

COLLIERS INTERNATIONAL HOTEL INVESTMENT ATTRACTIVENESS INDEX

- EUROPE

The European Hotel Attractiveness Index is the outcome of a unique analysis of the hotel investment climate in 20 European cities. Twelve key metrics were analysed to create a score on a scale of 1-10 per metric, for each city. The twelve metrics were then combined into four key categories to determine the most attractive markets for hotel investment at this time. The metrics/groups are:

DEMAND DRIVERS

- » Population
- » GDP per capita
- » Total workforce
- » Commuting workforce
- » Tourist arrivals

PERFORMANCE METRICS

- » Room occupancy
- » Average Daily Rate (ADR)
- » Revenue per Available Room (RevPAR)

DEVELOPMENT COST

- » Land site prices
- » Building costs

INVESTMENT ATTRACTIVENESS

- » Valuation exit yields
- » Investment volumes

Each grouping was given a score of up to 100, with each of the metric components weighted in order to produce this total. By consolidating such varied criteria into a single figure, we can see which markets are hot and which ones are not in terms of overall demand and their recent hotel operating performance. The index also helps highlight how demand and hotel performance factors correlate to the attractiveness of each market in terms of the acquisition of existing hotels and the development of new ones.

OUR FINDINGS

The top three destinations may not surprise you: Paris, London and Barcelona came out as the most interesting cities to invest in. The story for the top two cities is very similar: a potent combination of high demand growth, strong hotel performance and high investment values/market depth. Paris beats London by virtue of having slightly lower development costs. This is also one of the areas in which Barcelona excels, increasing the overall attractiveness of the city ahead of Amsterdam sitting in fourth place. In all other areas, these two cities have very similar performance ratings.

At the other end of the scale, although the development cost component scores very highly for Bucharest, this is not enough to compensate for low demand appetite and the lack of a hotel investment market. It is also interesting to note the relatively low position of Istanbul in our ranking, despite the size of the city. Low development costs and strong demand drive a good combined score for the city, but the operational performance lags behind due to low occupancy rates, leading to lower returns on investment. Additionally, the current political and economic climate is not conducive to a robust investment market, and as a result, Istanbul is ranked number 17 in our index.

Some interesting cities to watch include Zürich: operational performance has been excellent in the last few years, suggesting an under-supply of quality hotel stock. Hotel investment interest is high and if demand for the city continues to increase, it may become one of the most popular cities for new development and investment, despite the high development costs. Manchester and Dublin also look like good bets. Hotel performance ratings exceed demand, and the case for an increase in business requirements in both cities looks very strong in the coming years. These look like strong growth markets for developers and investors alike.

WHY CHOOSE US

Developing, selling or investing in a hotel starts with seeing the right opportunity. You can benefit from working closely with an entrepreneurial partner that knows the market inside out. Who understands what tomorrow's hotel world looks like by connecting global market developments and data. Colliers International Hotels shows you opportunities by presenting ideas and solutions that are not only attractive now, but also sustainable in the future.

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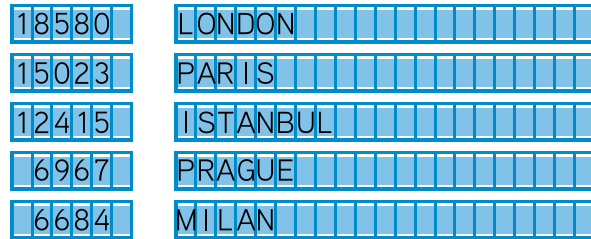


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2017

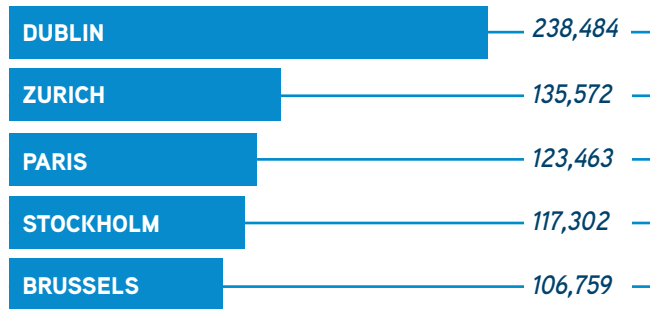
TOURIST ARRIVALS 2015 (*1,000)

Number of international arrivals helps us understand the interest in the market from travellers



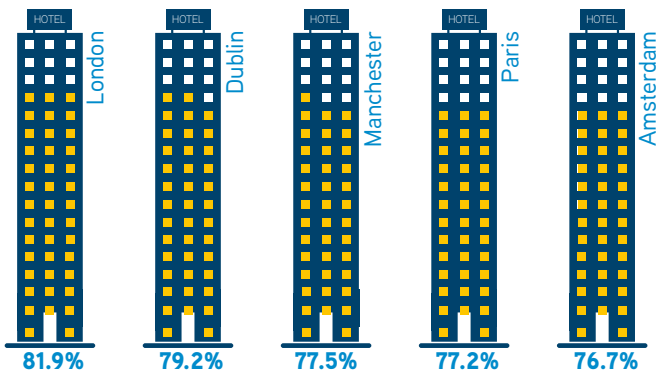
GDP PER WORKER

The GDP per worker per market gives an indication of the economic strength and output

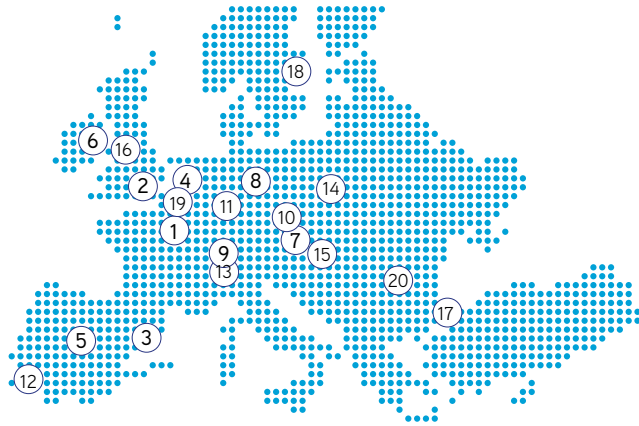


AVERAGE ROOM OCCUPANCY 2012 -2016

The occupancy rates show us whether the supply in the market is in line with demand.



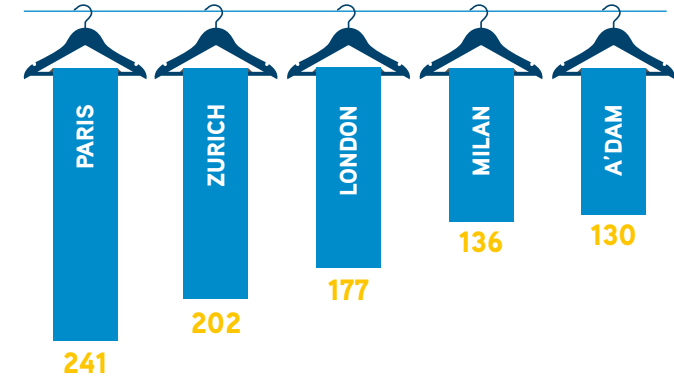
EUROPEAN HOTEL ATTRACTIVENESS INDEX 2017



Top 20	City	Score (max.400)
1	Paris	269.8
2	London	257.8
3	Barcelona	202.8
4	Amsterdam	190.2
5	Madrid	182.2
6	Dublin	180.6
7	Vienna	178.9
8	Berlin	178.8
9	Zurich	177.7
10	Prague	168.9
11	Frankfurt	159.4
12	Lisbon	155.1
13	Milan	155.0
14	Warsaw	153.0
15	Budapest	149.0
16	Manchester	148.3
17	Istanbul	147.4
18	Stockholm	146.5
19	Brussels	141.8
20	Bucharest	132.6

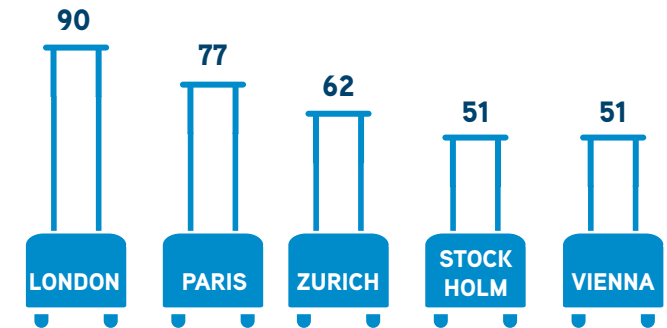
AVERAGE ADR 2012 - 2016

Average Daily Rate paid between 2012 and 2016, in Euros



INVESTMENT CLIMATE

Colliers index score (max. 100) based on valuation exit yields and the hotel investment volume between 2007 and 2016



DEVELOPMENT COSTS

Colliers index score based on average land site prices and building costs per sq m

