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MARCH 2024

2023 EUROPEAN HOTEL TRANSACTIONS

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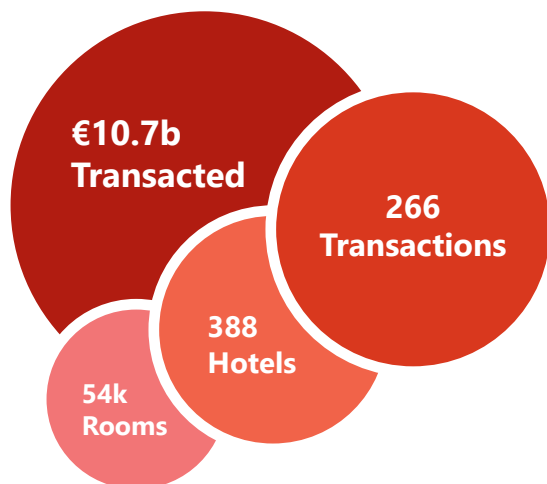
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Introduction

High inflation and consequential rises in interest rates had major impacts on investment markets throughout 2023, including slowed hotel transaction activity in Europe. Reaching €10.7 billion overall¹, total volume was 19% lower than in 2022, which represented the second lowest level of investment in the last decade. There were 6% fewer transactions than in 2022, indicating that the average price per room was also down in 2023.



	2023	Change	%
Number of Transactions	266	-17	-6%
Total Volume (€)	10.7b	-2.6b	-19%
Hotels	388	-52	-12%
Rooms	54k	-2k	-4%
Avg Price Per Hotel (€)	27.5m	-2.6m	-9%
Avg Price Per Room (€)	197k	-38k	-16%

Source: HVS – London Office

¹Only hotels that sold for more than €7.5 million have been considered in this analysis.

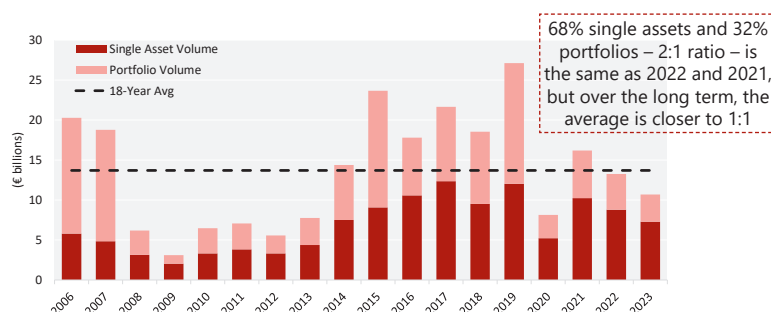
Total Transaction Volume

CHART 1: TOTAL ASSETS AVERAGE PRICE PER ROOM 2015-23



Source: HVS – London Office

CHART 2: TOTAL HOTEL INVESTMENT VOLUME 2006-23



Source: HVS – London Office

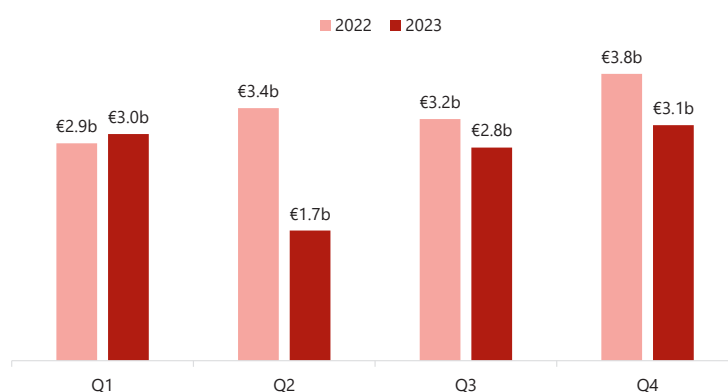
Pricing & Deal Size

- The average price per room was €197,000 in 2023, a decrease of 16% over 2022 and around 5% lower than in 2021 and 2019;
- Hotels in 2023 transacted for an average price per hotel of €27,500,000 (a 9% decrease over 2022) and had an average of 140 rooms (a 9% increase over 2022).

Seasonality

- As is often the case, transaction volume was higher in the second half of the year in 2023. The fourth quarter recorded the highest level of activity (although being only 3% ahead of Q1 and 10% ahead of Q3);
- Q1 2023 was the only quarter to experience an increase in transaction volume over 2022 (a 4% increase), and Q2 2023 was 50% less than Q2 2022.

CHART 3: TOTAL ASSET QUARTERLY VOLUME 2023 VS 2022



Source: HVS – London Office

CHART 4: TOP COUNTRIES OF TOTAL ASSET ACTIVITY BY VOLUME (€)

Rank	Country	% Change	Rank Change	% Total
1	Spain	+21%	+1	26%
2	France	+21%	+1	18%
3	United Kingdom	-51%	-2	16%
4	Germany	-13%	+1	9%
5	Portugal	-38%	-1	6%
6	Italy	-51%	0	4%
7	Ireland	+37%	+2	4%
8	Netherlands	-63%	-1	2%
9	Sweden	-35%	-1	2%
10	Russia	+419%	+9	2%

Source: HVS – London Office

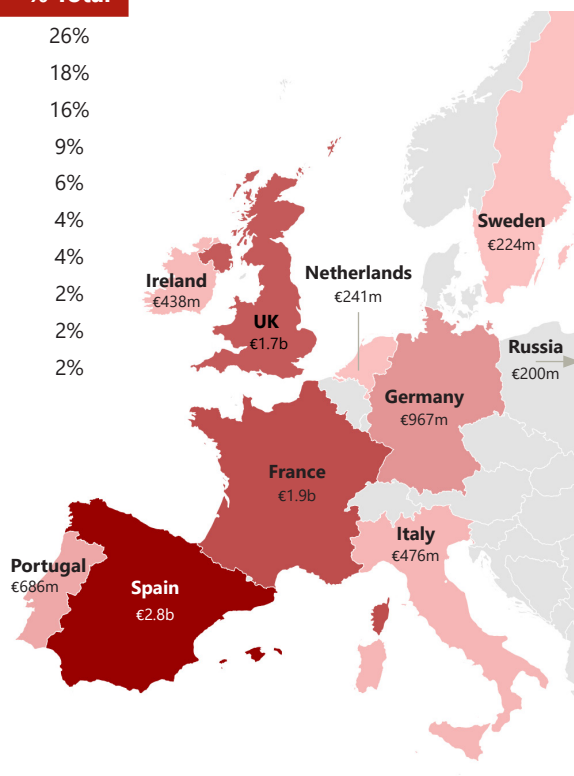


CHART 5: TOP CITIES OF TOTAL ASSET ACTIVITY BY VOLUME

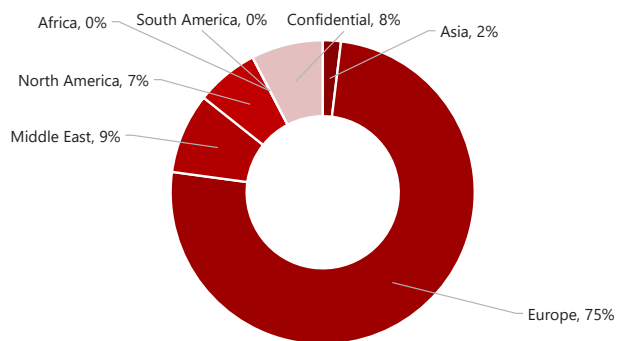
Rank	City	Volume (€m)	% Change	Rank Change	% Country
1	Paris	914	+22%	+2	48%
2	London	865	-51%	-1	50%
3	Madrid	478	-42%	-1	17%
4	Barcelona	453	+51%	+2	16%
5	Rome	245	-28%	0	51%
6	Copenhagen	168	+128%	+14	85%
7	Berlin	141	-18%	+3	15%
8	Edinburgh	131	+74%	+11	8%
9	Geneva	116	-	+21	73%
10	Ibiza	94	-2%	+5	3%

Source: HVS – London Office

Activity by Investor Type

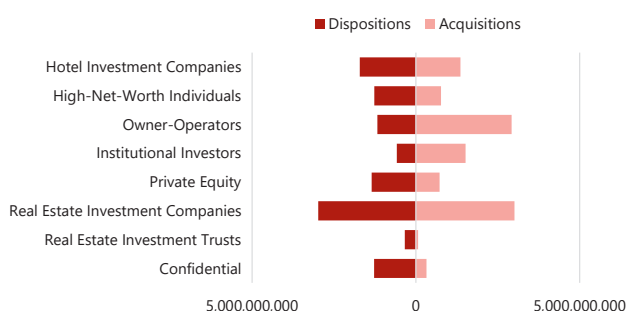
- As in 2022, Real Estate Investment Companies were the most active investors in 2023, buying and selling nearly €6 billion in assets (although that being a 28% decrease from 2022), followed by Owner-Operators that transacted a combined €4.1 billion of properties (a 45% increase over 2022);
- After being the second most active transactors in 2022, Private Equity investors were only the fifth most active group in 2023;
- Owner-Operators were the largest net buyers in 2023 with a positive balance of €1.7 billion, followed by Institutional Investors at €930 million. The largest net sellers were Private Equity companies with a negative balance of €628 million, closely followed by High-Net-Worth Individuals at €507 million.

CHART 6: TOTAL DEAL ACTIVITY BY INVESTOR SOURCE REGION



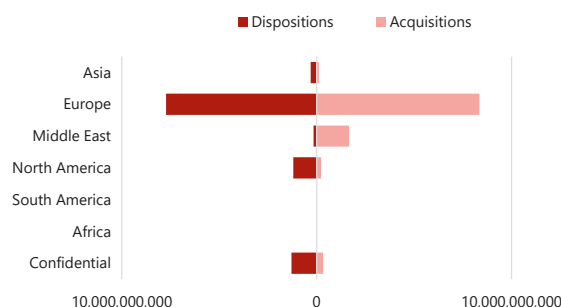
Source: HVS – London Office

CHART 7: CAPITAL FLOWS BY INVESTOR TYPE (€)



Source: HVS – London Office

CHART 8: CAPITAL FLOWS BY INVESTOR SOURCE REGION (€)



Source: HVS – London Office

Single Assets

Single asset transaction activity declined in 2023, as a significant number of investors awaited either a decrease in interest rates or a reduction in pricing (despite increasing top-line hotel performance) to better reflect their perception of values given the higher cost of funding.

	2023	Change	%
Volume (€)	7.3b	-1.5b	-17%
Hotels	229	-18	-7%
Rooms	31k	-5k	-14%
Avg Price Per Hotel (€)	31.8m	-3.7m	-11%
Avg Price Per Room (€)	237k	-7k	-3%

Source: HVS – London Office

Volume

- Single asset transaction volume in 2023 totalled €7.3 billion, which was 17% less than 2022 volumes and 39% below 2019, and was again the second lowest level since 2013. Majority of the activity took place in H1 2023;
- France was Europe's most liquid single asset market in 2023, with 37% more activity than in 2022, moving up two places and dethroning the United Kingdom, which accounted for only 18% of all single asset transactions in 2023 compared to 22% in 2022. Spain remained in second place for the fourth consecutive year, with Germany and Italy remaining in fourth and fifth positions respectively;
- Other markets besides France and Spain that saw increased single asset activity in 2023 were Portugal (+43% and up to sixth), Denmark (+167% and up to seventh) and Switzerland (+45% and up to tenth).

CHART 9: SINGLE ASSET TOP COUNTRIES BREAKDOWN BY VOLUME (€)

Rank	Country	% Change	Change in Rank	% Total
1	France	+37%	+2	22%
2	Spain	+26%	0	21%
3	United Kingdom	-32%	-2	18%
4	Germany	-24%	0	10%
5	Italy	-49%	0	7%
6	Portugal	+43%	+3	5%
7	Denmark	+167%	+9	3%
8	Ireland	-38%	0	3%
9	Sweden	-53%	-2	2%
10	Switzerland	+45%	+4	2%

Source: HVS – London Office

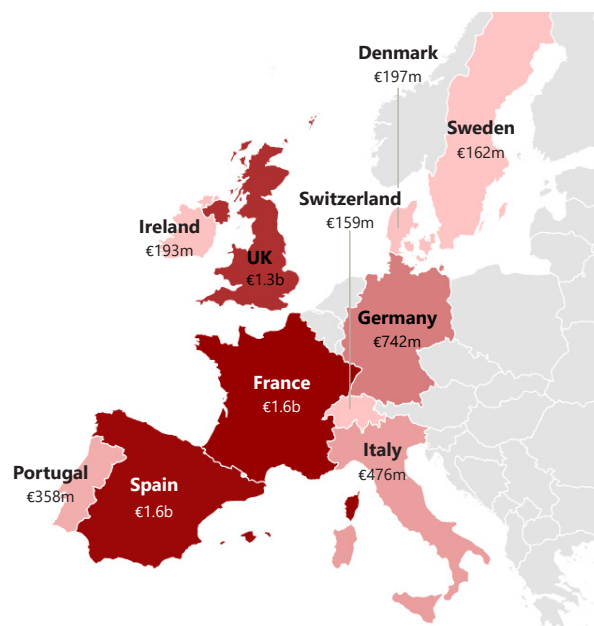
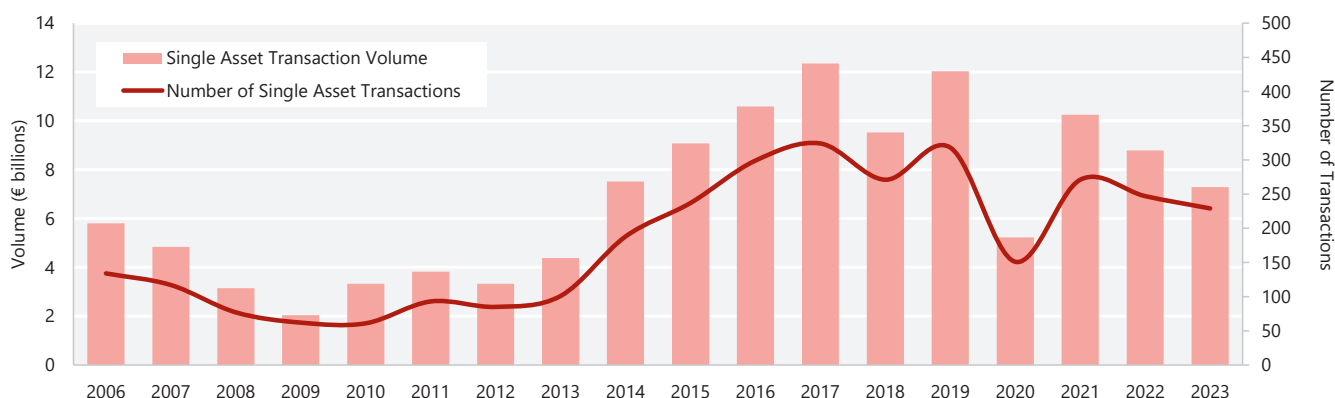


CHART 10: SINGLE ASSET INVESTMENT VOLUMES 2006-2023



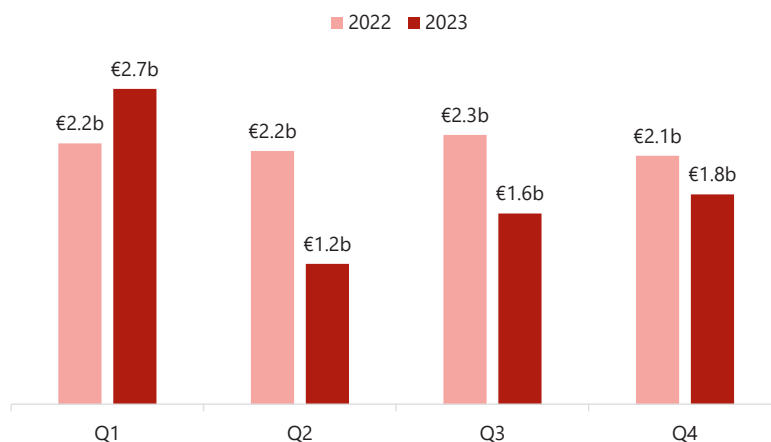
Source: HVS – London Office

CHATEAU HOTEL MONT ROYAL, FRANCE



HVS Hodges Ward Elliott acted for the seller in the sale of the 108-room luxury Chateau Hotel Mont Royal, north of Paris, to Owner-Operator Groupe BMF.

CHART 11: SINGLE ASSET TRANSACTION VOLUME BY QUARTER 2023 VS 2022



Source: HVS – London Office

Cities

Certain major European cities attracted larger investments than they did in 2022, and noticeably contributed to their respective country's 2023 growth.

- Paris topped the city rankings, rising past Barcelona and London, with a total volume of €874 million (a 90% increase over 2022), pushed by high-profile transactions such as The Westin Paris - Vendôme and the Hotel California, with investors securing hotels ahead of the 2024 Olympics to be held in the French capital. As a result, London fell to second place, with single asset investment volume of €565 million, a 53% decrease over 2022;
- The transaction of the luxury Mandarin Oriental and SOFIA hotels in Barcelona resulted in the city being the third most active single asset investment location in 2023, with €389 million in transactions (a 223% increase over 2022), and with an average price of €633,000 per room;
- Driven by the sale of the Comfort Vesterbro and The Square hotels, Copenhagen was the fifth most active city in Europe for single assets (128% increase over 2022). Copenhagen made up a majority of the Danish transaction market, accounting for 85% of the country's total volume.

ALTADIS TOBACCO FACTORY HOTEL, SEVILLE

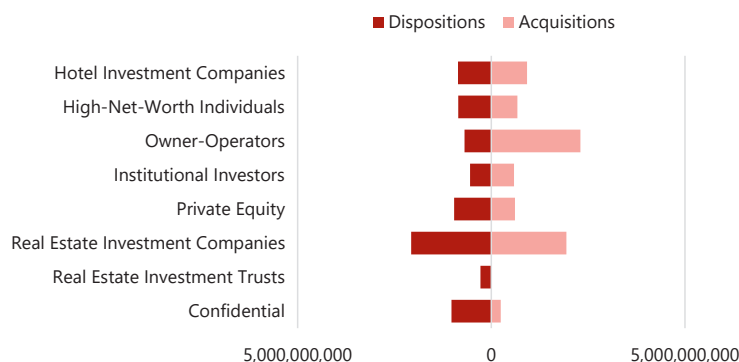


HVS Hodges Ward Elliott acted for the seller in the sale of the luxury Altadis Tobacco Factory Hotel project in Seville, Spain, to Archer Hotel Capital.

Investor Type

- Owner-Operators were 2023's largest net buyers of single assets at €1.6 billion (an 84% increase over 2022);
- Private Equity companies were the largest net sellers of single assets in 2023 at €348 million. Real Estate Investment Trusts followed, with total net sales reaching €267 million;
- Institutional Investors were largely neutral in 2023 with a net acquisition volume of €37 million, after being responsible for single asset net purchases of €1.4 billion in 2022, demonstrating the significant effect on this segment in the current environment.

CHART 12: CAPITAL FLOWS BY INVESTOR TYPE (€)

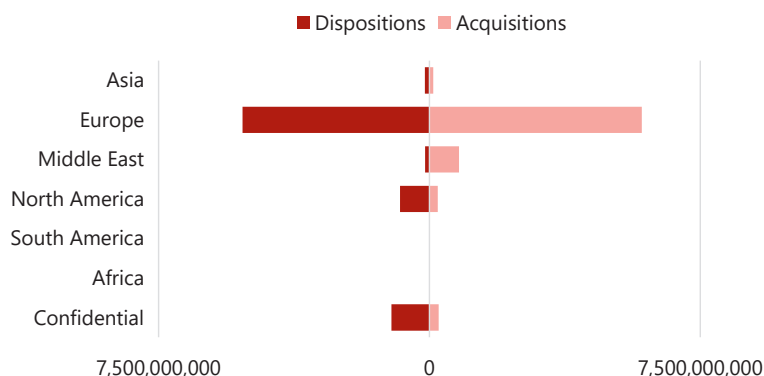


Source: HVS – London Office

Capital by Continent

- Europeans were the most active buyers of single assets in 2023. They accounted for 76% of total transaction activity, with net acquisitions of €703 million, down from €1.1 billion in 2022;
- North American investors recorded €583 million in net sales, while the Middle East made net purchases of €696 million, accounting for 7% and 6% of total single asset transaction volume, respectively;
- 2023 saw renewed Middle Eastern interest (+183% on 2022's investment volume) after being largely absent the past few years, with trophy acquisitions of The Westin Paris, Mandarin Oriental Barcelona and Le Richemond in Geneva.

CHART 13: CAPITAL FLOWS BY INVESTOR SOURCE REGION (€)



Source: HVS – London Office

CAVERN WALKS HOTEL DEBT ADVISORY, LIVERPOOL



HVS Hodges Ward Elliott advised the owner in the sourcing of a significant loan facility to deliver the future 283-room hotel in Liverpool, UK, above the iconic Cavern Club.

THE CAVENDISH, TEMPLE BAR AND ASCOTT KUNINGAN



HVS London and Singapore carried out valuation services on The Cavendish London Hotel (UK), the Temple Bar Hotel in Dublin (Ireland) and the Ascott Kuningan Jakarta (Indonesia) for CapitaLand Ascott Trust as part of a three-hotel portfolio acquisition.

Notable Single Asset Transactions

Presented below is a selection of single asset transactions that occurred over the course of 2023. To request an expanded list of transactions, contact gchamplong@hvshwe.com.

Property	Country	Location	Rooms	Price (€)	Price per Room (€)	Buyer	Seller
Les Florineiges	France	Courchevel	30	65,000,000	2,167,000	Ian Osborne	Caisse des Depots
Hotel Abbaye de Saint-Germain	France	Paris	44	Confidential	Confidential	Compagnie Hoteliere de Bagatelle	Steller Hotels
Hotel Le Belleval	France	Paris	52	Confidential	Confidential	French Family Office	Confidential
Hotel Elysees Regencia	France	Paris	43	Confidential	Confidential	Confidential Hotel Family	Lafosse family
The Westin Paris - Vendôme	France	Paris	428	Confidential	Confidential	Dubai Holding	Henderson Park
Hotel California	France	Paris	172	125,000,000	727,000	Tikehau Capital	DigitalBridge Group
Hotel Touraine Opéra	France	Paris	39	Confidential	Confidential	Private Family Group	Tikehau Capital
Hotel Eiffel Blomet Paris	France	Paris	87	Confidential	Confidential	Financiere MP Landowski	Cedre, Schroder Real Estate Hotels, Extendam
l'Univers Hotel	France	Reims	42	Confidential	Confidential	Ataxia	Quadral Promotion
Hôtel Boronali Montmartre	France	Paris	36	Confidential	Confidential	Rhetores Finance, Capital Hospitality, Anaxago	Confidential
Hameau des Baux	France	Arles	21	Confidential	Confidential	Atream	Confidential
Le Damantin Paris	France	Paris	44	Confidential	Confidential	Anne Foucher, Angel Mari	Audacia
SORAT Hotel Cottbus	Germany	Cottbus	98	Confidential	Confidential	Berlin Family Office	Deutsche Fonds Holding (DFH)
Future Premier Inn Berlin	Germany	Berlin	157	Confidential	Confidential	Premier Inn	Project Immobilien Wohnen und Gewerbe
White Coast Pool Suites	Greece	Milos	30	Confidential	Confidential	Invel Real Estate, Prodea Investments	Confidential
Clarence Hotel	Ireland	Dublin	59	Confidential	Confidential	Dean Hotel Group	Bono and The Edge
Brooks Hotel	Ireland	Dublin	98	50,500,000	515,000	MHL	Charles Sinnott
Six Senses Rome	Italy	Rome	96	245,000,000	2,552,000	Gruppo Statuto	Orion Capital Managers
Duomo Luxury Apartments by Rosa Grand	Italy	Milan	44	Confidential	Confidential	Tel Aviv Investimenti	InvestIRE
Hotel Ritter	Italy	Milan	88	Confidential	Confidential	Confidential	Montello
Future NUMA Topp	Norway	Oslo	33	16,400,000	497,000	Carucel Eiendom	Meteva
Palmares Ocean Living & Golf	Portugal	Lagos	152	Confidential	Confidential	Arrow Global Group	King Street Capital Management, Kronos Homes
Future Villa Magna	Portugal	Albufeira	62	25,000,000	403,000	Livingroup	Confidential
Mandarin Oriental Barcelona	Spain	Barcelona	120	Confidential	Confidential	The Olayan Group	Reig Capital Group
Hotel Palacio Del Retiro, Autograph Collection	Spain	Madrid	50	60,000,000	1,200,000	Riberas Family	Oriol family
NH Práctico	Spain	Madrid	40	Confidential	Confidential	Gregorio Antoraz	OMO Retail
W Hotel Ibiza	Spain	Santa Eulalia del Rio	162	Confidential	Confidential	Gruppo Statuto	Scala Capital Partners
Radisson Blu Hotel Madrid Prado	Spain	Madrid	58	26,000,000	448,000	Confidential	Monthisa
Alzinar Mar Suites Hotel	Spain	Mallorca	128	Confidential	Confidential	Zafiro Group	EIX Hotels
Hotel SOFIA Barcelona - Unbound Collection by Hyatt	Spain	Barcelona	465	Confidential	Confidential	AXA IM - Real Assets, Blasson Property Investments	Brookfield AM
Ferrera Beach Hotel Apartments	Spain	Mallorca	72	Confidential	Confidential	MarSenses	Confidential
Axel Hotel Madrid	Spain	Madrid	88	Confidential	Confidential	Limestone Capital	HI Partners (Blackstone)
Le Richemond	Switzerland	Geneva	109	Confidential	Confidential	Jumeirah	Worldwide Hotel Investments
Hotel des Trois Couronnes	Switzerland	Vevey	71	Confidential	Confidential	European Property Holdings	Confidential
Jubilee Hotel	United Kingdom	London	26	Confidential	Confidential	Confidential Aparthotel Operator	Confidential
Covent Garden Hotel	United Kingdom	London	58	61,800,000	1,066,000	Firmdale Hotels	CBRE Investment Management
Apex Hotel London Wall	United Kingdom	London	89	62,100,000	698,000	Dalata Hotel Group	Apex Hotels
Lime Tree Hotel	United Kingdom	London	26	Confidential	Confidential	Room Mate Hotels	Goodsall Family
Native Bankside	United Kingdom	London	75	44,800,000	597,000	Jastar Capital	Create REIT
Hilton London Hyde Park	United Kingdom	London	136	Confidential	Confidential	Confidential Dubai Family Office	Aroundtown
Tigerlily Hotel	United Kingdom	Edinburgh	33	13,600,000	411,000	Columbia Threadneedle	Lothbury Investment Management
Waldorf Astoria Edinburgh - The Caledonian	United Kingdom	Edinburgh	241	98,900,000	410,000	Henderson Park	Twenty14 Holdings
The Grand Hotel Brighton	United Kingdom	Brighton	201	Confidential	Confidential	Fattal Hotel Group	Weston Family
The Old Bridge Hotel	United Kingdom	Huntingdon	24	Confidential	Confidential	Chestnut Group	Hoskins Family

Source: HVS – London Office

Portfolio Assets

Portfolio transaction volume declined in 2023 (-24% vs 2022). Spain was 2023's most active transaction market for portfolios, with some of Europe's largest deals taking place on the Iberian Peninsula, most notably ADIA's two portfolio acquisitions, totalling 24 hotels, and Starwood Capital selling an 80% stake in three Melia hotels.

Overall, both average prices per hotel, and per room, decreased from the previous year's levels. 2023 portfolios saw more rooms on average per deal, but fewer hotels per portfolio than in 2022.

The UK once again saw high levels of portfolio transaction activity (second overall), including two Hoxton London hotels acquired by Archer Hotel Capital, Blantyre's acquisition of Scottish Crerar Hotel Group and the Warner Leisure portfolio of two country club hotels.

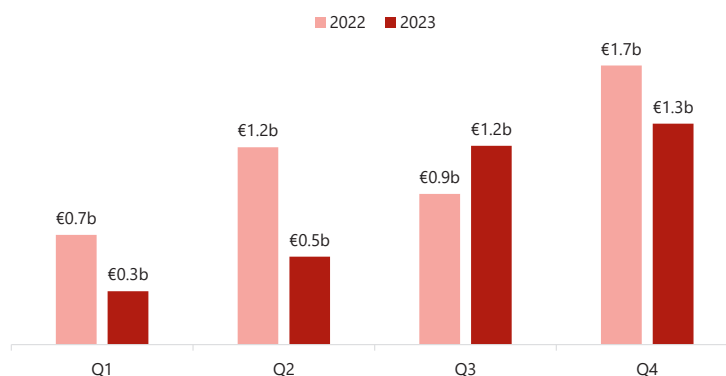
	2023	Change	%
Volume (€)	3.4b	-1.1b	-24%
Portfolios	37	+1	+3%
Hotels	159	-34	-18%
Rooms	24k	+3k	+15%
Avg Price Per Portfolio (€)	91.9m	-32.2m	-26%
Avg Price Per Hotel (€)	21.4m	-1.8m	-8%
Avg Price Per Room (€)	144k	-73k	-34%

Source: HVS – London Office

Volume

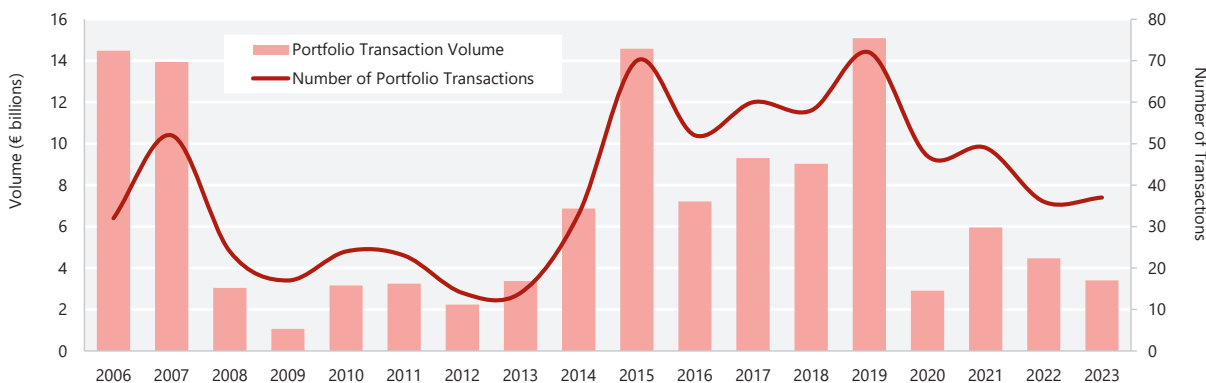
- Portfolio transaction volume in 2023 was €3.4 billion, falling short of 2022 volumes by 24% and again amounting to the second lowest level of the last decade;
- This difference to 2022 was almost all attributed to the first half of the year, with H1 2023 portfolio volumes being only around 46% of that seen in H1 2022;
- By comparison, portfolio activity in the second half of 2023 was almost the same as in H2 2022, meaning that the second half of the year accounted for almost 75% of 2023's total.

CHART 14: PORTFOLIO TRANSACTION VOLUME BY QUARTER 2023 VS 2022



Source: HVS – London Office

CHART 15: PORTFOLIO INVESTMENT VOLUMES 2006-2023



Source: HVS – London Office

CHART 16: PORTFOLIO TOP COUNTRIES BREAKDOWN BY VOLUME (€)

Rank	Country	% Change	Change in Rank	% Total
1	Spain	+14%	+1	36%
2	United Kingdom	-74%	-1	12%
3	Portugal	-62%	0	10%
4	France	-25%	0	9%
5	Ireland	+2,651%	+4	7%
6	Germany	+69%	0	7%
7	Russia	-	+4	6%
8	Cyprus	-	+3	5%
9	Netherlands	-66%	-4	3%
10	Poland	-	+1	2%

Source: HVS – London Office

Cities

- Many of the portfolio assets that transacted in 2023 were in secondary, primarily leisure-focused cities, particularly in regional Spain, UK, Portugal and France;
- Madrid overtook London as the most active portfolio investment market in Europe, with €312 million in portfolio transactions, bolstered primarily by the ADIA acquisition, although representing a decline of 3% on 2022. Similar to 2022, Madrid accounted for a quarter of total Spanish portfolio transactions;
- London recorded the second highest city market volume, made up primarily of two Grange and two Hoxton properties, representing the majority of the total UK portfolio volume;
- Warsaw and Barcelona saw the third and fourth highest city portfolio volumes at €69 million and €64 million, respectively.

Investor Type

- Acquisition activity from Real Estate Investment Companies and Institutional Investors remained strong in 2023, accounting for 59% of all portfolio acquisition activity for the year;
- Private Equity investors were significantly less active than the year before, making up only 3% of total acquisition volume, compared to 21% in 2022;
- Owner-Operator investments doubled as a portion of total volume on the previous year, with an increased interest in asset-heavy branding conversions. Similarly, Hotel Investment Companies saw an increase of triple its investment portion of total volume compared to 2022;
- Owner-Operators, Institutional Investors (including ADIA) and Real Estate Investment Companies were net buyers, at €135 million, €893 million and €162 million of net purchases, respectively, while Hotel Investment Companies and High-Net-Worth Individuals disposed of a net €415 million and €324 million, respectively, as seen in Chart 17.

Capital by Continent

- Similar to 2022, European investors again accounted for the large majority of portfolio deal activity, at 73% of total volume;
- Led by ADIA, Middle Eastern buyers accounted for a quarter of total purchases, having been noticeably absent from portfolio deal activity in 2022;
- North American investors were absent in 2023, after having accounted for 21% of portfolio transactions the year before.

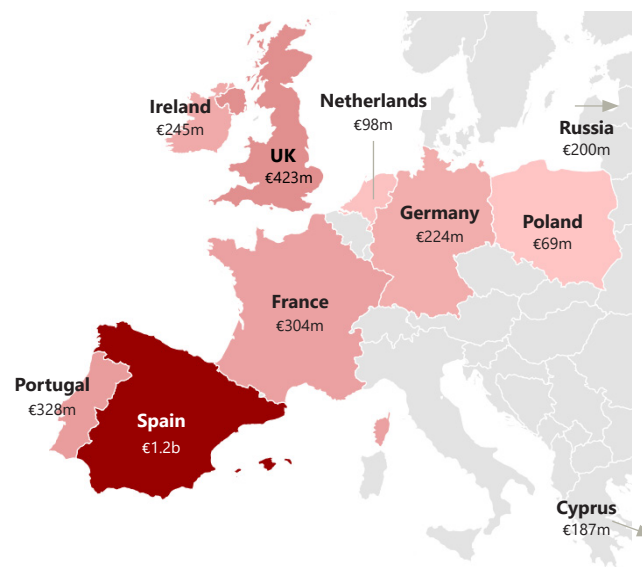
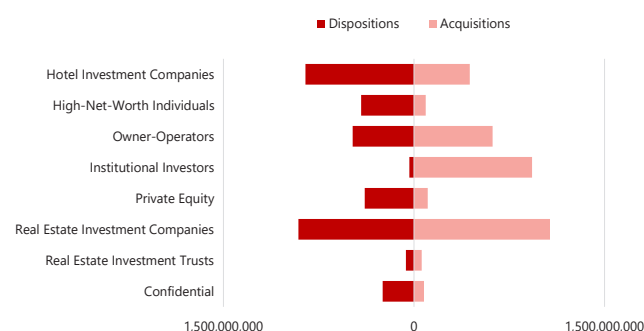
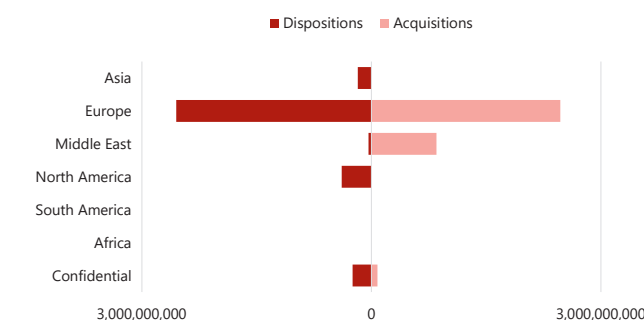


CHART 17: CAPITAL FLOWS BY INVESTOR TYPE (€)



Source: HVS – London Office

CHART 18: CAPITAL FLOWS BY INVESTOR SOURCE REGION (€)



Source: HVS – London Office

Portfolio Transactions

Presented below is the list of portfolio transactions that have occurred over the course of 2023.

Property	Country	Hotels	Rooms	Price (€)	Price per Room (€)	Buyer	Seller
Portfolio of Aqua and Argus Hotels in Brussels	Belgium	2	140	Confidential	Confidential	Honotel	Confidential
Portfolio of Novotel and ibis Hotels in Mechelen and Namur	Belgium	2	214	Confidential	Confidential	Extendam, Atalante	Covivio JV Accorinvest
Prodea Acquires 55% Stake in MHV	Cyprus	5	1,103	Confidential	Confidential	Prodea Investments	Yoda PLC
Portfolio of Mercure and ibis Hotels in Normandy	France	3	272	Confidential	Confidential	Atypio Hotels, BPI France, Extendam	Confidential
Portfolio of Campanile Hotels	France	4	192	Confidential	Confidential	Eternam	Confidential
Portfolio of Citadines-Branded Hotels	France	4	333	44,000,000	133,000	Confidential	Capitaland Ascott Trust
Portfolio of IHG Hotels in Montpellier	France	2	234	Confidential	Confidential	Groupe Arrelia	Groupe Cosmo
Portfolio of B&B Hotels	France	4	578	Confidential	Confidential	SCPI Eurion, Corum	La Francaise REM
Portfolio of Louvre, B&B and Best Western Hotels	France	13	936	Confidential	Confidential	Extendam, MyHotels, Bpifrance, 123 IM	Confidential
Portfolio of Novotel Hotels	France	3	301	Confidential	Confidential	Atypio Hotels	Confidential
Portfolio of Independent Hotels in Chamonix	France	2	163	Confidential	Confidential	Eternam, Quinspark	Confidential
Abba Portfolio: 6 B&B Hotels	Germany	6	902	Confidential	Confidential	Sofidy	Accorinvest
Portfolio of Independent Hotels in Barleben and Cologne	Germany	2	260	Confidential	Confidential	Alchemy Step Hotel Group	Confidential
AURELIUS Acquires Lindemann Hotels	Germany	4	228	Confidential	Confidential	Aurelius Holding	Lindemann Hotels
Portfolio of Azimut Hotels	Germany	2	118	Confidential	Confidential	Trescher Family	Azimut Hotel Group
Portfolio of Independent Hotels in Bad Griesbach	Germany	3	531	Confidential	Confidential	RIMC International Hotels & Resorts	Dr. Hans-Dieter Cleven
LHC Group Acquires 70% Stake in Dean Hotel Group	Ireland	8	612	Confidential	Confidential	Lifestyle Hospitality Capital, Elliott IM	Paddy McKillen Jnr, Matt Ryan
Portfolio of Best Western Hotels	Netherlands	2	109	Confidential	Confidential	Raspberry Group	Titus Stoelinga, Marcel Rutten
Portfolio of Independent Hotels in Rotterdam	Netherlands	2	480	Confidential	Confidential	Annexum, Orange IM	Intel Hotels
Portfolio of IHG Hotels in The Warsaw Hub Complex	Poland	2	430	Confidential	Confidential	Corum AM	Ghelamco
Portfolio of Dom Pedro Hotels	Portugal	6	1,126	Confidential	Confidential	Arrow Global Group	Saviotti Group
Portfolio of Minor Hotels	Portugal	5	974	Confidential	Confidential	NH Hotels	Minor International
Portfolio of Radisson-Branded and Olympia Garden Hotels	Russia	10	4,078	200,000,000	49,000	Sistema Group	Wenaasgruppen
Portfolio of Independent Hotels in Barcelona and Seville	Spain	4	170	Confidential	Confidential	Salomon 1956	Confidential
Portfolio of Be Live Properties	Spain	2	410	83,000,000	202,000	Stoneweg	Globalia Group
ADIA Acquires 51% Stake in Portfolio of 7 hotels	Spain	7	2,331	Confidential	Confidential	ADIA	Avenue Capital Group, Melia Hotels
Starwood Capital Sells 80% Stake in 3 Hotels	Spain	3	821	Confidential	Confidential	Banca March, Melia Hotels	Starwood Capital
Portfolio of Nobis Hotels in Mallorca	Spain	2	68	35,000,000	510,000	Confidential	Genova Property Group
Portfolio of 17 ADIA Hotels	Spain	17	2,586	Confidential	Confidential	ADIA	Equity Inmuebles
Portfolio of Independent Hotels in Barcelona and Malaga	Spain	2	213	85,000,000	399,000	Meridia Capital	Gómez Casals Family
Portfolio of Catalonia Hotels	Spain	2	175	Confidential	Confidential	Catalonia Hotels & Resorts	Confidential
Gelba Fastigheter Acquires 51% Stake in Host Property AB	Sweden	8	967	Confidential	Confidential	Gelba Fastigheter	Host Property AB
Blantyre Acquires Crerar Hotel Group (Scotland)	United Kingdom	7	389	Confidential	Confidential	Blantyre Capital, Fairtree Investments	Crerar Hotels
Portfolio of Grange Hotels in London	United Kingdom	2	84	Confidential	Confidential	Zorca Holdings	Grange Hotels
Portfolio of YHA Hostels	United Kingdom	3	144	Confidential	Confidential	Kabannas	YHA
Portfolio of Country Club Hotels	United Kingdom	2	429	Confidential	Confidential	Warner Leisure Hotels	ADIA
Portfolio of Hoxton Hotels in London	United Kingdom	2	430	249,000,000	580,000	Archer Hotel Capital	Norlake Hospitality

Source: HVS – London Office

Conclusion

Like the second half of 2022, 2023 was a year in which headlines were dominated by high inflation and high interest rates, which resulted in not only higher financing costs for acquisitions but also a rise in operating costs for hotels. In many hotels across the European continent, the latter was cushioned by strong top-line performances, but higher borrowing costs led to a softening of yields and a slow-down in transactional activity (bid-to-ask gap and scarcity of affordable debt) across all asset classes, including hotels.

Total European hotel investment volume for the year finished 19% below 2022 and 60% below 2019, with average deal sizes in Europe further declining, extending a trend that began mid-pandemic in 2021, driven mainly by a large drop in portfolio deals.

Despite this slowdown, transaction activity is still well above the six years that were impacted by the Global Financial Crisis (2008 to 2013), as well as 2020, and economic conditions are generally improving. The worst of this current cycle seems to be behind us, with inflation having fallen dramatically during the past 12 months and expected to be <3% in both the EU and the UK in 2024. Recessions in major economies have not been the trend but rather a rare exception, and interest rates seem to have peaked towards the end of 2023.

At the same time, the strong room rate growth experienced in many markets has reminded investors that hotels, although often having more immediately impacted returns than some other property investment classes, are also better insulated in high inflation periods due to their ability to re-price and grow room revenue.

Hotel transactions saw €1.5 billion worth of trophy assets, €2.0 billion worth in Iberian resorts (around 50 assets) and €1.5 billion in significant portfolios being traded, with a number acquired by first-time buyers within the High-Net-Worth Individuals and Family Offices investor types. Middle Eastern investors had significantly increased activity compared to 2022, up by 477% in total volume.

Spain and France drove a large proportion of activity, accounting for 44% of total investment volume, emphasising the focus on southern European leisure markets and dethroning the UK for 2023. The investment landscape also witnessed reduced core asset activity compared to previous years (2021 and 2022), with investor interest primarily focused on value-add assets in 2023. There were also far fewer distressed sales than many initially anticipated for the year.

Overall, many investors continued to hold a 'wait and see' position. Looking ahead, however, there is plenty that seems promising for the hotel investment market in Europe.

Looking Ahead

Central to the discussion of 2024's investment outlook is the availability of, and cost of, financing, as well as the likelihood or otherwise of refinancing distress. As a greater volume of debt facilities become due for refinancing in the year ahead, there may well be more distressed sales, albeit far fewer than during the Global Financial Crisis, and perhaps, like during the pandemic years, a lot fewer than many anticipate. This time around, banks are better able to assess risk, as post-COVID trading continues to stabilise. Interest rates also look to have peaked and there is more visibility in lending terms. Increasing competition between local lenders and a widening of the pool of pan-European lenders – along with a willingness to lend on hotel assets relative to other real estate asset classes – should see the availability of hotel financing continue to improve.

This financing environment will be the key driver for increased investment activity. With economic headwinds trending more positively and inflation falling significantly, interest rates are expected to trend down again. There is still a 'wait and see' attitude by many investors, hopeful that this strategy will come to fruition when rates do start to fall in the second half of this year, or significant refinancing distress presents investment opportunities.

Europe has some major sporting events to look forward to in 2024, including the Olympic Games in Paris and the 2024 UEFA European Football Championship in Germany, as well as Taylor Swift's 2024 Eras Tour across Europe, which are all set to deliver very strong top-line results during and around these events.

Investment trends that are becoming more prevalent include increased investor requirements for sustainably-certified energy efficient buildings, as well as for green financing. In addition, the rise in brand offerings and differentiation by various hotel groups will continue to lead to increased conversion acquisitions and disposals.

As 2024 progresses, a huge weight of capital remains ready to be deployed, especially in urban markets, with cities like London expected to pick up pace in the coming year. Q1 investment activity in 2024 has started strongly compared to the same period in 2023, with some notable transactions taking place, including the Mandarin Oriental Paris, in France, and the 10-asset Radisson Blu Edwardian portfolio and the 66-asset Travelodge portfolio, both in the UK.

— End —



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HVS Hodges Ward Elliott is the hotel brokerage and investment banking division of HVS. Operating within the European marketplace, HVS Hodges Ward Elliott acts on behalf of its clients in the sale, management, franchising and financing of hotels. Assignments include individual assets and portfolios, with transactions having been successfully concluded in all major European markets.

For further information about the services of the London office, please contact Charles Human, our CEO, at +44 20 7878 7771 or chuman@hvshwe.com.

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