

EMEA HOTELS MONITOR

AUGUST 2020

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**WHITE
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.



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Rider Levett Bucknall is an independent construction, property and management consultant, providing advice focused on the cost, quality and sustainability of the built environment. Worldwide the firm has over 3,600 staff operating from more than 120 offices. Its international reach ensures that it provides services in line with the latest innovations and examples of best practice, supporting expertise across all sectors of the built environment. Achievements are renowned: from the early days of pioneering quantity surveying, to landmark projects such as the Sydney Opera House, HSBC Headquarters Building in Hong Kong, the 2012 London Olympic Games and CityCenter in Las Vegas.



STR provides clients with access to hotel research with regular and custom reports covering over 66,000 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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Introduction

This issue of our Monitor series is a landmark in so many ways. First, never has our industry sustained such prodigious pressure on performance across all markets in all countries across all continents for so long and to such a debilitating degree. Second, after nearly 50 editions working together on this industry-recognised publication, we are very sad to announce that this will be the last collaboration with our dear friends at STR. Watch this space for future publication collaborations. Third, Liverpool won the League (earlier and later than any other team).

This is the first, and hopefully only, edition in which every single market recorded negative RevPAR performance. And not just modest declines. Big stonking ones. For example: Amsterdam (-68%), Prague (-73%), Paris (-73%). The best performers were Riyadh (-3%) and Cape Town (-25%). Amazing statistics and thanks so much to STR for being able to share anything in these strange times.

In terms of development costs, tender pricing has remained relatively stable as conflicting forces neutralise each other (namely lower productivity due to C19 safety measures versus lower prices from reduced activity).

Despite C19, there have been a good number of deals in a range of markets, including Africa and CEE/CIS. Of particular note has been the number of 'resort' transactions, especially in Greece, Italy and Portugal (long may this trend continue). More worryingly though, we are starting to see receivership scenarios (especially in UK).

■ This issue of our Monitor series is a landmark in so many ways.

Our final page feature is a comparison of development costs between branded and unbranded hotels, whereby RLB provide a detailed breakdown of the additional costs that a developer/investor can expect to incur when choosing to work with a brand and to abide by their brand standards.

Philip Camble

*Director, Whitebridge Hospitality
Editor, EMEA Hotels Monitor*

Performance Trends

Jan-Jun City	2020			2019	
	ADR	Occ	RevPAR	ADR	Occ
	€	%	€	€	%
Amsterdam	115.92	33.8	39.20	152.79	79.9
Berlin	91.33	35.1	32.04	99.31	77.1
Budapest	78.41	30.1	23.59	87.30	74.3
Cairo & Giza	87.84	36.4	31.94	90.25	71.9
Cape Town Centre	115.97	46.5	53.88	111.73	64.3
Copenhagen	105.64	30.6	32.37	129.89	73.3
Dubai	125.69	48.1	60.42	141.95	74.8
Dublin	111.25	39.4	43.84	139.31	81.4
Edinburgh	81.82	45.5	37.21	104.75	78.0
Helsinki	111.74	33.9	37.86	116.27	65.6
Istanbul	71.97	37.2	26.76	83.23	69.8
London	143.13	47.8	68.48	166.86	80.6
Madrid	98.77	41.2	40.65	116.38	76.9
Milan	134.22	29.9	40.10	151.87	74.1
Moscow	70.27	34.7	24.40	76.41	70.9
Muscat	126.62	33.1	41.97	143.98	57.0
Paris	188.04	36.8	69.14	215.10	75.1
Prague	69.47	26.5	18.38	91.26	74.6
Riyadh	140.26	54.5	76.47	140.99	56.0
Rome	116.97	24.6	28.83	149.66	70.6
Vienna	96.42	30.7	29.58	107.16	74.3
Warsaw	63.92	33.7	21.55	74.73	70.8
Zurich	208.71	32.6	67.99	202.48	72.6

Source: STR

- C19 had a strong impact on global hotel performance. Europe reported performance decline for YTD June 2020, driven by a -51.4% decline in occupancy, -14.1% decline in ADR, and -58.2% decline in RevPAR.
- Absolute occupancy, ADR and RevPAR levels were up from May levels, but were the lowest for any June on record.
- For week ending 28 June 2020, occupancy of open hotels in Europe ranged from 10%-40%. Israel posted the highest occupancy level (41%), followed closely by France (34%) and Spain (32%).

RevPAR	Growth					
	ADR		Occ		RevPAR	
€	Abs (€)	%	Abs %	%	Abs (€)	%
122.00	-36.87	-24.1	-46.0	-57.6	-82.80	-67.9
76.57	-7.98	-8.0	-42.0	-54.5	-44.54	-58.2
64.84	-8.89	-10.2	-44.2	-59.5	-41.25	-63.6
64.92	-2.41	-2.7	-35.6	-49.4	-32.97	-50.8
71.84	4.24	3.8	-17.8	-27.7	-17.96	-25.0
95.26	-24.25	-18.7	-42.7	-58.2	-62.89	-66.0
106.17	-16.25	-11.4	-26.7	-35.7	-45.75	-43.1
113.46	-28.06	-20.1	-42.0	-51.6	-69.62	-61.4
81.71	-22.94	-21.9	-32.5	-41.7	-44.50	-54.5
76.25	-4.53	-3.9	-31.7	-48.3	-38.38	-50.3
58.07	-11.26	-13.5	-32.6	-46.7	-31.30	-53.9
134.50	-23.73	-14.2	-32.8	-40.6	-66.02	-49.1
89.55	-17.61	-15.1	-35.8	-46.5	-48.91	-54.6
112.49	-17.65	-11.6	-44.2	-59.7	-72.39	-64.4
54.17	-6.15	-8.0	-36.2	-51.0	-29.77	-54.9
82.02	-17.37	-12.1	-23.8	-41.8	-40.06	-48.8
161.47	-27.06	-12.6	-38.3	-51.0	-92.32	-57.2
68.11	-21.79	-23.9	-48.2	-64.5	-49.73	-73.0
78.90	-0.72	-0.5	-1.4	-2.6	-2.43	-3.1
105.70	-32.69	-21.8	-46.0	-65.1	-76.86	-72.7
79.66	-10.74	-10.0	-43.7	-58.7	-50.08	-62.9
52.87	-10.80	-14.5	-37.0	-52.3	-31.32	-59.2
146.97	6.23	3.1	-40.0	-55.1	-78.97	-53.7

- Regional markets in Europe are leading the recovery, while main cities have lagged. For example, Finland Provincial posted the country's highest occupancy level (66%), whilst Helsinki occupancy was 23% for the week ending 28 June 2020.

Hotel Construction Costs

Country	Budget hotels	Mid market – low
	€ per sqm	€ per sqm
UK	1,520 - 2,410	2,070 - 2,880
Austria	1,440 - 1,630	1,780 - 2,340
Belgium	1,220 - 1,800	1,620 - 2,070
Bulgaria	730 - 860	860 - 1,060
Finland	2,250 - 2,930	2,510 - 3,270
France	1,680 - 2,200	2,200 - 2,820
Germany	1,790 - 1,970	1,880 - 2,190
Greece	1,160 - 1,360	1,610 - 1,780
Hungary	1,000 - 1,310	1,430 - 1,990
Ireland	1,680 - 2,040	2,040 - 2,430
Italy	1,550 - 1,810	1,700 - 1,960
Norway	2,360 - 2,800	2,600 - 2,990
Netherlands	1,340 - 1,770	1,470 - 2,070
Portugal	1,020 - 1,270	1,170 - 1,380
Romania	890 - 1,000	1,000 - 1,220
Russia	1,360 - 1,540	1,490 - 1,990
Slovakia	810 - 1,260	910 - 1,370
Spain	1,020 - 1,770	1,520 - 2,020
Sweden	2,440 - 2,990	2,990 - 3,490
Turkey	1,400 - 1,580	1,490 - 1,890
Ukraine	950 - 1,380	1,050 - 1,560
Abu Dhabi	1,510 - 2,030	1,650 - 2,290
Qatar	2,000 - 2,130	2,130 - 2,420
Dubai	1,580 - 2,110	1,710 - 2,380
Saudi Arabia	1,260 - 1,440	1,750 - 1,900
Mozambique	2,960 - 3,420	3,720 - 4,160
South Africa	1,560 - 1,810	1,940 - 2,210
Botswana	1,930 - 2,240	2,400 - 2,730
Namibia	1,680 - 1,940	2,080 - 2,360
Mauritius	2,170 - 2,580	2,790 - 3,100
Seychelles	2,580 - 3,030	3,340 - 3,640

Source: Rider Levett Bucknall

- Impact of C19 significant, whereby activity either stopped or materially reduced, but most countries saw construction recommence quickly.
- Of all sectors, hospitality suffered greatest impact. Different C19 responses (eg lockdowns, economic stimuli) will impact tender prices.
- Most countries concurrently facing inflationary pressures of compliance with new site procedures (e.g. social

Mid market – high

Luxury

€ per sqm		€ per sqm	
2,700	- 4,070	3,360	- 5,090
2,450	- 3,110	3,190	- 3,770
1,800	- 2,220	2,420	- 3,050
1,050	- 1,260	1,620	- 2,030
2,930	- 3,800	3,320	- 4,320
2,720	- 3,680	3,320	- 4,710
2,010	- 3,120	2,590	- 3,660
2,040	- 2,520	2,810	- 3,440
1,730	- 2,660	2,120	- 3,320
2,210	- 2,720	3,060	- 3,720
1,910	- 2,260	2,260	- 2,900
2,860	- 3,480	3,350	- 3,960
1,710	- 2,510	1,980	- 2,860
1,430	- 1,820	1,560	- 2,090
1,220	- 1,570	1,780	- 2,270
2,050	- 2,460	2,280	- 3,370
1,160	- 1,660	1,420	- 1,920
2,020	- 2,770	2,520	- 3,540
3,490	- 3,890	3,890	- 5,000
1,700	- 2,830	1,890	- 3,750
1,200	- 1,680	1,230	- 2,250
2,140	- 2,790	2,740	- 4,550
2,570	- 3,260	3,200	- 5,270
2,220	- 3,430	2,840	- 4,740
1,940	- 2,060	2,130	- 2,740
4,310	- 4,890	5,190	- 5,940
2,310	- 2,590	2,840	- 3,100
2,870	- 3,200	3,520	- 3,840
2,480	- 2,780	3,050	- 3,330
3,310	- 3,720	4,130	- 4,750
3,840	- 4,520	4,720	- 5,520

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.

distancing) alongside deflationary pressures resulting from pipeline reduction.

- C19 resulted in significantly less tender activity. Medium term, deflationary pressures are expected to win over productivity challenges.
- Pricing volatility to continue short term (tenders not necessarily representative of contracted prices). Currency fluctuations and a 'final' Brexit (UK) add to uncertainty.

Transaction Tracker

Region	Hotel	Location
Portfolio Transactions		
	3x Belgian hotels	Belgium
	11x B&B hotels	Germany
	3x Cyan hotels	Greece
	8x Dedic Anthology hotels	Ita/Hun/Cze/Fra
	4x Elaia hotels	Spain
Single Asset Transactions		
Africa	Monarch Hotel	Johannesburg
	Meikles Hotel	Harare
Benelux	Hotel Collection Avenue Louise	Brussels
	Pullman Eindhoven	Eindhoven
	Hilton The Hague	The Hague
CEE/CIS	Golden Tulip Bucharest	Bucharest
	M-Square Hotel	Budapest
	Kempinski Grand Hotel*	Gelendzhik
	Hotel Uzbekistan	Tashkent
Germany	NH Erlangen	Erlangen
	Lindley Lindenberg	Frankfurt
Ireland	Jacobs Inn	Dublin
	Clayton Charlemont	Dublin
Italy	Hotel Quisisana	Capri
	Hotel Ancora	Cortina d'Ampezzo
Spain	La Maquinista Hotel	Barcelona
	Ona Hotel Terra	Barcelona
	Hotel Cristina	Gran Canaria
UK	Hampton by Hilton Bristol Airport	Bristol
	Botleigh Grange Hotel*	Hedge End
	Stradey Park Hotel & Spa	Llanelli
	Holiday Inn Bloomsbury	London
	The Chrysos	London
	The Ritz	London
	Telford Whitehouse	Telford
Other	Zleep Hotel	Copenhagen, Denmark
	Cour des Loges Hotel	Lyon, France

Source: Whitebridge Hospitality

* Sold out of receivership

- Corp deals: KKR acquired Roompot Parks (for a cool €1bn, Net); Three Hills Capital acquired stake in Borealis Hotels (Net); lots of Scandic hotels traded: Helsingør (Nor), Lillestrom (Nor), CH (Swe) and Linköping City (Swe).
- Interesting singles: Eastern Property Holdings acquired NHOW Berlin (Ger); CG Corp Global acquired Fairmont Mara Safari Club and The Norfolk (Ken); Westmont acquired Sheraton Casablanca (Mor).

No. of Keys	Total Price	Price per Key
	€	€
353	57,000,000	161,000
1,145	115,000,000	100,000
690	61,000,000	88,000
1,115	573,000,000	514,000
534	50,000,000	94,000
12	1,200,000	100,000
312	18,000,000	58,000
80	8,400,000	105,000
320	58,000,000	181,000
195	70,300,000	360,000
81	9,500,000	117,000
71	17,000,000	239,000
379	14,000,000	37,000
254	20,800,000	82,000
138	16,800,000	122,000
100	21,200,000	212,000
103	30,000,000	291,000
187	65,000,000	348,000
147	209,200,000	1,423,000
49	20,000,000	408,000
92	11,500,000	125,000
152	40,500,000	266,000
306	45,000,000	147,000
210	27,400,000	130,000
55	3,100,000	57,000
77	3,700,000	48,000
316	105,300,000	333,000
52	19,800,000	380,000
136	791,000,000	5,816,000
90	3,000,000	33,000
76	11,800,000	155,000
60	24,500,000	408,000

¹ for a 80% stake

- Rocking resorts: Belterra acquired Porto Carras Grand Resort (Gre); Signa Group acquired Bauer Palazzo Venice (Ita); HNWI acquired Iberostar Selection Algarve (Por); HIP acquired Lake Spa Resort Algarve (Por).
- Rockin' Reuben Bros: La Residence on Mykonos (Gre) and La Palma on Capri (Ita).

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.

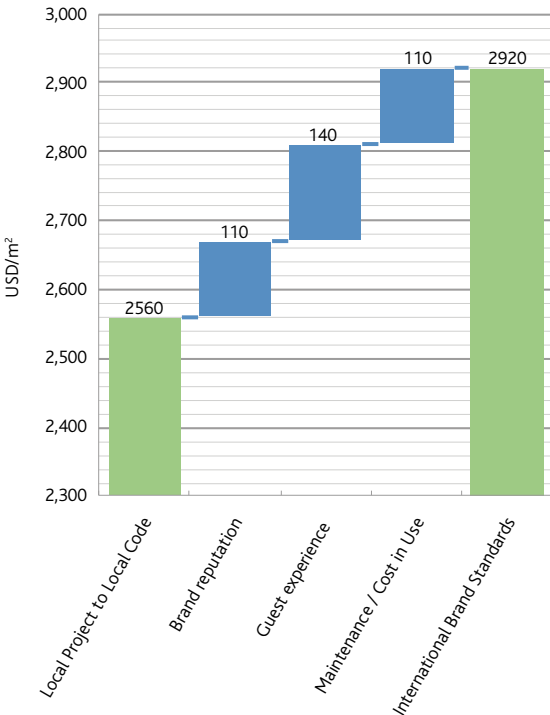
DO INTERNATIONAL BRANDS ATTRACT A CONSTRUCTION COST PREMIUM?

Introduction

At RLB we are used to delivering hotels in diverse locations including lower income countries. These naturally include both the large international brands and those more locally conceived and designed.

We are often asked for benchmark costs and have challenges placed back to us that a local project was delivered for significantly less. Mostly we find that it is not driven by individual design decisions but high-level performance criteria, and the all-important brand standards.

We therefore thought that it would be useful to examine how, and by how much international brand standards may attract a cost premium to those delivered to local code compliance. The costs fall into several categories and are examined here from the perspective of a four-star hotel.



Brand Reputation

To protect brand values enhancements may be made for example:

- to key life safety systems (typically sprinklers)
- to protect health and safety, particularly food safety
- to achieve the particular risk-based security criteria for a defined location.

The locale-specific security driver can have a significant impact on costs with ranges of USD 50 to USD 300/m².

Guest Experience

Users of international brands may expect enhanced service to that mandated by local rating systems. From the range of facilities on offer (leisure/conferencing) to consistency in service such as arrival and welcome experience, even though to mandated finishes.

Items such as acoustic criteria may be enhanced from being merely code compliant to maintain expectation.

In many case decisions will add to the area programme, sometimes adding 10-30% to a cost per key.

Maintenance and Cost in Use

Experienced owners and operators will typically set planned maintenance regimes to reduce life cycle costs and the risk of service outage. Plant may have increased resilience built into it. However, consideration should also be given to the maintenance support available locally and the climatic conditions that may affect design life.

It should also be remembered that design standards are only as good as the execution; having appropriate Quality Control procedures in construction is also a necessity.

SUMMARY

In Pursuit of Cost & Value Alignment

In some cases, the use of international brand standards will take a property beyond being fit for purpose. Where this adds value, through REVPAR or lower operating costs, this may be a sensible investment.

We advocate our clients understand which elements of standards are costing money, which are adding value, and which may be capable of negotiation.



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