

EMEA HOTELS MONITOR

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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.

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STR Global provides clients with access to hotel research with regular and custom reports covering over 45,000 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.

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Introduction

Could a year pack any more into it? In 2011, when the region witnessed an Arab Spring, riots in Western and Eastern Europe, the first US downgrade in 60 years and chronic dithering on the part of euro land, most people would have forgiven the hotel sector for having an atrocious 12 months. And yet here we are in early 2012, looking back with a sense of relief.

Generally speaking, hotel performance levels have held up well in those countries that have enjoyed relative political stability. In North Africa and Greece on the other hand, hotel markets have suffered severely and a recovery will only be possible once the political uncertainty is resolved and stability returns to the streets.

Despite these momentous events and the continuing logjam on debt funding, the transactions arena in Europe has been active (just exceeding the volumes achieved in 2010), with the UK leading the charge. We estimate that the volume of deals done by value in 2011 in Provincial UK increased by more than 150%, with some 29% of those deals by value being distress related. In terms of both value and number of deals closed, the volume of distressed sales in 2011 exceeded the previous peak in 2009.

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The biggest concern for our sector is in new developments. With indecision in Europe, changes in North Africa and an understandable wait-and-see attitude in the rest of the region, the pipeline is looking even thinner than a year ago – and this lack of activity is reflected in the latest construction cost estimates.

For our special feature, we interview a golf course architect and explore the benefits of golf in a ski resort setting.

Philip Camble

*Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor*

Performance Trends

Jan-Dec	2011			2010			Growth					
City	ADR	Occ	RevPAR	ADR	Occ	RevPAR	ADR		Occ		RevPAR	
	€	%	€	€	%	€	Abs (€)	%	Abs %	%	Abs (€)	%
Amsterdam	139.28	75.6	105.32	126.70	75.1	95.15	12.58	9.9	0.5	0.7	10.17	10.7
Berlin	85.84	69.5	59.67	87.61	68.9	60.36	-1.77	-2.0	0.6	0.9	-0.69	-1.1
Budapest	63.65	61.9	39.43	63.10	57.8	36.48	0.55	0.9	4.1	7.1	2.95	8.1
Cairo	84.85	36.1	30.66	97.00	65.6	63.61	-12.14	-12.5	-29.5	-44.9	-32.96	-51.8
Cape Town	97.36	57.2	55.68	111.66	57.0	63.64	-14.30	-12.8	0.2	0.3	-7.96	-12.5
Copenhagen	99.11	66.0	65.38	95.60	64.9	62.05	3.51	3.7	1.1	1.6	3.34	5.4
Dubai	160.97	75.4	121.41	162.97	70.5	114.83	-2.00	-1.2	5.0	7.0	6.57	5.7
Dublin	82.12	71.0	58.30	77.43	67.2	52.04	4.69	6.1	3.8	5.6	6.26	12.0
Edinburgh	89.71	80.1	71.87	91.77	77.8	71.35	-2.05	-2.2	2.4	3.0	0.52	0.7
Helsinki	95.37	68.2	65.08	93.20	66.1	61.59	2.17	2.3	2.2	3.3	3.49	5.7
Istanbul	154.69	70.1	108.43	139.70	73.0	101.97	14.98	10.7	-2.9	-4.0	6.46	6.3
London	154.40	82.3	127.11	145.39	82.4	119.77	9.02	6.2	-0.1	-0.1	7.34	6.1
Madrid	88.40	66.1	58.41	89.47	63.7	56.97	-1.07	-1.2	2.4	3.8	1.44	2.5
Milan	129.81	63.1	81.93	127.91	59.8	76.54	1.90	1.5	3.3	5.5	5.39	7.0
Moscow	138.18	65.0	89.83	134.01	63.3	84.79	4.17	3.1	1.7	2.7	5.04	5.9
Muscat	173.01	52.3	90.56	182.97	55.4	101.35	-9.95	-5.4	-3.1	-5.5	-10.79	-10.6
Paris	237.04	79.0	187.20	210.66	77.7	163.73	26.39	12.5	1.2	1.6	23.47	14.3
Prague	72.50	66.9	48.47	70.40	62.1	43.70	2.10	3.0	4.8	7.7	4.77	10.9
Riyadh	194.46	61.9	120.40	192.95	60.4	116.53	1.51	0.8	1.5	2.5	3.87	3.3
Rome	148.62	67.5	100.31	142.46	66.9	95.31	6.15	4.3	0.6	0.9	5.00	5.3
Vienna	95.06	72.3	68.74	90.00	72.5	65.23	5.06	5.6	-0.2	-0.2	3.51	5.4
Zurich	196.78	70.9	139.60	176.24	72.7	128.18	20.54	11.7	-1.8	-2.5	11.41	8.9
Warsaw	76.37	68.1	51.97	72.52	66.2	47.99	3.85	5.3	1.9	2.8	3.98	8.3

Source: STR Global

- Due to the Arab Spring in early 2011, the performances between Africa and the Middle East differed greatly. Africa reported declining occupancy in each month of 2011, with ADR declining throughout the latter half of the year. The Africa results were further impacted by supply increases in South Africa and the FIFA World Cup in 2010.
- The Middle East reported occupancy and ADR improvements, driven by strong demand growth (9.0%), the highest growth rate of any global region and the highest yearly growth achieved in the last seven years.
- 2011 was a good year for Europe, with occupancy and ADR increasing in each month of 2011, except August. August reported a slight ADR decline (-1%), which proved not to be a turning point in performance. Indeed, recent months (including December) showed modest, but in line with expected performance for this period, increases compared to 2010. The outlook for 2012 is less certain, as economic expectations have weakened throughout the latter half of 2011 and worries about the euro zone continue. STR Global's forecast (released in November 2011) predicts to see positive growth in 21 European cities out of 34 that STR Global forecast.

Hotel Construction Costs

Country	Budget hotels	Mid market – low	Mid market – high	Luxury
	€ per sqm	€ per sqm	€ per sqm	€ per sqm
UK	1,554 - 2,062	1,793 - 2,427	2,331 - 3,048	2,869 - 4,184
Austria	1,300 - 1,450	1,600 - 2,050	2,300 - 2,700	2,850 - 3,200
Belgium	1,100 - 1,600	1,450 - 1,850	1,600 - 2,000	2,200 - 2,700
Bulgaria	850 - 1,350	1,100 - 1,550	1,200 - 2,000	1,300 - 2,900
Czech Republic	887 - 1,182	1,084 - 1,330	1,182 - 1,675	1,478 - 2,019
France	1,550 - 2,000	2,000 - 2,600	2,500 - 3,500	2,800 - 4,500
Germany	1,600 - 1,750	1,675 - 1,975	2,000 - 2,800	2,600 - 3,300
Greece	900 - 1,100	1,100 - 1,400	1,300 - 1,700	1,700 - 2,200
Hungary	759 - 1,063	1,113 - 1,518	1,316 - 2,024	1,822 - 2,530
Ireland	1,350 - 1,500	1,500 - 1,700	1,700 - 1,800	2,000 - 2,500
Italy	1,200 - 1,700	1,400 - 1,750	1,700 - 2,000	2,200 - 3,000
Netherlands	1,000 - 1,300	1,200 - 1,500	1,300 - 1,750	1,750 - 2,000
Poland	950 - 1,300	1,000 - 1,400	1,500 - 2,100	1,800 - 2,500
Portugal	900 - 1,100	1,000 - 1,200	1,300 - 1,650	1,400 - 1,900
Romania	1,100 - 1,700	1,300 - 2,000	1,500 - 2,000	1,500 - 3,500
Russia	953 - 1,454	1,304 - 1,805	1,304 - 2,306	2,005 - 3,209
Slovakia	700 - 1,100	800 - 1,200	1,000 - 1,500	1,325 - 1,750
Spain	1,066 - 1,414	1,889 - 2,270	1,622 - 1,975	2,000 - 2,800
Sweden	2,077 - 2,539	2,539 - 3,000	3,000 - 3,346	3,346 - 4,039
Turkey	950 - 1,550	1,100 - 1,800	1,100 - 1,900	1,200 - 2,100
Ukraine	1,320 - 1,980	1,485 - 2,200	1,705 - 2,200	1,760 - 3,300
Abu Dhabi	1,031 - 1,157	1,199 - 1,473	1,841 - 2,156	2,062 - 2,377
Bahrain	972 - 1,068	1,277 - 1,392	1,431 - 1,515	1,564 - 2,003
Dubai	947 - 1,094	1,157 - 1,262	1,788 - 2,104	1,999 - 2,314
Saudi Arabia	1,053 - 1,156	1,383 - 1,507	1,548 - 1,641	1,692 - 2,167
Kenya	1,468 - 1,700	1,700 - 2,010	2,319 - 2,860	2,860 - 3,478
Mozambique	1,314 - 1,623	1,623 - 1,855	2,087 - 2,628	2,628 - 3,169
Rwanda	1,546 - 1,855	1,855 - 2,164	2,473 - 3,092	3,092 - 3,710
South Africa	1,009 - 1,211	1,211 - 1,413	1,615 - 2,019	2,019 - 2,422
Tanzania	1,778 - 2,087	2,087 - 2,473	2,860 - 3,555	3,555 - 4,251

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.

Source: Rider Levett Bucknall

- Continued uncertainty in the euro zone and general underlying nervousness in short to medium term economic prospects is resulting in ongoing stagnation in construction tender price levels. Inevitably some countries are performing better and some worse than this trend.
- Where tender prices have moved, this often results from specific commodity price fluctuations in local markets rather than margin growth or labour cost increases.
- With construction costs remaining fairly static, exchange rate fluctuations can have a more significant impact on international benchmark costs than local market factors.

Transaction Tracker

Region	Hotel	Location	No. of Keys	Total Price	Price per Key
Portfolio Transactions				€	€
	6 x Accor hotels	Europe	1,569	132,900,000	85,000
	8 x Mint hotels	Europe	2,783	707,300,000	254,000
	7 x Suite Novotel	France	930	77,000,000	83,000
	20 x Formula 1 ¹	South Africa	1,474	28,000,000	19,000
	24 x Ramada Jarvis *	UK	2,664	128,800,000	48,000
	3 x Malmaison	UK	575	63,600,000	111,000
	4 x Von Essen hotels *	UK	81	37,700,000	465,000
	7 x Von Essen hotels *	UK	211	45,600,000	216,000
Single Asset Transactions					
CEE	Four Seasons Budapest *	Budapest, Hungary	179	40,000,000	223,000
	Hotel Jan III Sobieski	Warsaw, Poland	435	50,000,000	115,000
	Mercure Fryderyk Chopin	Warsaw, Poland	250	31,000,000	124,000
France	Hotel Concorde Montparnasse	Paris	354	87,000,000	246,000
	Hotel Lotti ²	Paris	160	71,000,000	444,000
	Pullman Paris Bercy	Paris	396	105,000,000	265,000
	Sofitel Arc de Triomphe	Paris	135	44,000,000	326,000
Spain	Boutique Hotel Casanova	Barcelona	124	25,000,000	202,000
	Sol Golua Hotel	La Manga del Mar Menor	177	12,000,000	68,000
	Hesperia Hotel	Madrid	171	80,000,000	468,000
	Sol Tenerife	Tenerife	522	49,000,000	94,000
UK	Malmaison Aberdeen	Aberdeen	80	18,500,000	231,000
	De Vere Village Birmingham	Birmingham	125	14,200,000	114,000
	Brockencote Hall	Chaddesley Corbett	19	3,600,000	188,000
	Hilton Glasgow Grosvenor	Glasgow	96	10,900,000	113,000
	Hilton Glasgow City	Glasgow	319	41,100,000	129,000
	W Hotel ³	London	192	230,000,000	1,198,000
	Hesperia Victoria	London	212	63,800,000	301,000
	Hoxton Hotel	London	268	79,500,000	296,000
	Premier Inn Hammersmith	London	119	11,600,000	97,000
	Ibis London City	London	348	44,500,000	128,000
	Radisson Edwardian Manchester *	Manchester	263	43,900,000	167,000
Other	Premier Inn The Circus	Manchester	228	23,100,000	101,000
	Salford Hall *	Stratford-upon-Avon	36	2,588,000	72,000
	Melia Milano ⁴	Milan, Italy	288	34,300,000	119,000
	Radisson Blu Strand Hotel	Stockholm, Sweden	152	66,000,000	434,000
	The Grace Hotel	Johannesburg, South Africa	73	7,800,000	107,000

Source: Whitebridge Hospitality

* Sold out of receivership

¹ Price paid for 52.6% stake

² Price paid for 67% stake

³ Includes retail space and apartments

⁴ Price paid for 58.5% stake

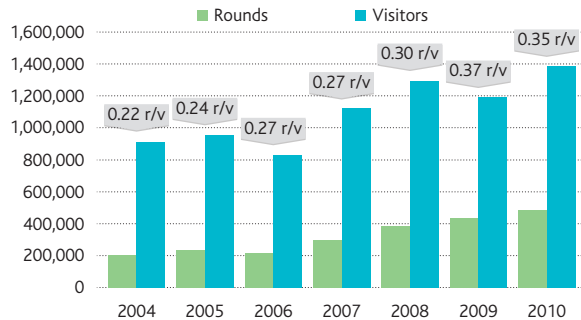
- Confidential deals concluded in MEA included the sale of the Movenpick Royal Palm (Dar Es Salaam) and Ishraq Dubai.
- Confidential deals in German-speaking countries included: Motel One Tegenseer, Kempinski Hotel Gravenbruch, Hotel Imperial (Vienna), Hotel Geldner Hirsch (Salzburg) and an investment into Design Hotels.

- UK was by far the busiest market with other notable deals including: Maybourne (second tranche), ME London (again), Menzies and Thomas Cook selling its five Hoteles Y Clubs de Vacaciones in Spain.

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.

Why Skiing and Golf Work

- Golf's role in boosting hotel performance levels at summer resorts during the shoulder seasons is well known. Take the Belek region in southern Turkey, where a government-backed initiative established in the 1980's has resulted in the creation of one of Europe's finest golfing destinations, now offering 14 courses and helping to drive increased demand to the region. Indeed, the number of rounds per visitor to the region has increased from 0.22 in 2004 to 0.35 in 2010.



Note: r/v = rounds generated per visitor
Source: Belek Tourism Investors Association

The courses, helped by a favourable climate and good terrain, are all of a high standard and extremely well maintained according to Tim Lobb, of Thomson Perrett & Lobb, Golf Course Architects.



Carya Golf Course, Belek, Turkey (designed by Thomson Perrett & Lobb)

- Golf could help! For example, Tim Lobb and architects HOK are currently exploring the potential benefits of golf in a ski resort setting in the mountains of Adjara, Georgia.



Adjara, Georgia

- Of course, the kind of topography that suits skiing is not always ideal for golf. Close examination of the landscape is required, to ensure that suitable land for golf exists without unacceptable disturbance to the landscape. Often, as most ski resorts and hotels are located on the lower slopes, the potential for a golf course could be accommodated.
- According to Tim, the golf infrastructure has the added benefit of lending itself to multi-tasking, a golf course by summer and the following by winter:
 - cross-country skiing on the course
 - skating on the water hazards
 - using the water hazards as snow-making reservoirs
 - using the water hazards to capture spring run-off for later use as golf course irrigation.
- Golf can therefore become a valuable component within a wider master plan, helping to make a ski resort a year-round destination.

- What is less well known is that this model can also work in reverse. Ski resort hotels achieve their highest levels of performance during the key winter months when ski conditions are at their best. Despite their majestic beauty, during the warmer months of the year, the mountains are less popular and much of the costly resort infrastructure lies idle.



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