

MARKET BEAT

EUROPE

Hospitality Q1 2023



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MARKET SUMMARY & OUTLOOK



Europe experienced healthy hotel investment activity in Q1 2023 (+18% vs Q1 2022) despite high financing costs and economic & geopolitical concerns; this was driven by several major transactions (e.g., The Westin Paris, Mandarin Oriental Bodrum, and Le Richemond Geneva). Looking at the trend on a trailing 12-month basis to March 2023, the transaction volume reflects mild growth (+3%). Looking ahead, the deal pipeline suggests an uptick in activity for the second half of 2023.

The data suggest that hotel yields in Europe are, on average, 70bps higher in Q1 2023 than at the end of 2019 due to growing interest rates and uncertainty. However, each asset has nuances. The yield profile of prime hotels in core markets is expected to hold, with higher markdovns likely to be found in secondary locations.

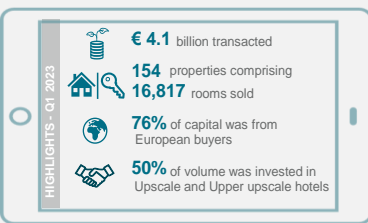
Following a robust recovery in 2022, hotel performance continued expanding in Q1 2023, underpinned by the pent-up demand and pick-up of corporate and group segments. While occupancy levels in Q1 remained 5% below 2019, the robust ADR growth (+19%) resulted in RevPAR surpassing 2019 levels by 13%. Most countries recorded double-digit RevPAR growth during Q1 2023, with Lithuania, Turkey, Ireland, Croatia, and France leading the way.

Following a relatively slow hotel supply growth in 2022 (-2%), pipeline is expected to remain constrained by the rising construction costs and a lack of financing, causing delays and cancellations. While more openings are expected in 2023, the overall hotel pipeline in Europe is relatively moderate, with expected growth remaining below 2.5%. The largest new supply is expected in Germany, the UK, Spain, and Poland.

Demand for accommodation in European hotels strongly bounced back during the past 12 months, especially in leisure destinations. While domestic travel primarily drove recovery, international visitation also picked up (overall international passengers demand in Europe only 16% behind 2019 for YTD February 2023). There are differences across Europe with the CEE markets lagging due to the war in Ukraine while many markets in Western Europe and the UK are already above 2019 (total arrivals).

Sources: Cushman & Wakefield, STR, UNWTO, RCA/MSCI

INVESTMENT TRENDS



RECENT TRANSACTION TRENDS

	Last 3 Months (Q1 2023)			Running 12-months (YE March 2023)		
	Q1 2022	Q1 2023	% Change*	YE March 2022	YE March 2023	% Change*
Properties Sold	198	154	-22%	732	779	6%
Rooms Sold	20,126	16,817	-16%	95,187	88,536	-7%
Volume Transacted	3,482	4,121	18%	17,995	18,564	3%

Volume transacted in EUR, millions.

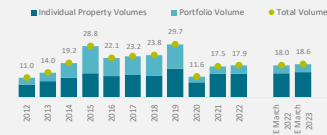
*Refers to the % change in transaction volume from the previous period.

A contingency of 5% is assumed for 2022 and 2023 Q1. This is based on the past experience when additional deals being revealed several months after the end of respective periods.

Source: Cushman & Wakefield

ANNUAL TRANSACTION VOLUMES

(2012 - 2023 Q1, EUR BILLIONS)



Source: Cushman & Wakefield / RCA

AVERAGE TRANSACTION PRICE

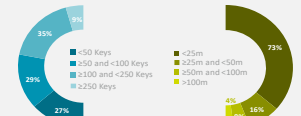
(YE March 2023, EUR)



Source: Cushman & Wakefield

BREAKDOWN BY NO. OF KEYS SOLD & DEAL SIZE

(YE March 2023, % SHARE OF DEALS)

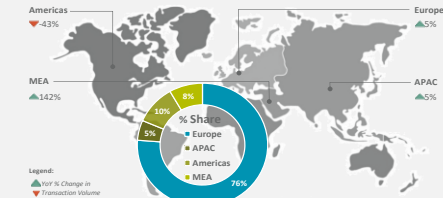


Source: Cushman & Wakefield

NATURE OF INVESTMENTS

TRANSACTION VOLUME* BY SOURCE OF CAPITAL

(% CHANGE, YE March 2023 vs YE March 2022)



*Based on buyers whose identity is known

Source: Cushman & Wakefield

TOP 10 MARKETS BY TRANSACTION VOLUME

(YE March 2023, EUR MILLIONS)

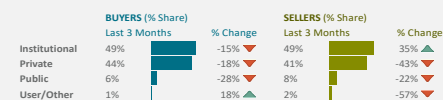
No.	Country	YE March 2022	€	YE March 2023	€	% change
1	United Kingdom	4,931		3,687		-25%
2	France	1,490		3,303		122%
3	Spain	3,081		2,654		-14%
4	Germany	2,504		1,771		-29%
5	Italy	1,766		1,520		-14%
6	Portugal	364		1,063		192%
7	Netherlands	311		645		108%
8	Austria	427		519		22%
9	Sweden	819		498		-39%
10	Ireland	438		374		-15%

A contingency of 5% is assumed for 2022 and Q1 2023. This is based on the past experience when additional deals being revealed several months after the end of respective periods.

Source: Cushman & Wakefield

TRANSACTION VOLUME BY TYPE OF INVESTOR

(YE March 2023, % SHARE OF TOTAL VOLUME)



Source: Cushman & Wakefield / RCA

TRANSACTION VOLUME PER HOTEL CLASS

(% CHANGE, YE March 2023 vs YE March 2022)

HOTEL CLASS	% OF TOTAL VOLUME	% CHANGE	HOTEL CLASS	% OF ROOMS SOLD	% CHANGE
Luxury	18%	▲ 16%	Luxury	7%	▼ 18%
Upper Upscale	27%	▲ 44%	Upper Upscale	19%	▲ 0%
Upscale	23%	▼ 31%	Upscale	25%	▼ 34%
Upper Midscale	9%	▼ 44%	Upper Midscale	16%	▼ 32%
Midscale	9%	▲ 3%	Midscale	16%	▲ 8%
Economy	13%	▲ 46%	Economy	17%	▲ 28%

Source: Cushman & Wakefield

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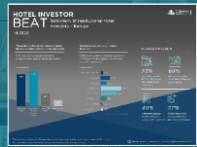
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