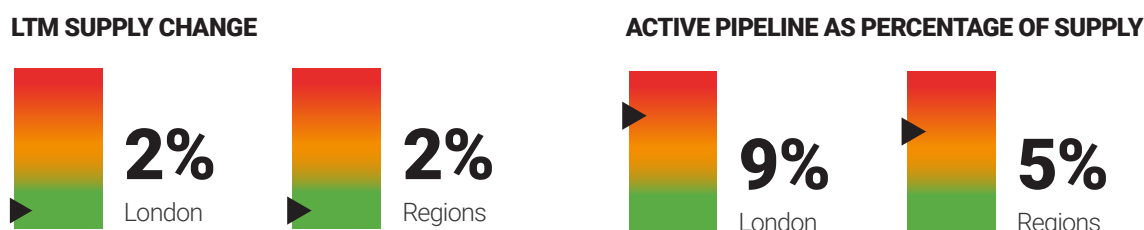
London enjoyed an increase in transactions in the last 12 months (LTM) as portfolio acquisitions bolstered total transaction value. In contrast, regional acquisitions were down in LTM, largely driven by a decrease in portfolio sales. We do not expect a material uptick in regional volumes until the implications of Brexit are better understood and the uncertainty is resolved.

### PERFORMANCE



Source: STR Key: ■ <0% ■ 0-4% ■ >4% LTM = Last 12 months  
 Note: Absolute metrics (above) and percentage change (below) are displayed in the performance section.

### SUPPLY



Source: STR  
 Note: Sliding colour scales provide an indication of the risk implied by each supply metric.

London enjoyed another positive quarter in Q3 2019. Whilst there was a slight decline in occupancy levels, hoteliers recorded rate-driven RevPAR growth of over 5%. This was driven by the combination of events (including Wimbledon, the 73rd Congress of the International Fiscal Association, PLASA Show and Sibos) and Sterling falling to a historical low in August. Consistent with quarterly performance, London recorded LTM growth above 6%.

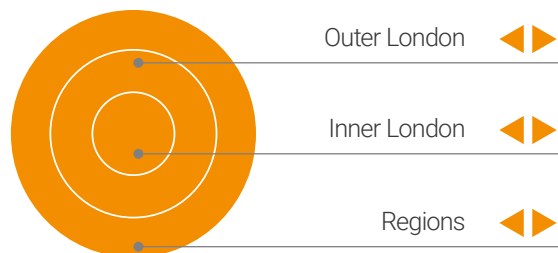
Active pipeline in London decreased slightly in Q3 2019 following the openings of the 192-bedroom Hoxton Southwark and the 214-bedroom STAY Camden, but 9% of current supply is still set to open in the next three years.

In contrast, performance in the regions continued to deteriorate in Q3 2019, with declining RevPAR recorded for the third consecutive quarter. Average EBITDA margins are lower in the regions and, as such, regional hoteliers are more susceptible to a performance downturn. This is particularly concerning given active pipeline levels of 5%.

## TRANSACTIONS (LTM)



## YIELD TRENDS<sup>1</sup>



Source: HVS

1. Yield movement since previous quarter

The last 12 months have seen a decrease in regional UK transaction volumes of some £900 million, whereby London transactions surged to £1.4 billion (+£341 million) when compared to the previous 12 months. The difference in London resulted predominantly from a strong uptick in portfolio sales. The regional decline is due to Brexit-related uncertainty, which has had a greater impact outside of perennially-attractive London.

The most significant UK transaction in Q3 was the sale of the 518-room Sofitel Gatwick to Schroders for £150 million (£290,000 per room). Another notable transaction was the 241-room Holiday Inn at Birmingham Airport which was acquired by 11 Hospitality for £33 million (£137,000 per room).

The continuing saga over Brexit fuels the uncertainty over the UK hotel transaction market which is unlikely to see a material change until there is greater clarity. In the meantime, yields remain largely unchanged for the same reasons.

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### ABOUT ALIXPARTNERS

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

### ABOUT HVS

HVS is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming and leisure industries. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, investors, lenders, operators and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 60 offices and 350 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

**Superior results through unrivalled hospitality intelligence. Everywhere.**

### ABOUT STR

STR is the source for premium global data benchmarking, analytics and marketplace insights. Our data is confidential, reliable, accurate and actionable. Our comprehensive solutions, analytics and unrivalled marketplace insights are built to fuel growth and help our clients make better business decisions.

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