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ISRAEL HOTEL MARKET OVERVIEW 2019

ANOTHER RECORD YEAR!

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Country Highlights

Political Background

Legislative elections were brought forward to 9 April 2019 instead of November 2019 as a result of several disputes including a bill on national service for the ultra-Orthodox and potential corruption charges against Prime Minister Benjamin Netanyahu. The Likud and Blue & White parties tied which has prevented Netanyahu from forming a new coalition. As the question over national service remains a key issue, a snap election was called, to be held on 17 September 2019. Watch this space!

A Flourishing Economy

The Israeli economy performed well again in 2018 with GDP growth of around 3.5%, driven by domestic consumption. Foreign direct investment continues to increase, as does the number of start-ups, allowing the country to consolidate its reputation as a leading high-technology and research & development hub. The Economist Intelligence Unit has forecast annual GDP growth of more than 4% between 2021 and 2023.

Major Projects

The two main large-scale projects directed towards the hospitality industry have been almost fully completed. The high-speed train linking Tel Aviv to Jerusalem via Ben Gurion Airport was partially opened (between Jerusalem and the airport) in September 2018. The remaining segment to Tel Aviv is expected to open by the end of 2019. In addition, Eilat's new international airport was finally inaugurated in January 2019, replacing Eilat City and Ovda airports. Sde Dor airport in Tel Aviv is now closed.

New Record!

Building on an impressive 2017 when the country exceeded 3 million tourists for the first time in its history, 2018 was even better as Israel welcomed more than 4.1 million tourists, representing a year-on-year increase of more than 14%. The top five feeder markets remained unchanged in 2018: the USA (21%), Russia (9%), France (8%), Germany (6%) and the UK (5%).

Hotel Performance

Overall hotel performance was again very strong in 2018 with RevPAR for the country increasing by 6%, driven essentially by average rate as Eilat and the Dead Sea witnessed a slight reduction in occupancy levels.

	2015			2016			2017			2018			Sample Size
	Occupancy	Average Rate (US$)	RevPAR (US$)	Occupancy	Average Rate (US$)	RevPAR (US$)	Occupancy	Average Rate (US$)	RevPAR (US$)	Occupancy	Average Rate (US$)	RevPAR (US$)	Rooms
Tel Aviv	71%	231	163	71%	224	159	74%	228	168	76%	242	183	4,552
Eilat	73%	194	142	72%	208	150	76%	210	160	74%	217	161	3,873
Jerusalem	58%	185	107	55%	180	99	66%	184	121	71%	190	134	3,523
Dead Sea	73%	185	134	76%	189	143	79%	202	159	76%	208	158	1,654
Haifa	60%	159	96	64%	158	101	65%	168	109	66%	172	114	832
Israel (Average)[1]	**68%**	**201**	**136**	**67%**	**203**	**136**	**72%**	**208**	**151**	**74%**	**217**	**160**	**14,434**

[1] The average of the samples of hotels in the five destinations

Source: HVS Research

Israel

Market Profile

Israel is on the eastern shores of the Mediterranean. It borders Lebanon to the north, Syria to the northeast, Jordan to the east and Egypt to the southwest. The West Bank and the Gaza Strip, often referred to as the Palestinian territories, are adjacent. The country's political situation has been turbulent ever since it was founded in 1948.

POPULATION
9,000,000

MAIN INTERNATIONAL AIRPORTS
Ben Gurion Airport (Tel Aviv)
Ramon Airport (Eilat)

AVERAGE LENGTH OF STAY
2.4 nights

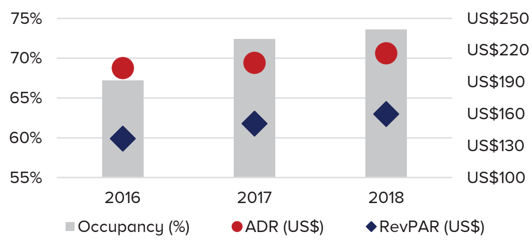
SEASONALITY
High Season – Apr, May, Jul, Aug, Oct
Low Season – Jan, Feb, Dec

INTERNATIONAL BRAND PRESENCE
IHG, Marriott, Hilton, Wyndham, Best Western, AccorHotels, Fattal

Hotel Performance

2018 was another strong year for the Israeli hotel industry with RevPAR increasing by 6%, driven by a healthy increase in average rate in all markets under review. Hoteliers in resort locations like Eilat and the Dead Sea did not manage to hold onto the level of occupancy achieved in 2017; both markets recorded a drop in 2018.

Key Metrics



Source: HVS Research

Supply and Demand

Israel welcomed 4.1 million tourists in 2018, an increase of more than 14% over 2017. The growing number of air routes combined with the celebration of the 70th anniversary of Israel's establishment contributed to this sharp increase, which has continued into 2019. Total demand growth slightly outpaced rooms supply growth between 2014 and 2018; however, the same comparison over the last three years indicates a much larger gap, with demand increasing by 6.7% year-on-year and rooms supply grew by 2.9%, thus highlighting the strong potential of the country and need for additional accommodation, especially at the budget end of the spectrum.

Supply and Demand Growth

	SUPPLY		DEMAND	
2018	**Hotels**	**Rooms**	**Domestic**	**Foreign**
Level I	61	14,833	3,494,800	3,335,900
Level II	111	18,490	4,863,000	3,748,200
Level III	139	12,963	2,317,900	3,033,200
Level IV	68	3,412	540,700	641,500
Other	40	5,166	2,360,500	821,100
Total	**419**	**54,864**	**13,576,900**	**11,579,900**

CAGR	SUPPLY		DEMAND	
2014-18	**Hotels**	**Rooms**	**Domestic**	**Foreign**
Level I	6.2%	3.6%	1.9%	6.1%
Level II	6.0%	3.0%	1.2%	6.2%
Level III	3.3%	1.6%	0.3%	5.6%
Level IV	-0.4%	-0.3%	0.6%	3.0%
Other	0.6%	0.0%	0.9%	7.7%
Total	**3.4%**	**2.3%**	**1.2%**	**5.9%**

Note: Demand = Bednights; Level I corresponds to a five-star Hotel.
Source: Central Bureau of Statistics

Jerusalem

Market Profile

Jerusalem is the largest city in Israel both in terms of population and area. The city has a rich history; it is one of the oldest cities in the world and is considered holy in Judaism, Christianity and Islam. Jerusalem is home to the country's most prominent government institutions, including the Knesset (parliament) and the Supreme Court.

Hotel Performance

Jerusalem's hotel market bounced back in 2017, thanks to the events organised around the 50th anniversary of the city's reunification, and the positive trend in both occupancy and average rate continued into 2018 as the city hosted the first three stages of the Giro d'Italia, one of the most important cycle races in the world.

Supply and Demand

Although the increase in bednights was not as significant as last year, Jerusalem's hotels recorded an increase of 10%, driven primarily by the international market which, in 2018, represented 80% of total demand, an increase from 75% in 2016. Recent openings include the 104-room ibis Styles Jerusalem City Center, Accor's second property in Jerusalem. Over the next few years, the second InterContinental in Israel will open; Isrotel will open a new property near Zion Square; and Fattal will bring its NXY brand to the city. Over the last five years demand growth has significantly outpaced supply growth, highlighting the strong potential of the destination to welcome new hotels.

POPULATION
900,000

CLOSEST INTERNATIONAL AIRPORT
Ben Gurion Airport – 55 km

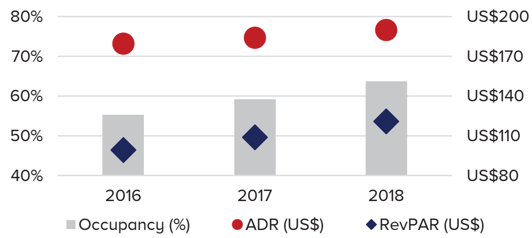
AVERAGE LENGTH OF STAY
2.8 nights

SEASONALITY
High Season – Apr, May, Oct, Nov
Low Season – Jan, Feb, Sep

INTERNATIONAL BRAND PRESENCE

IHG · Fattal · Hilton · WYNDHAM · ACCOR HOTELS

Key Metrics



Source: HVS Research

Supply and Demand Growth

2018	SUPPLY Hotels	SUPPLY Rooms	DEMAND Domestic	DEMAND Foreign
Level I+II	31	6,636	677,500	2,443,200
Level III	37	3,286	242,300	1,200,200
Other	21	905	87,800	286,700
Total	**89**	**10,827**	**1,007,600**	**3,930,100**

CAGR 2014-18	SUPPLY Hotels	SUPPLY Rooms	DEMAND Domestic	DEMAND Foreign
Level I+II	5.5%	2.6%	4.4%	6.4%
Level III	6.3%	3.3%	8.6%	9.2%
Other	0.0%	-1.7%	5.6%	5.2%
Total	**4.4%**	**2.4%**	**5.4%**	**7.1%**

Note: Demand = Bednights; Level I corresponds to a five-star Hotel.
Source: Central Bureau of Statistics

Pipeline ~16% of current room supply

Tel Aviv

Market Profile

Tel Aviv is the country's financial capital and a global hub for tech start-ups. The city is home to a number of corporate offices, the Tel Aviv Stock Exchange, and some research and development centres. Tel Aviv is often referred to as 'The City That Never Sleeps' in light of its 24-hour culture, cosmopolitan lifestyle, bars, restaurants and nightlife.

POPULATION
445,000

CLOSEST INTERNATIONAL AIRPORT
Ben Gurion Airport – 25 km

AVERAGE LENGTH OF STAY
2.4 nights

SEASONALITY
High Season – Apr, May, Aug, Oct
Low Season – Jan, Feb, Sep

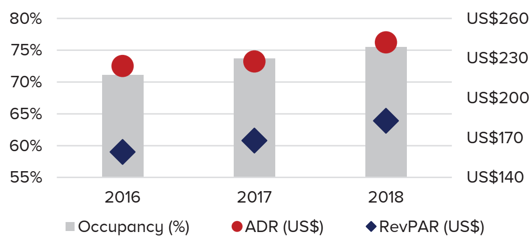
INTERNATIONAL BRAND PRESENCE

Marriott, IHG, Hilton, Best Western, Fattal

Hotel Performance

After a strong year in 2017, 2018 followed suit with occupancy levels reaching their highest mark since the beginning of our publication in 2012, and average rate growing at a very healthy pace, mirroring the positive trends in visitation and airport arrivals as well as the overall increasing appeal of Tel Aviv as a city break destination.

Key Metrics



Source: HVS Research

Supply and Demand

The number of bednights increased by 7.2% in 2018, a figure slightly below the 2017 level, although still extremely impressive. The growth was mainly driven by the international market which grew by more than 7.5% and accounted for around three quarters of the total demand. Recent openings include the 120-room The Setai Tel Aviv; the long-awaited, 120-room The Jaffa, a Luxury Collection Hotel; the 44-room The Drisco Tel Aviv; and the 94-room Link Hotel & Hub. Over the next few years, Tel Aviv is expected to see a number of openings, especially in the luxury segment with brands like Kempinski and Nobu scheduled to enter the market.

Supply and Demand Growth

	SUPPLY		DEMAND	
2018	**Hotels**	**Rooms**	**Domestic**	**Foreign**
Level I	16	3,439	314,500	1,085,900
Level II	19	2,512	283,900	776,200
Level III	24	1,629	174,000	558,900
Other	19	989	95,900	356,000
Total	**78**	**8,569**	**868,300**	**2,777,000**

CAGR	SUPPLY		DEMAND	
2014-18	**Hotels**	**Rooms**	**Domestic**	**Foreign**
Level I	9.8%	3.8%	10.1%	5.1%
Level II	14.6%	6.6%	11.2%	7.8%
Level III	7.5%	4.9%	4.6%	8.1%
Other	0.0%	0.8%	-0.7%	5.1%
Total	**7.2%**	**4.4%**	**7.8%**	**6.4%**

Note: Demand = Bednights; Level I corresponds to a five-star Hotel.
Source: Central Bureau of Statistics

Pipeline ~56% of current room supply

Whilst a number of projects are still speculative, we understand that around 60% of the pipeline has been confirmed.

Eilat

Market Profile

Eilat is on the shore of the Red Sea in the south of the country, between the borders with Egypt (Taba) and Jordan (Aqaba). While the destination was originally a military outpost and a key port, Eilat has evolved over the last 40 years into a popular leisure destination with tourism as a principal source of income.

POPULATION

50,000

CLOSEST INTERNATIONAL AIRPORT

Ramon Airport – 18 km

AVERAGE LENGTH OF STAY

2.8 nights

SEASONALITY

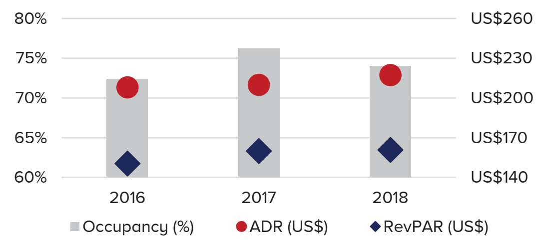
High Season – Jun, Jul, Aug
Low Season – Jan, Feb

INTERNATIONAL BRAND PRESENCE

Hotel Performance

Although marketwide occupancy decreased slightly in 2018 following a record year in 2017, it remained slightly above the historical average performance. On the other hand, average rate recorded another healthy increase in 2018, making it the third consecutive year of growth. As a result of these dynamics, RevPAR remained static at around US$161.

Key Metrics



Source: HVS Research

Supply and Demand

Initially scheduled for 2017 but then postponed to Q3 2018, Eilat's new international airport was finally inaugurated in January 2019, replacing Eilat City Airport and Ovda Airport. While the number of bednights in 2018 remained broadly stable, the opening of the new airport is expected to drive additional demand in the coming years. In recent weeks, the Government Housing Cabinet approved an amendment to the Planning and Building Law allowing the construction of 845 additional rooms by the Astral Chain as well as granting rights to build another 400 rooms in the area, thus boosting hotel supply which has not changed over the last six years.

Supply and Demand Growth

	SUPPLY		DEMAND	
2018	Hotels	Rooms	Domestic	Foreign
Level I	8	3,043	1,537,400	199,600
Level II	14	3,285	1,860,700	209,900
Level III	9	1,495	762,100	95,200
Other	19	3,200	2,042,800	256,000
Total	50	11,023	6,203,000	760,700

CAGR	SUPPLY		DEMAND	
2014-18	Hotels	Rooms	Domestic	Foreign
Level I	0.0%	0.0%	-2.0%	-8.4%
Level II	0.0%	0.0%	0.8%	-3.9%
Level III	0.0%	0.0%	1.8%	1.2%
Other	0.0%	0.0%	0.8%	8.1%
Total	0.0%	0.0%	0.2%	-1.5%

Note: Demand = Bednights; Level I corresponds to a five-star Hotel.
Source: Central Bureau of Statistics

Pipeline ~8% of current room supply

Haifa

Market Profile

Haifa is the third-largest city in Israel (after Jerusalem and Tel Aviv) and is located on the northern coastal plain, 45 km from the Lebanese border. The city is industrial, especially hi-tech, and home to one of the largest business parks in the country counting Google, Apple and Microsoft as occupiers. The port of Haifa is Israel's largest port in terms of cruise ship passengers.

POPULATION
281,000

CLOSEST INTERNATIONAL AIRPORT
Ben Gurion Airport – 113 km

AVERAGE LENGTH OF STAY
2.0 nights

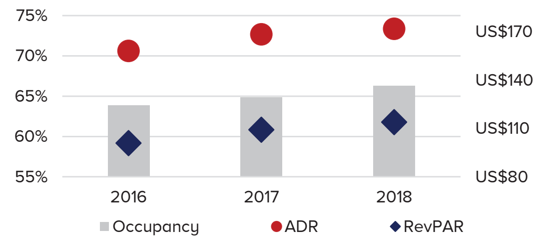
SEASONALITY
High Season – Jul, Aug, Oct
Low Season – Jan, Feb, Dec

INTERNATIONAL BRAND PRESENCE

Hotel Performance

2018 was another positive year for the hotel market in Haifa, with both occupancy and average rate increasing by 2.0%. As a result of these dynamics, marketwide RevPAR recorded a third consecutive year of growth with a further increase of about 4.0% in 2018

Key Metrics



Source: HVS Research

Supply and Demand

The total number of bednights remained broadly static in 2018 at around 582,000. While the share of international bednights decreased slightly from 49% to 48%, it is still well above the historical levels of around 41-42%, suggesting the destination is consolidating its international attractiveness. It is worth noting that Haifa is home to the most holy sites of the Bahá'í faith. Room supply in the city has remained broadly static in recent years increasing from 1,473 in 2014 to 1,593 in 2018. Recent openings include the 61-room Kedem Hotel in June 2019, a wellness resort located in Tirat Carmel. Going forward, there are a number of properties rumoured to be entering the market (two hotels of 254 and 234 rooms).

Supply and Demand Growth

	SUPPLY		DEMAND	
2018	**Hotels**	**Rooms**	**Domestic**	**Foreign**
Level I	8	1,024	207,300	105,300
Other	10	569	94,000	175,100
Total	**18**	**1,593**	**301,300**	**280,400**

CAGR	SUPPLY		DEMAND	
2014-18	**Hotels**	**Rooms**	**Domestic**	**Foreign**
Level I	3.4%	2.3%	4.9%	2.6%
Other	2.7%	1.4%	-0.4%	9.1%
Total	**3.0%**	**2.0%**	**3.1%**	**6.4%**

Note: Demand = Bednights; Level I corresponds to a five-star Hotel.
Source: Central Bureau of Statistics

Pipeline ~30% of current room supply

Dead Sea

Market Profile

The Dead Sea lies some 430 m below sea level making it the lowest point on earth. The Israeli side of the Dead Sea started to be developed in the 1960s, whilst the Jordanian side remained largely untouched. Over the years, the Dead Sea area has become a renowned health, rehabilitation and recreation hub, building a reputation as a destination in its own right.

POPULATION
N/A (various towns)

CLOSEST INTERNATIONAL AIRPORT
Ben Gurion Airport – 160 km

AVERAGE LENGTH OF STAY
2.2 nights

SEASONALITY
High Season – Apr, Jul, Aug, Oct
Low Season – Jan, Feb, Dec

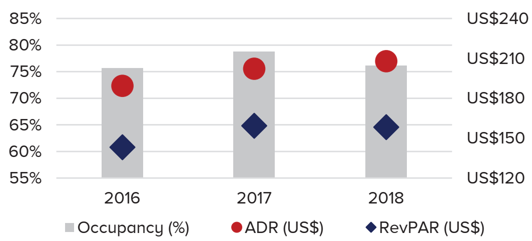
INTERNATIONAL BRAND PRESENCE

IHG Fattal

Hotel Performance

Following two consecutive years of impressive RevPAR growth driven by both occupancy and average rate, figures for 2018 indicate a decrease in occupancy (2017 was the among the highest ever recorded) but a healthy increase in rate, resulting in a negligible decrease in RevPAR.

Key Metrics



Source: HVS Research

Supply and Demand

While the Dead Sea is the only market under review to record a negative compound annual growth rate between 2014 and 2018 in bednights, it remains a popular resort destination as 8% of total bednights in Israel are spent in the area. The Dead Sea relies on domestic visitation, although international market share increased from 19% in 2015 to 26% in 2018. This is likely to explain the performance dynamics, as international travellers are generally less price sensitive. Furthermore, a growing number of Israelis holiday abroad as departures increased from 5.2 million in 2014 to almost 8.5 million in 2018. Recent openings include the 162-room Milos Dead Sea Hotel operating under the Herbert Samuel brand.

Supply and Demand Growth

	SUPPLY		DEMAND	
2018	**Hotels**	**Rooms**	**Domestic**	**Foreign**
Level I	11	3,431	1,387,900	413,700
Other	4	621	124,800	125,100
Total	**15**	**4,052**	**1,512,700**	**538,800**

CAGR	SUPPLY		DEMAND	
2014-18	**Hotels**	**Rooms**	**Domestic**	**Foreign**
Level I	0.0%	0.0%	-2.3%	1.5%
Other	0.0%	0.0%	-9.3%	-1.7%
Total	**0.0%**	**0.0%**	**-3.0%**	**0.7%**

Note: Demand = Bednights; Level I corresponds to a five-star Hotel.
Source: Central Bureau of Statistics

Pipeline ~11% of current room supply

We also highlight the Dead Sea Valley Project, a master development which includes some 3,000-5,000 hotel rooms in Ein Bokek.

Hotel Development

Government Initiatives

In 2016, the Ministry of Tourism launched a number of initiatives aimed at boosting hotel investment in Israel and to help make the country a more affordable destination. The main aspects of these initiatives are summarised below.

1. National Infrastructure

Hotels have been recognised as part of the National Infrastructure. In order to obtain this status, investors must meet one of the following conditions.

- Build at least 400 rooms at a single site;
- Build two hotels in two different regions with at least 300 rooms;
- Build four hotels with at least 25 rooms each.

2. Centralised Application

Prior to these initiatives, investors had to deal with a number of different planning committees in order to obtain a permit, thus making the entire process extremely lengthy (sometimes between five and ten years). The application has now been centralised and the entire process is handled by the National Infrastructure Committee, thus cutting bureaucracy.

3. Additional Residential Use

District committees can grant additional residential rights up to 20% of the authorised hotel surface area. These residences can be sold, thus improving the attractiveness of the investment, as a residential component tends to accelerate capital return and improve the overall IRR of a project.

4. Government Grant Scheme

While the lending situation is slowly improving as banks are becoming less hesitant to lend for hotel purposes, the Ministry of Tourism launched a government scheme to provide additional support to developers. Government will offer grants of 20% of the investment for:

- Construction of new hotels;
- Expansion of existing hotels;
- Conversion to hotel use.

We note that the additional 13% previously available for low-cost hotels is no longer offered.

Prerequisites to apply for a grant are:

- A valid urban construction plan;
- Rights to the land (lease agreements in excess of 20 years are accepted);
- Proof of financial ability to provide equity of at least 20% of the total investment.

New Supply

The table overleaf provides an overview of hotel development and recently opened properties in Israel. However, the hotel pipeline is actually expected to be more significant with a number of additional rumoured projects throughout the country and in key cities like Tel Aviv, Jerusalem and the Dead Sea, where both local and international operators are expected to strengthen their presence. In addition, the improving market conditions and arrival of brands like Six Senses, Nobu and Kempinski are expected to bring more comfort and provide new opportunities in terms of operating models, as leases are preferred by local developers.

Proposed Property	Hotel Group/Operator	Location	Number of Rooms	Opening Date[1]
The Jaffa, a Luxury Collection Hotel	Marriott	Tel Aviv	120	Opened
ibis Styles Jerusalem	AccorHotels	Jerusalem	110	Opened
Link Hotel & Hub	Dan Hotels	Tel Aviv	95	Opened
The Drisco Tel Aviv	Independent	Tel Aviv	42	Opened
The Lighthouse	Brown Hotels	Tel Aviv	100	Opened
NYX Herzliya	Fattal Hotels	Herzliya	179	Opened
Galei Sanz Hotel	Independent	Netanya	82	Opened
Kedem Hotel	TBC	Haifa	61	Opened
Lady Stern Jerusalem	Independent	Jerusalem	194	Opened
Lear Sense Hotel	Independent	Gedera	25	Opened
The Dave Levniksy	Brown Hotels	Tel Aviv	33	Opened
Opera Tel Aviv by Herbert Samuel	Herbert Samuel	Tel Aviv	100	Opened
The Milos Dead Sea	Herbert Samuel	Ein Bokek	162	Opened
Theodor	Brown Hotels	Tel Aviv	34	Q3 2019
WOM Allenby	Brown Hotels	Tel Aviv	40	Q3 2019
Six Senses Shaharut	Six Senses	Shaharut	59	Q4 2019
Proposed Lifestyle Hotel	TBC	Tel Aviv	110	Q1 2020
Proposed Upscale Hotel	TBC	Tel Aviv	200	Q1 2020
Hotel Bobo	Brown Hotels	Tel Aviv	200	Q1 2020
Deborah Brown	Brown Hotels	Tel Aviv	90	Q1 2020
Brown JLM	Brown Hotels	Tel Aviv	46	Q1 2020
Kempinski David Hotel	Kempinski	Tel Aviv	250	Q2 2020
Isrotel Sde Boker	Isrotel	Sde Boker	162	Q2 2020
Nobu Tel Aviv	Nobu	Tel Aviv	38	Q3 2020
Isrotel North Yarkon	Isrotel	Tel Aviv	154	2021
InterContinental Jerusalem	IHG	Jerusalem	229	2021
Proposed Upscale Hotel	TBC	Tel Aviv	250	2021
NYX Jerusalem	Fattal Hotels	Jerusalem	168	2021
The Modani Luxury Spa Resort	TBC	Netanya	134	2022
Isrotel Leon Towers	Isrotel	Tel Aviv	235	2022
Isrotel Jerusalem Boulevard	Isrotel	Tel Aviv	125	2022
Pullman Jerusalem	AccorHotels	Jerusalem	270	2022
Proposed Luxury Hotel	TBC	Tel Aviv	416	2022
Fattal Beit Alliance	Fattal Hotels	Jerusalem	90	2022
Isrotel Ahad Ha'am	Isrotel	Tel Aviv	87	2022
Isrotel 99 Dizengoff	Isrotel	Tel Aviv	122	2022
Isrotel Ein Bokek	Isrotel	Ein Bokek	43	2022
Astral Lite Hotel	Astral Hotels	Eilat	500	2022
Proposed Development (Luxury and Upscale)	TBC	Tel Aviv	160, 340	2022
Swissôtel Sun Bat Yam	AccorHotels	Bat Yam	276	2023
Alkunin MGallery by Sofitel	AccorHotels	Tel Aviv	44	2023
Proposed Luxury Hotel, Golf & Spa	TBC	Mount Arbel	150	2023
Proposed Luxury Hotel	TBC	Tel Aviv	225	2023
Isrotel Zion Square	Isrotel	Jerusalem	250	2023
Moshava Germanit Hotel (Nitsba)	NIP	Haifa	250	2023
Proposed Luxury Hotel	TBC	Tel Aviv	135	2024
Proposed Development(Luxury and Upscale)	TBC	Tel Aviv	165,220	2025
The Nitzba – former Foreign Ministry	TBC	Jerusalem	360	TBC
Sea Gate Hotel (Nitsba)	TBC	Netanya	70	TBC
Sarona Hotel (Nitsba)	TBC	Tel Aviv	880	TBC
Proposed Hotel Haifa	TBC	Haifa	234	TBC
Proposed Hotel Ben Gurion Airport	TBC	Airport City	250	TBC
Proposed Hotel	Fattal Hotels	Eilat	182	TBC
Proposed Development (Two Hotels)	TBC	Ein Bokek	400	TBC
The Setai Akko	The Setai	Acre	TBC	TBC
The Setai Glilot	The Setai	Tel Aviv	TBC	TBC
The Setai Tel Aviv Promenade	The Setai	Tel Aviv	TBC	TBC
Brown Salame Street	Brown Hotels	Tel Aviv	190	TBC
Proposed Hotel	TBC	Jerusalem	180	TBC
Mishkenot HaTeatron	TBC	Jerusalem	76	TBC
The Braun Hotel	TBC	Jerusalem	46	TBC
The Bishop's House	TBC	Jerusalem	50	TBC
Dan Accadia Herliya (extension)	Dan Hotels	Herzliya	1,140	TBC

[1]Provisional

Source: HVS Research

Hotel Values and Investment

The indications for changes in hotel values in Israel (presented in the table below) are based on trading results from 2012 to 2018 and our view of trading prospects and investment appetite for the foreseeable future.

Although not as pronounced as last year Israeli hotel values increased by more than 4.9% in 2018, compared to growth of 3.0% for the overall European market (please refer to our *2019 European Hotel Valuation Index*).

On an individual basis, 2018 was mixed, reflecting the various changes in performance recorded throughout the country with significant increases in both Tel Aviv and Jerusalem, which is not surprising given the impressive performance of both markets.

PERCENTAGE CHANGE IN HOTEL VALUES (BASED ON US$)

	2014	2015	2016	2017	2018
Tel Aviv	-11.8	-2.6	-2.5	5.3	9.0
Jerusalem	-3.6	-4.4	-6.8	9.6	11.1
Eilat	3.7	-4.0	6.2	6.3	0.5
Haifa	0.2	-2.4	5.1	8.2	4.2
Dead Sea	1.3	-18.0	6.9	11.2	-0.6
Israel (Average)	**-3.1**	**-6.3**	**1.4**	**7.8**	**4.9**

Source: HVS Research

Despite a significant improvement in performance, a growing hotel pipeline and a large amount of Israeli capital deployed in continental Europe, the hotel transaction market in Israel stills lacks transparency, with limited information in the public domain. We would welcome receiving details of any transactions that our readers are familiar with.

HOTEL TRANSACTIONS

Date of Sale	Property	Number of Rooms	Price (US$)	Price per Room (US$)	Buyer	Seller
Jul-19	Indigo Tel Aviv – Ramat Gan	92	31,900,000	347,000	Africa Israel Hotels Company	Fishman Family
May-19	Rimonim Eilat Hotel	278	30,600,000	110,000	Dan Hotels	Israel Land Dev.
May-19	Ruth Rimon Hotel	75	9,400,000	125,000	Dan Hotels	Israel Land Dev.
May-19	Rimonim Nazareth Hotel	226	17,700,000	78,000	Dan Hotels	Israel Land Dev.
Dec-17	Waldorf Astoria Jerusalem	226	130,000,000	575,000	Financiere Immo Nordelaise	Reichmann Int'l Dev.
Mar-16	Mitzpe Hotel & Spa Hayamim	97	26,400,000	272,000	Isrotel	Sami Hazan
Oct-15	Princess Hotel Eilat	418	64,400,000	154,000	Nitsba Holdings	Lexan Israel
Oct-14	Rimonim Hotel Eilat	278	27,200,000*	98,000	Sella Capital Real Estate	Rimonim

*estimated

Source: HVS Research

Conclusions

Another year, another record! Thanks to the continued lull in the turbulence of the geo-political situation in the area, the Israeli tourism industry is flourishing with an ever-growing number of tourists visiting the country. However, it is important to remember that the 'sword of Damocles' remains suspended and that any incidents may halt this positive development. The pipeline across the country has never been so strong with a number of international operators looking to enter or strengthen their presence in Israel. In addition, the development of more affordable hotels is finally on the way – WOM Allenby (Brown Hotels) is the first pod-style hotel in Tel Aviv.

Although the recent Eurovision contest did not generate a significant RevPAR uplift (as it tends to do), results from the first half of 2019 indicate that once again the country could break a new arrivals record. If the positive trend is set to continue, the next main challenge awaiting hoteliers will be to attract returning visitors, and to do so the overall service level is likely to require some significant improvements in order to meet guests' expectations.

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About HVS

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

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With offices in London since 1990, HVS London serves clients with interests in the UK, Europe, the Middle East and Africa (EMEA). We have appraised some 4,000 hotels or projects in more than 50 countries in all major markets within the EMEA region for leading hotel companies, hotel owners and developers, investment groups and banks. Known as one of the foremost providers of hotel valuations and feasibility studies, and for our ability, experience and relationships throughout Europe, HVS London is on the valuation panels of numerous top international banks which finance hotels and portfolios.

In Israel, HVS has worked on hotel valuations and feasibility studies throughout the country, in Jerusalem, Tel Aviv, Herzliya, Netanya, Akko, the Dead Sea, Mitzpe Ramon, the Galilee area and Eilat. Russell Kett has been a regular speaker on the hotel sector at conferences in the country.

We are grateful to the many hoteliers in Israel who provided operating data and other information for this report, along with the Ministry of Tourism. We would welcome the participation of even more hoteliers to enable greater representation of the country's hotel sector.

About the Authors

Lionel Schauder is a senior associate with the HVS London office. He holds a BSc (Hons) in International Hospitality Management from Ecole hôtelière de Lausanne, with a focus on hotel development and real estate. Lionel gained valuable operational experience in Switzerland, Australia and Chile. Recent assignments at HVS include hotel feasibility studies and valuations in Israel, France, Malta, Spain, Switzerland, the UK and the Netherlands.

Russell Kett, FRICS is chairman of the London office of HVS. He has 40 years' specialist hotel consultancy, investment and real estate experience, focused on providing valuation, feasibility, shared ownership, property, brokerage, investment, asset management, strategy and related consultancy services, advising hotel companies, banks, developers and investors on all aspects of their hospitality industry related interests, throughout the EMEA region. Russell is a frequent writer, moderator and speaker on the international hotel industry, especially topics relating to hotel valuation, investment, marketing and finance. He is a frequent visitor to Israel and maintains a home there.

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