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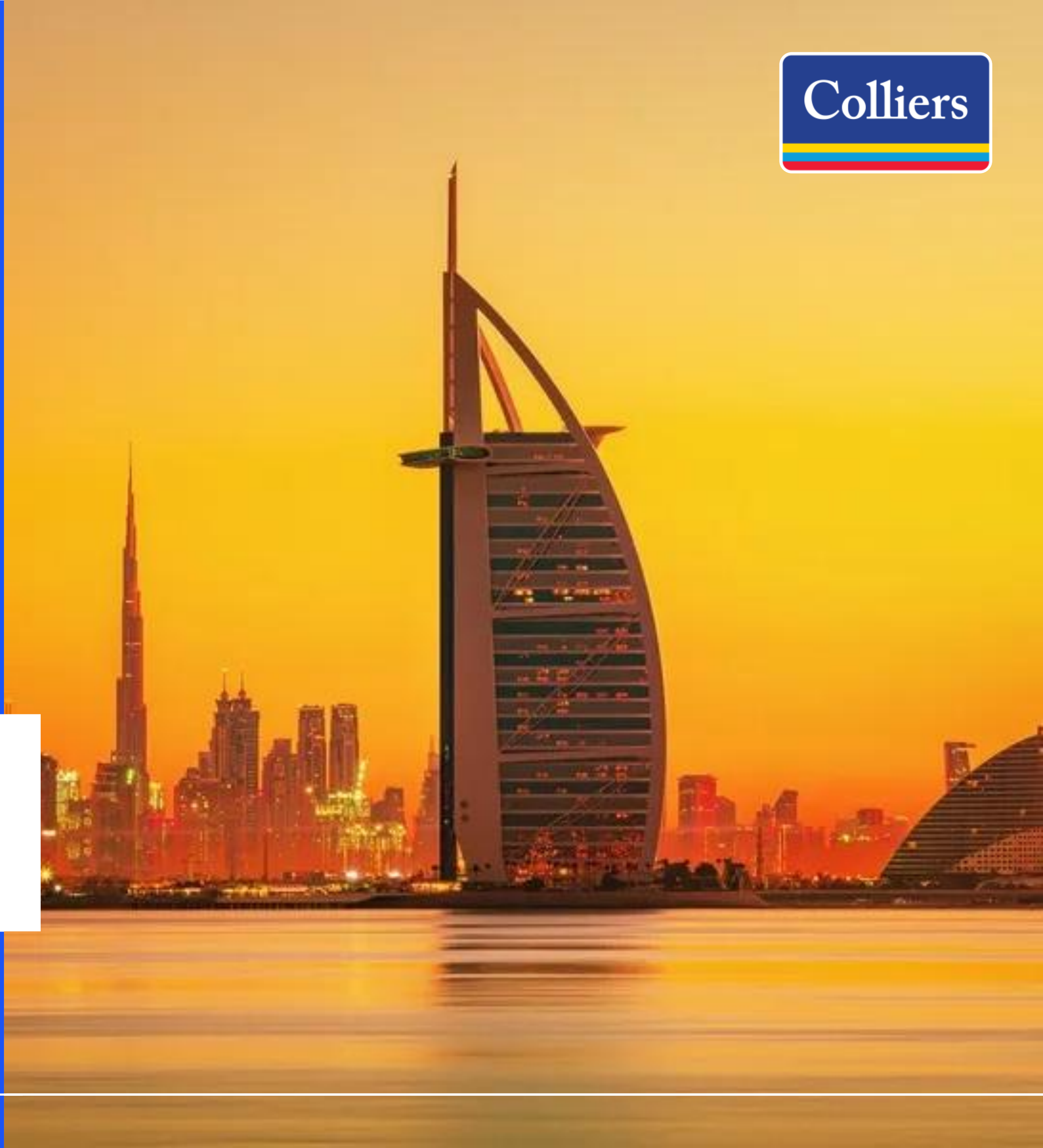
Spotlight European Hospitality 2024

The turning point for transactional activity?



Larissa Esser – Senior Advisor
FHS World 2024

Accelerating success.

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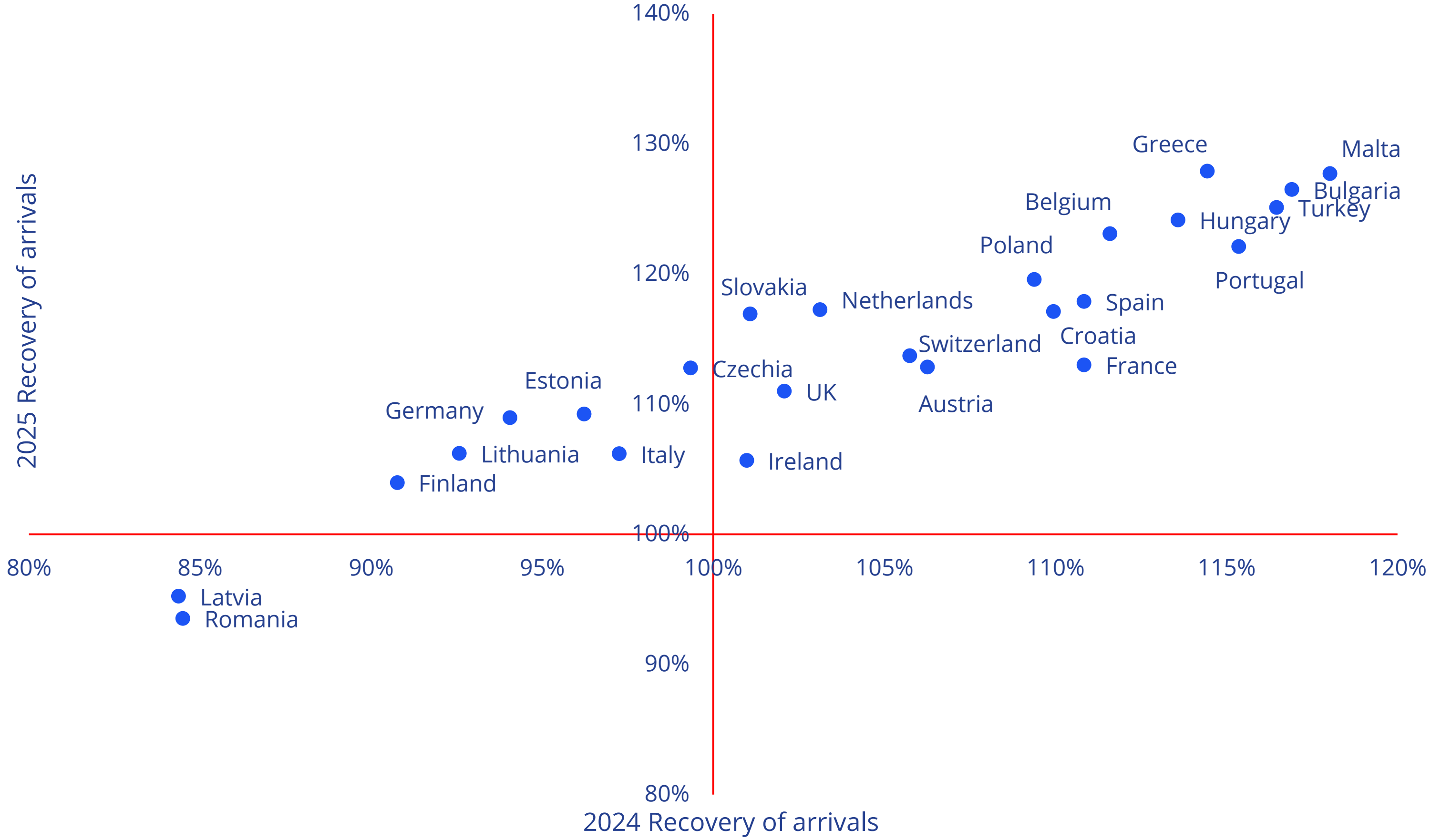
Trading Fundamentals

Total overnight arrivals to Europe recover in 2024

- Total arrivals to Europe is forecast to expand by +9% over the course of 2024.
- This will see total overnight arrivals surpass pre-covid levels in 2024, in aggregate
- **Arrivals to expand by a further +8% in 2025**. Majority of countries to have fully recovered by 2025

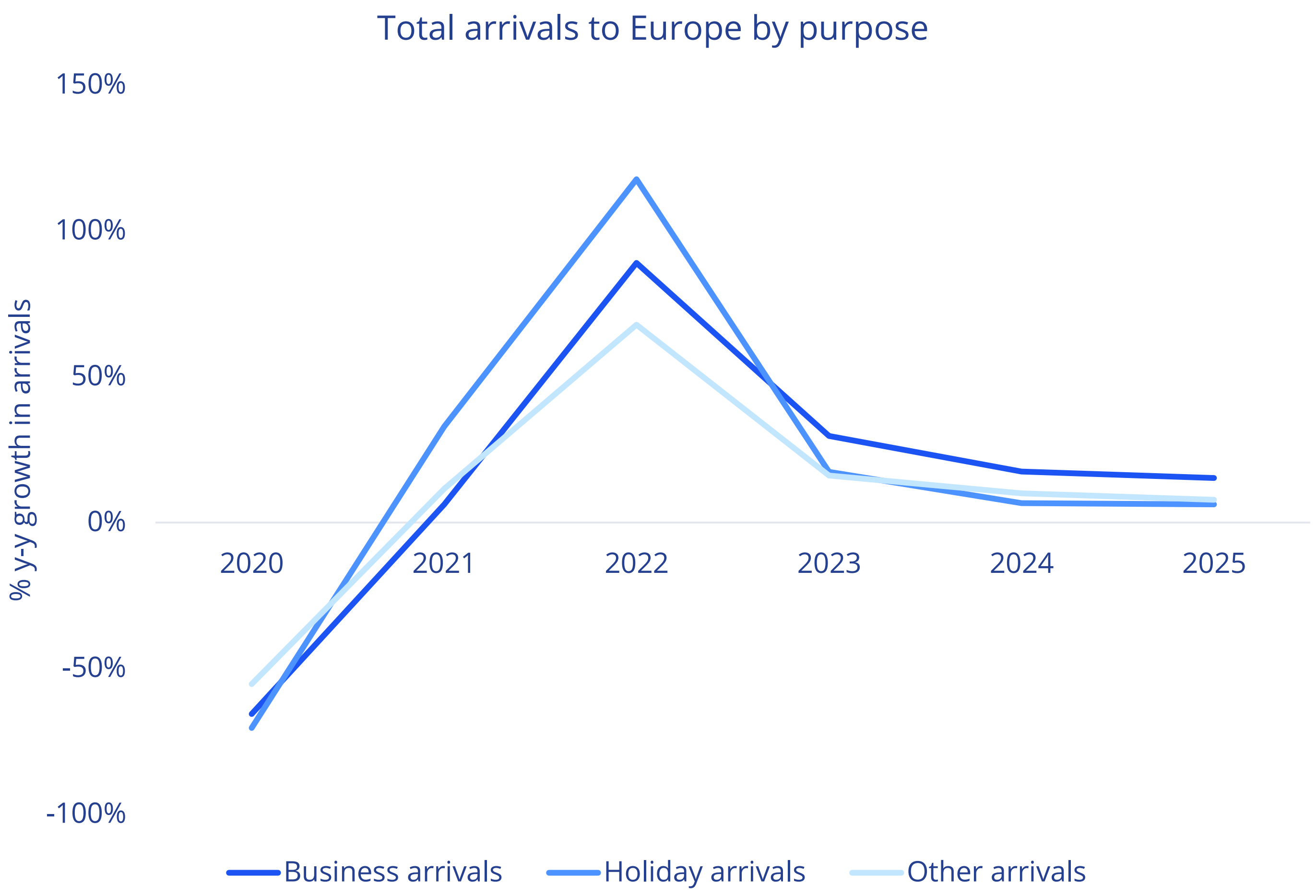
Overnight tourist arrivals: 2024 & 2025 Recovery vs 2019



Source: Oxford Economics

Business arrivals driving growth in Europe

- Leisure arrivals still account for the majority of arrivals at 64% in 2024, **however the business category is driving arrivals growth in 2024**.
- The latest 2024 forecasts suggest +18% business growth in Europe (up from +15% forecast end 2023), with holiday arrivals expected to expand by +7%.
- This means both holiday and business arrivals will exceed 2019 levels in 2024 - business arrivals are a year ahead of their expected recovery.



Source: Oxford Economics

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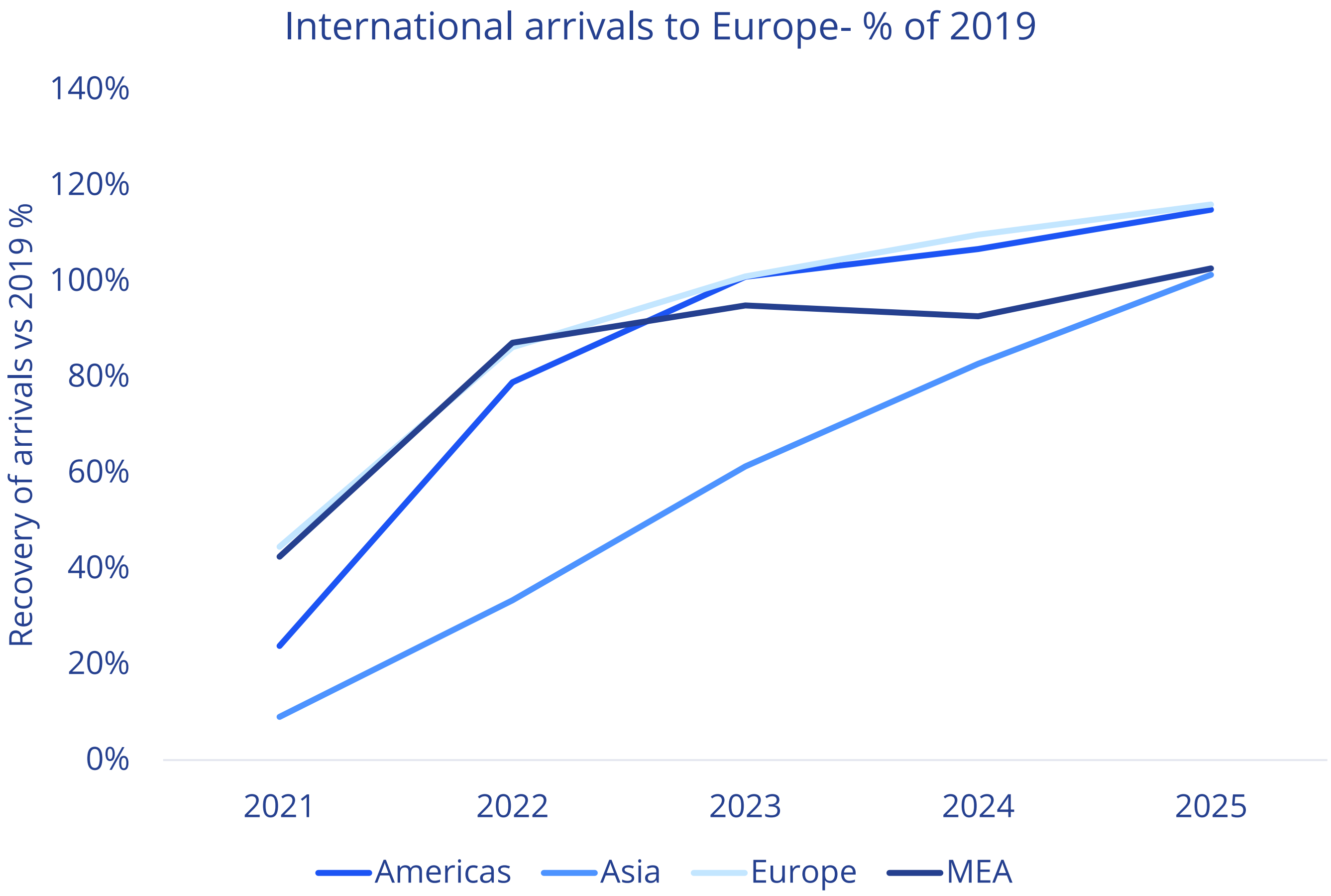
Arrivals by origin region



- All regions of origin are expected to recover arrivals to Europe by end 2025, however only the Americas and the wider Europe region will have recovered by end 2024.
- **Arrivals from APAC will grow at over 30% across 2024.**
- Arrivals from the Middle East and Africa will drop back slightly (-2.4%) in 2024, before returning to growth in 2025 (+11%)

Source: Oxford Economics

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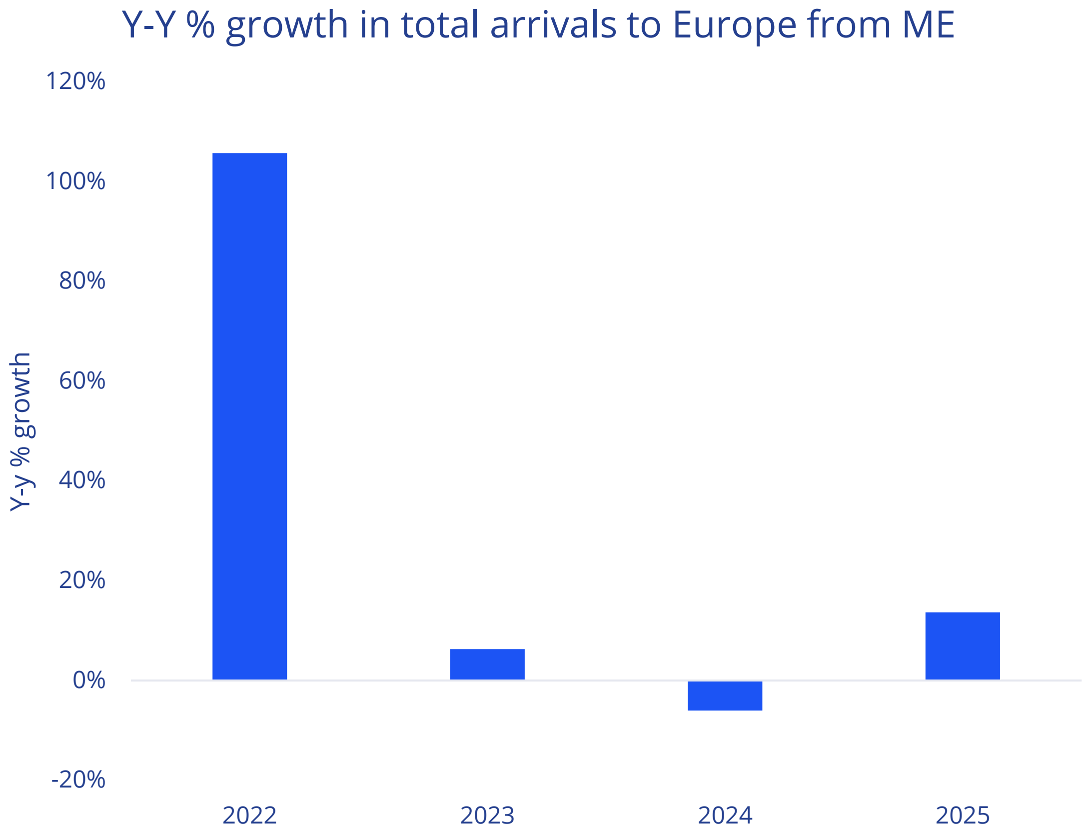
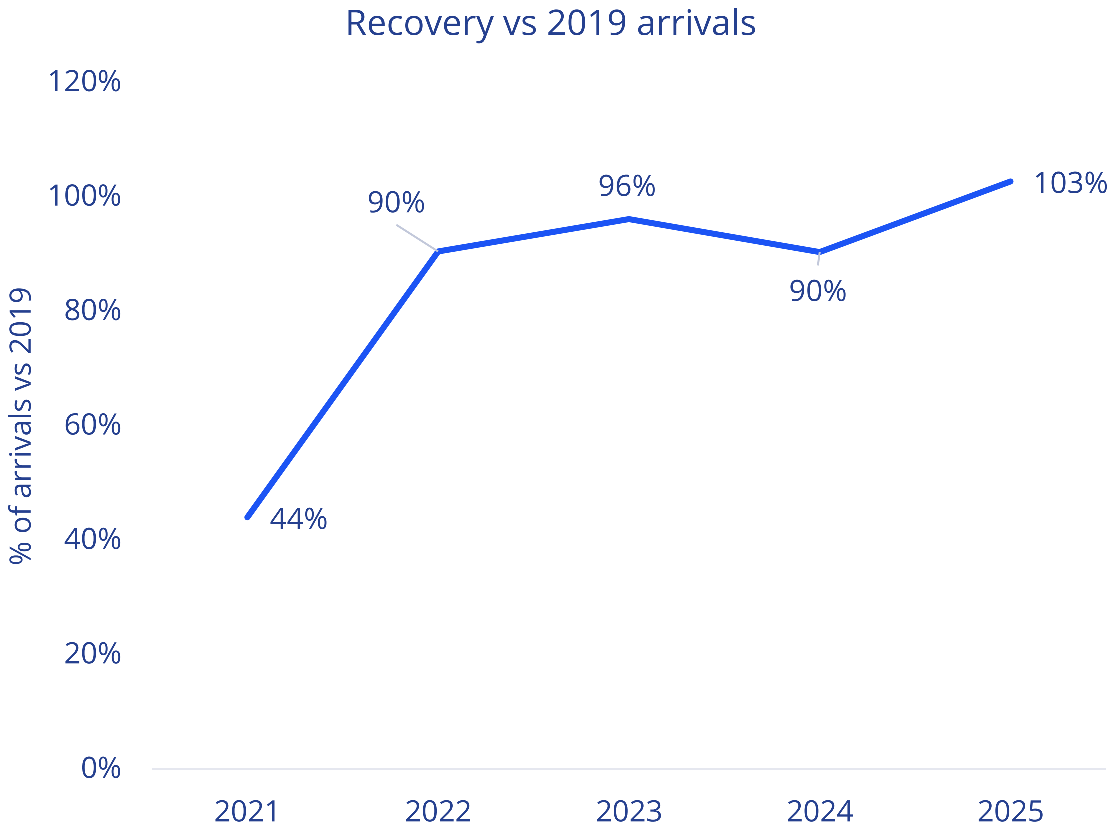
Middle East arrivals to Europe to recover 2025





Source: Oxford Economics

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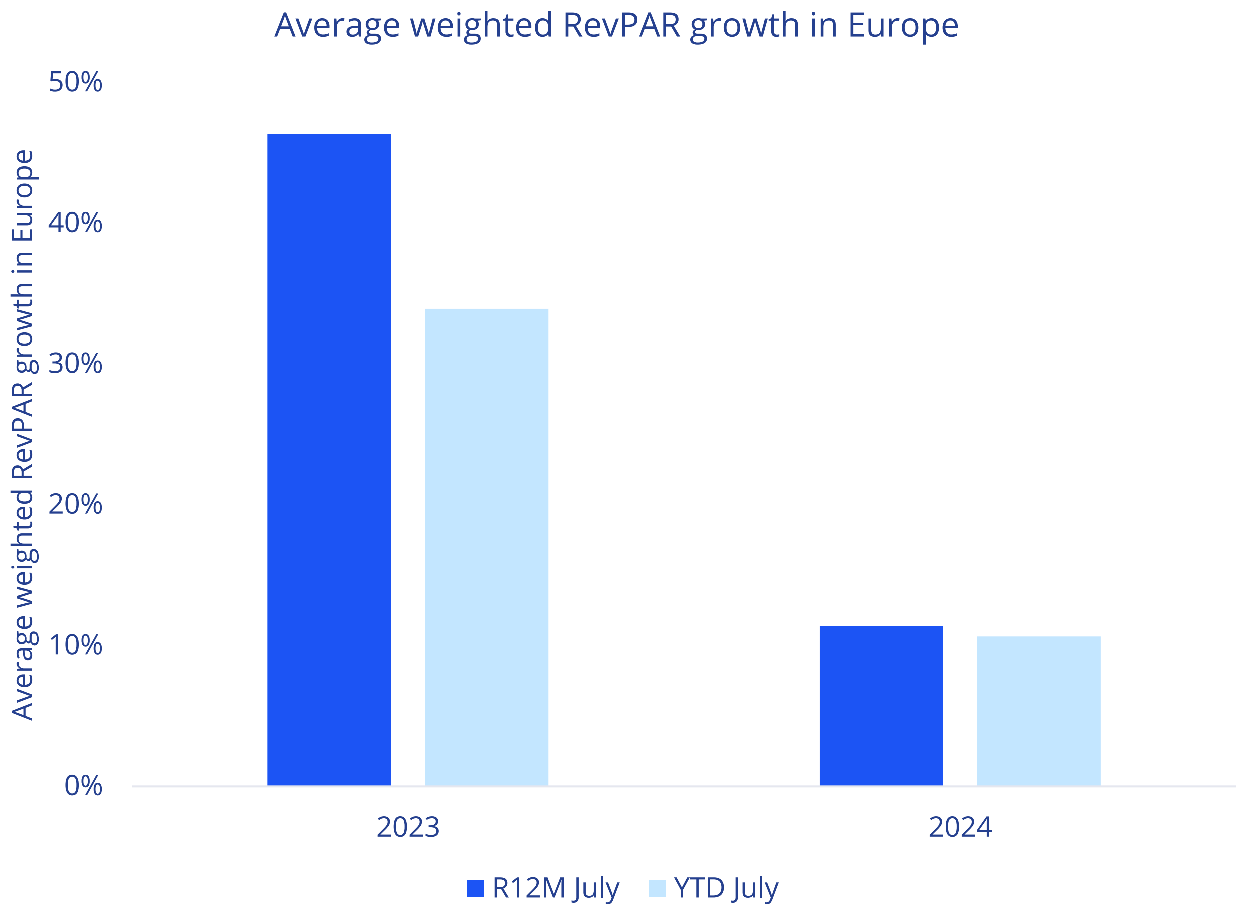
RevPAR growth continues to normalise across Europe

- In the first 7 months of 2024, average **RevPAR grew +11%** vs same time period in 2023. Spain (+15%) and Greece (+15%) continued with strong growth and Germany saw +7% growth, supported by the Euros tournament.
- Rolling 12 months basis, average RevPAR in Europe has increased +11% to July 2024, down from +46% in prior comparable period.
- Average growth for the last 12 months was particularly strong in Spain (+13%) and Greece (+13%) again, key summer holiday markets in the region. Germany, the UK and France each saw growth between 4-5%.



Source: STR

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Investment market

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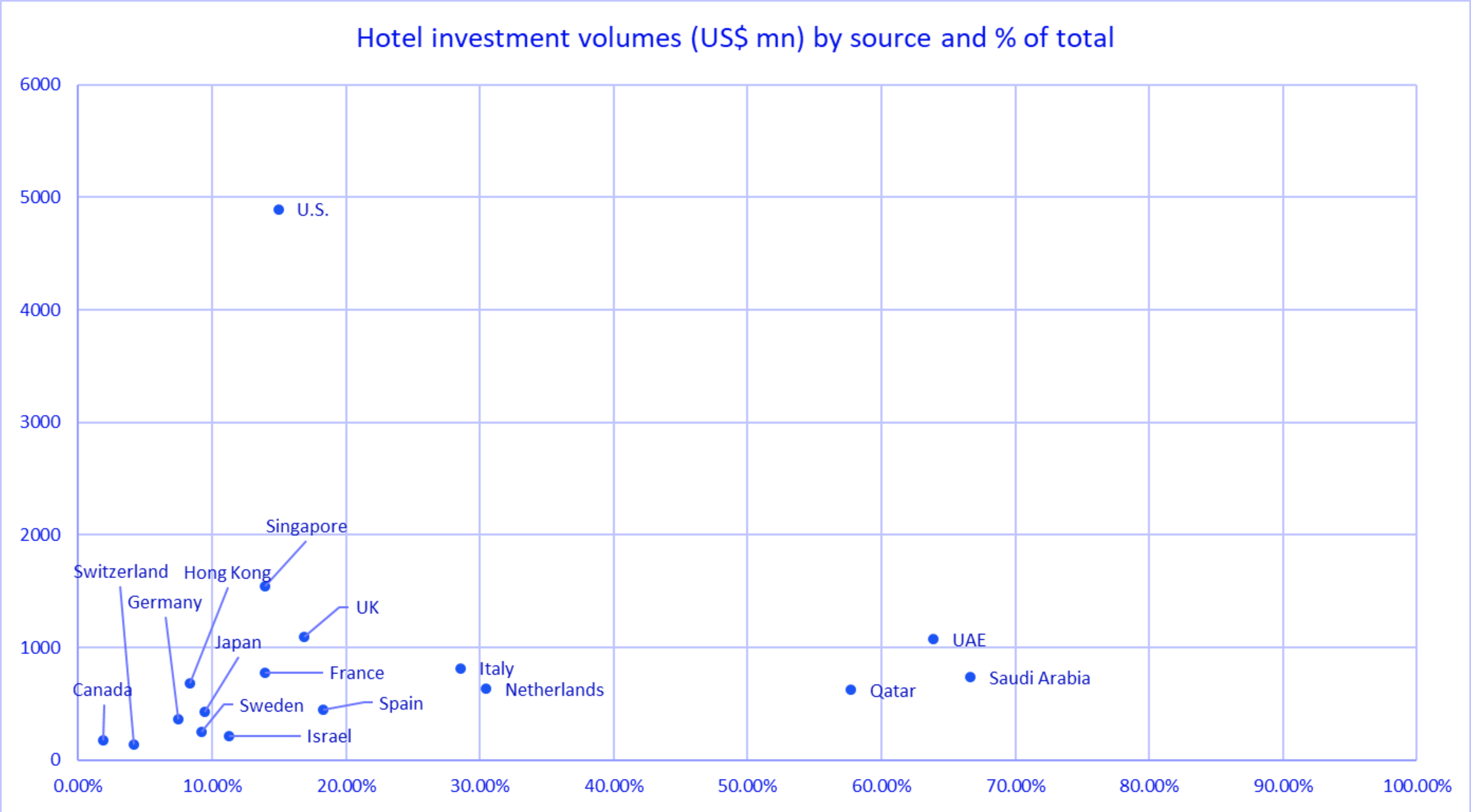
Global: Sources of capital into hotels



- In past 12 months, capital **from U.S. largest in-flow** into hotels, followed by Singapore, UAE and the UK (all >$1 BN)
- Capital from the **Middle East strongly focussed on hotels** (between 55% - 65% of total capital inflows)

Sources: Colliers, MSCI Real Capital Analytics

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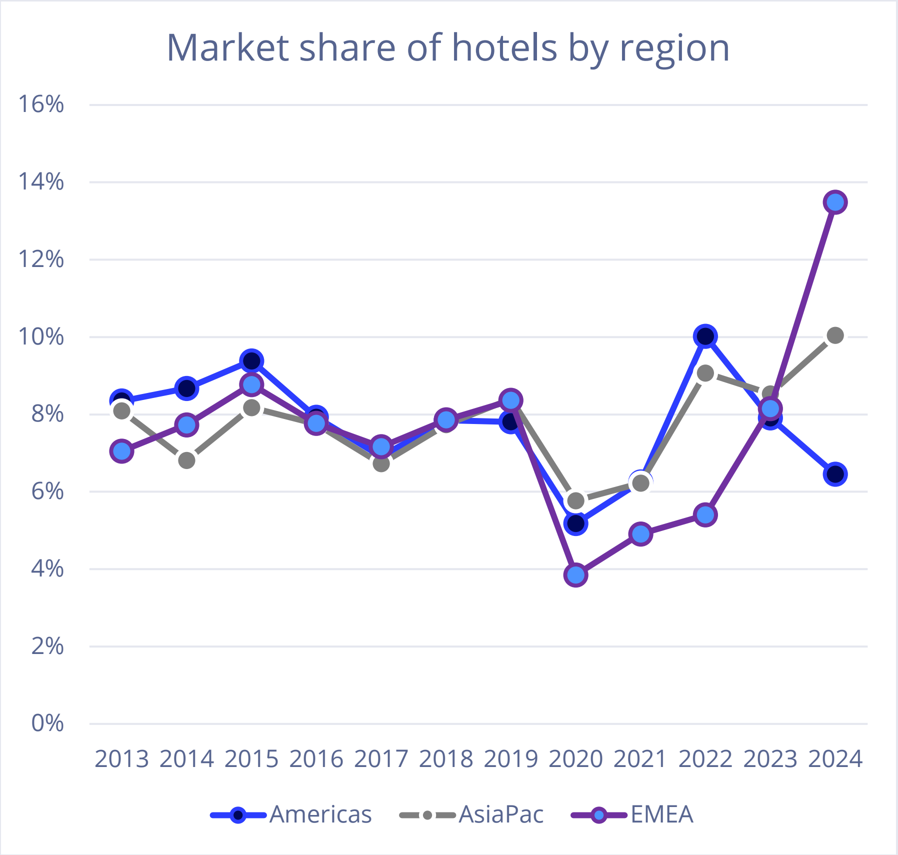
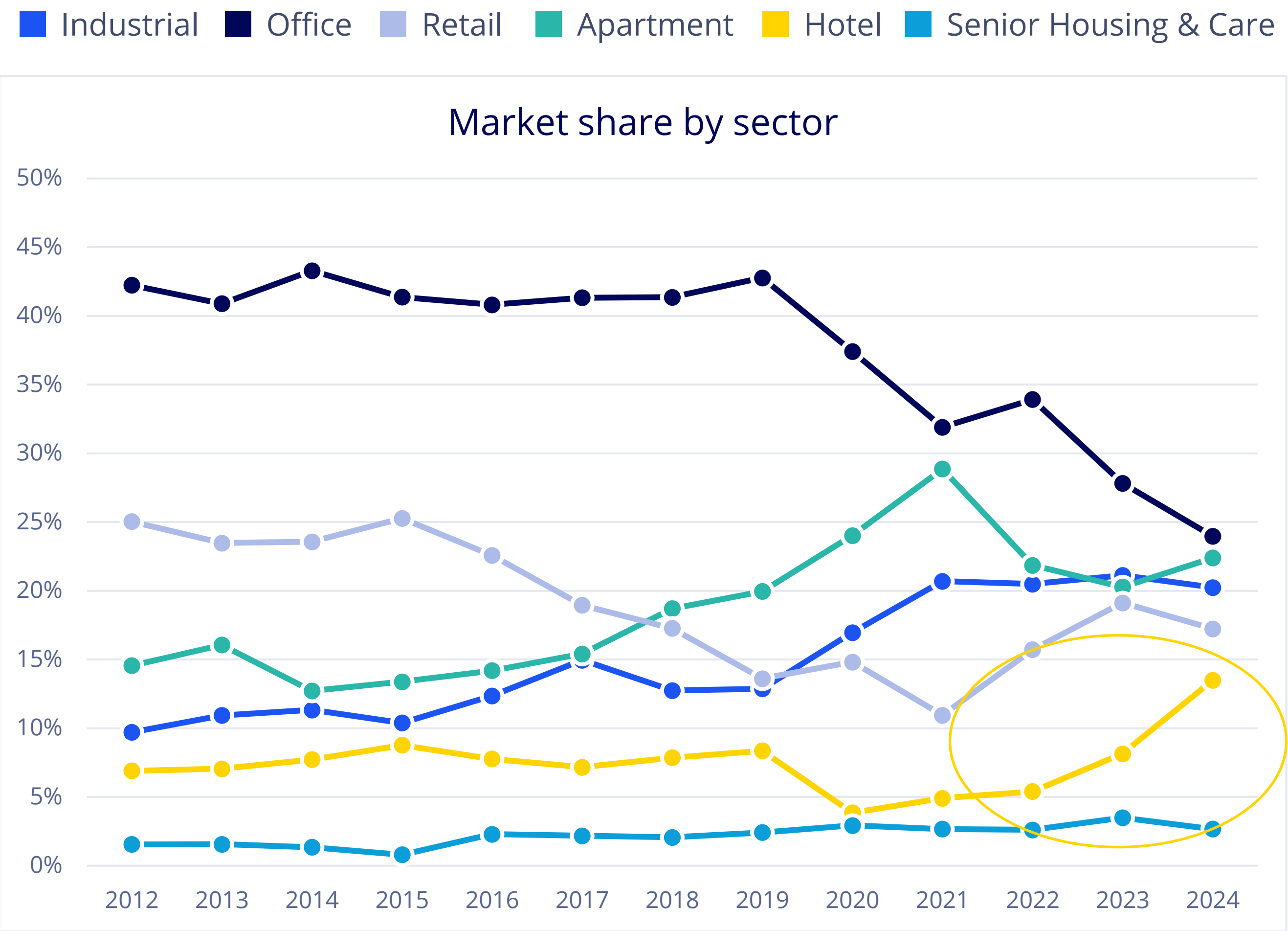
Share of hotel investment volumes: Global and EMEA





Source: Colliers, MSCI Real Capital Analytics

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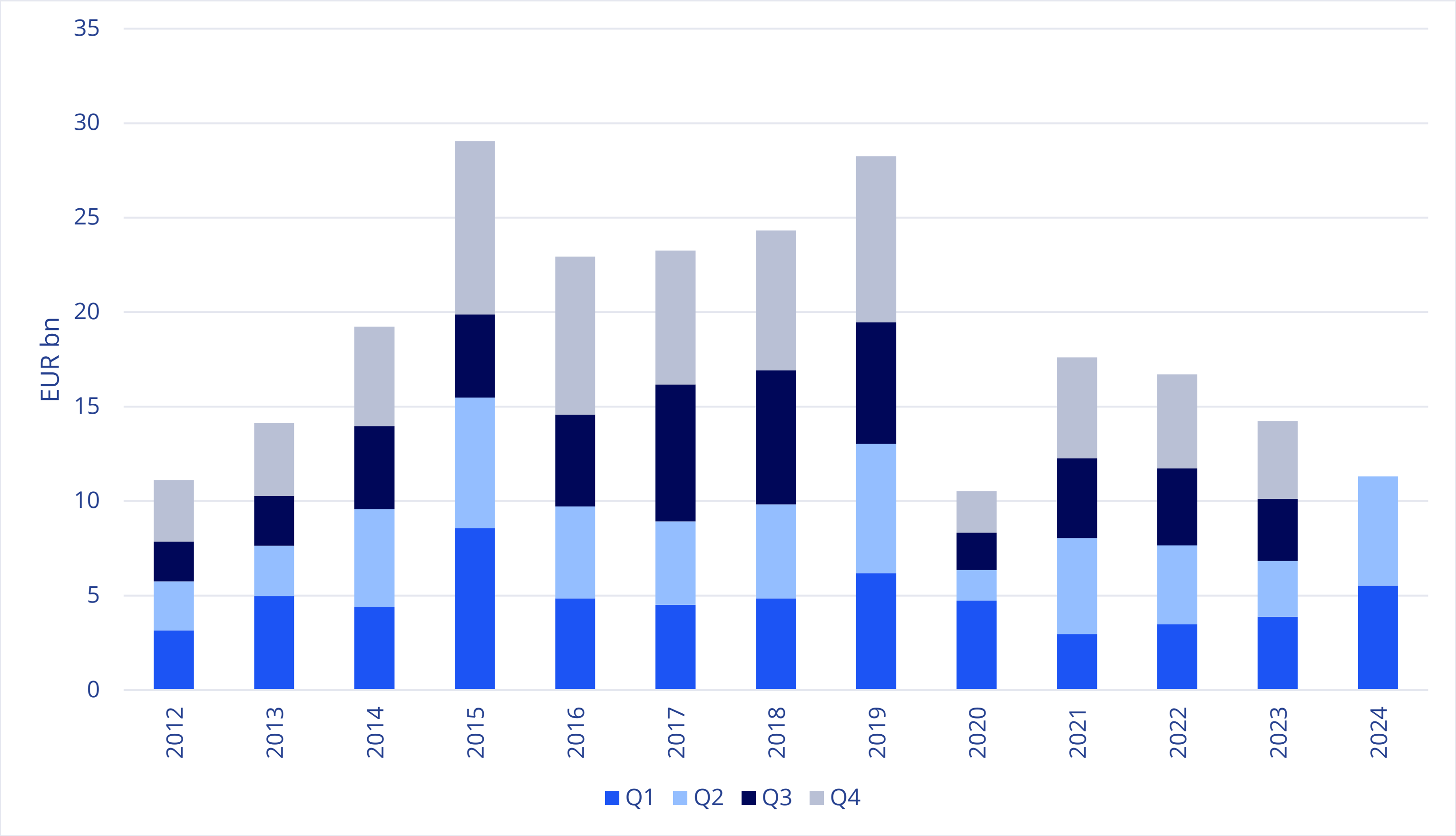
EMEA: Hotel investment volumes over time



- H1 2024 hotel investment momentum in 2024 clear to see
- **EUR 11.3 billion invested in 2024** is the 3rd largest H1 volume recorded
- H1 2024 volumes close to FY 2023: only -21% lower than FY; **66% higher than same period y/y**.
- Positive fundamentals and investor appetite point to a strong 2024 and 2025.

Sources: Colliers, MSCI Real Capital Analytics

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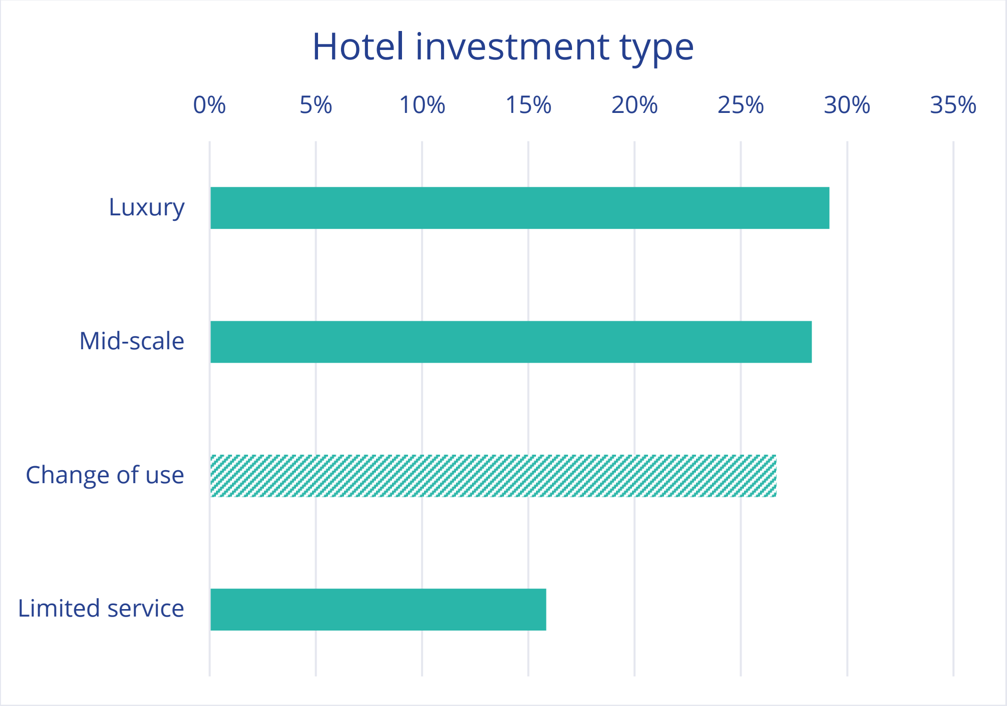
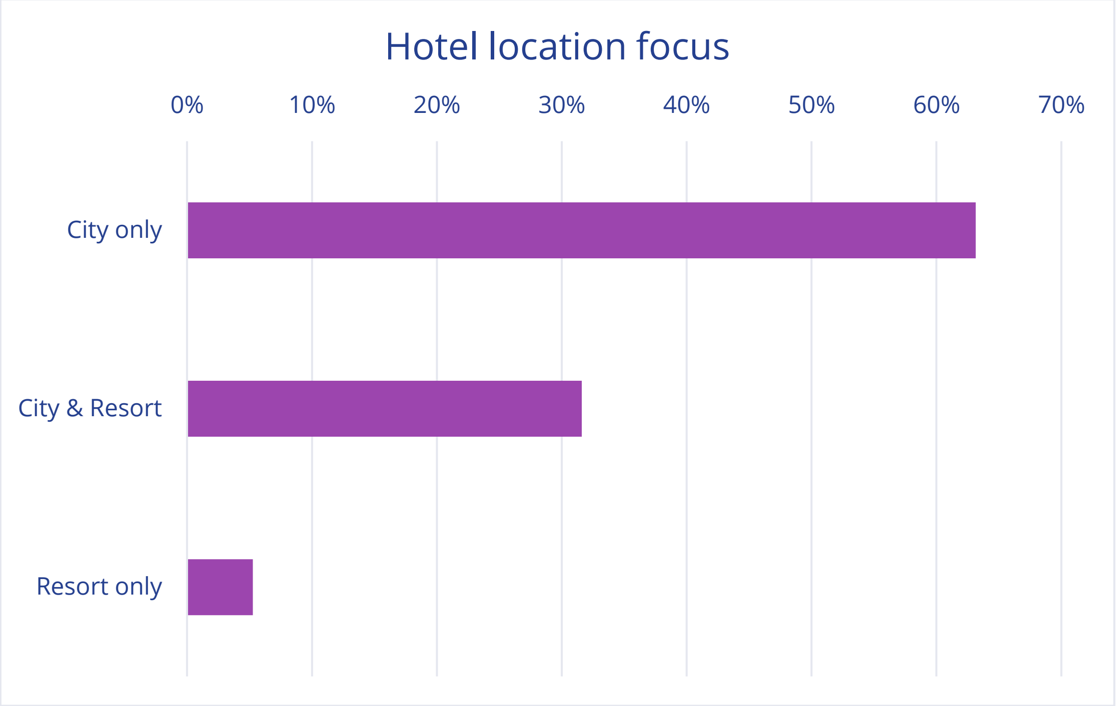
Hotel types and locations favoured by investors:
GIO survey 2024





Source: Colliers

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Future factors

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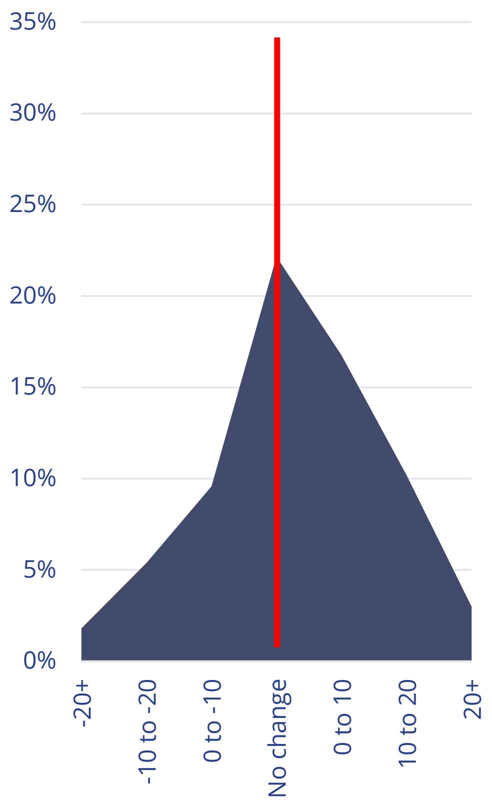
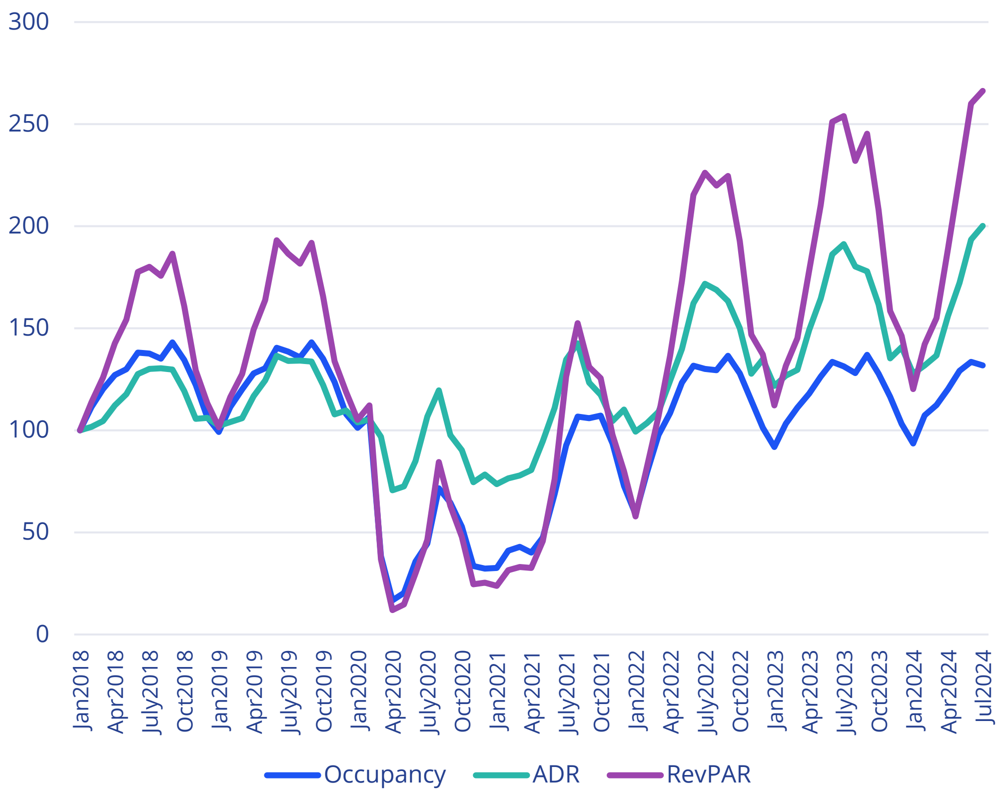
What do investors want?





- **Hotels was the only sector where the consensus view by investors was positive**: that there would be more upside to capital values than downside
- Value upside has proven to be driven by income growth, via expanding occupancy and higher RevPAR (11%+).
- Lower ADR growth rate (4.6% y/y) is healthier for the market, and also contributes to lower rates of inflation

Source: Colliers, CoStar/STR

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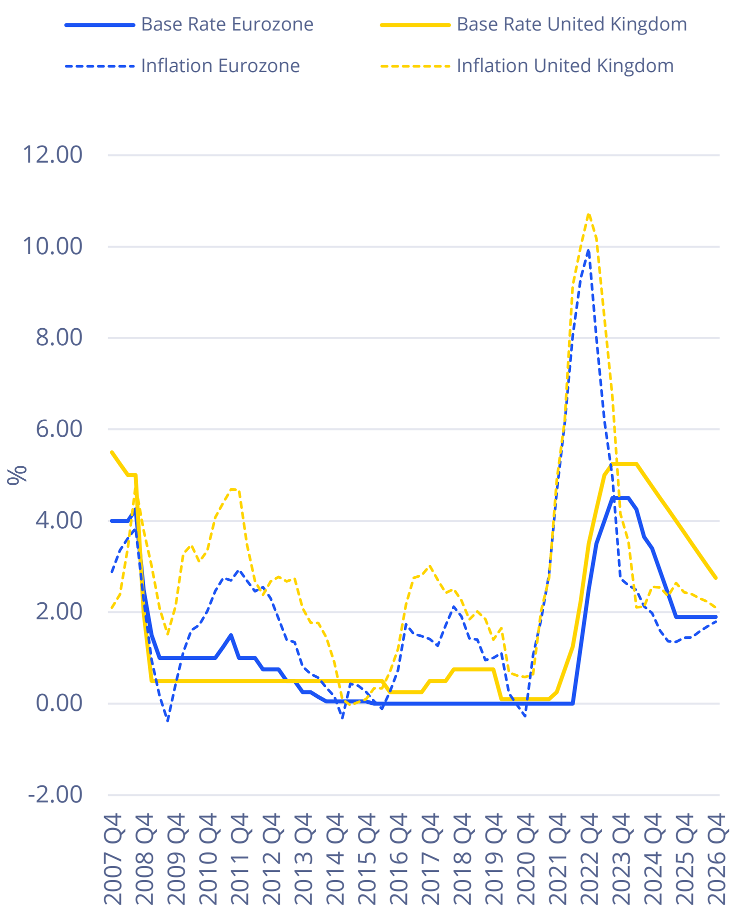
EMEA: Rates & yield/cap rate spreads

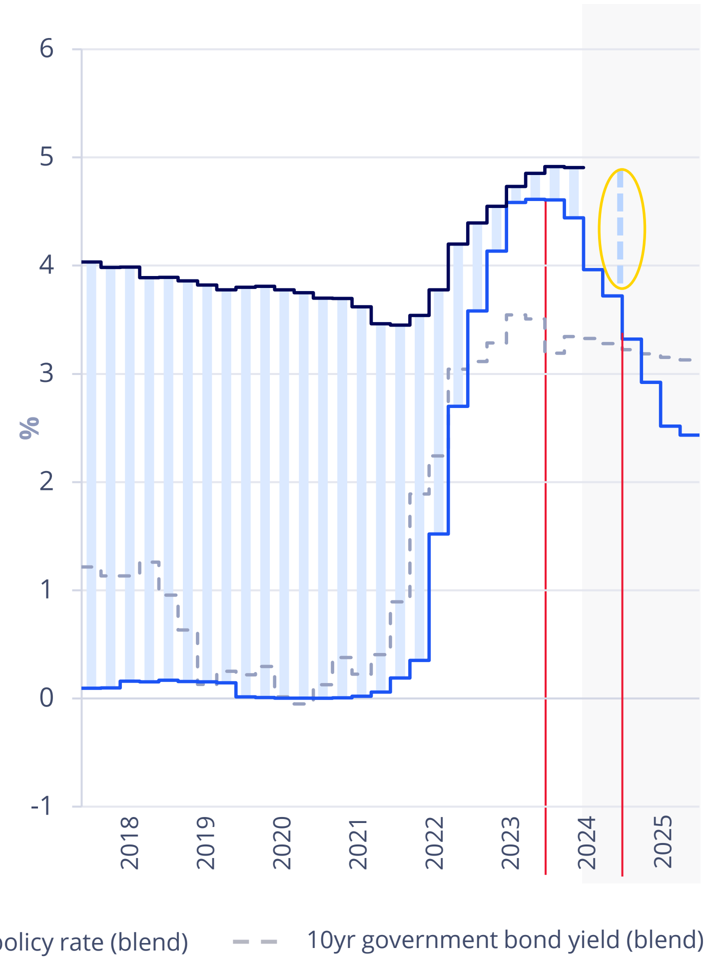
Real estate yield spreads improving - 2025/2026 to support bigger market recovery

Inflation & interest rates: forecast to 2026



- Shifts in interest rates and inflation remain the key drivers of market stability – move in the right direction
- Unusually, the Fed has been behind other major central banks. Rate cuts in the US expected to fuel further activity
- **2025 will see a much greater spread to yields emerge**, opening up more of the market to buyers and vendors as valuations adjust

Yield spreads: forecast to end-2025



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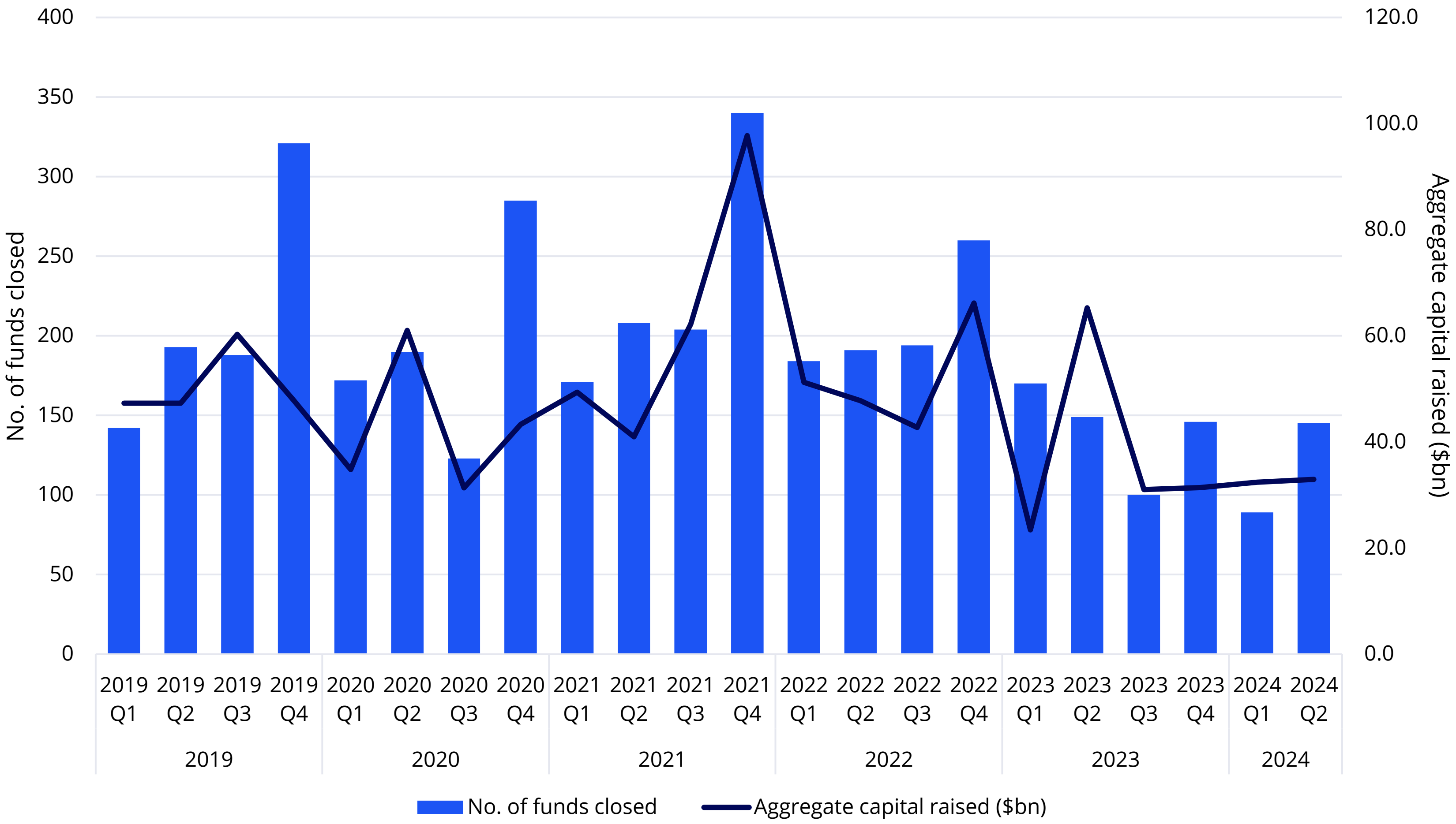
Global CRE fund-raising: favours hotels

Global CRE fund-raising bottomed out at end 2023; slowly recovering in 2024



- Q2 2024 fund closings /capital raised at 12-mth high (+$0.6bn)
- Core fund-raising allocation up to 16% vs 5yr avg of 10%
- Diversified sector strategies typically dominate (50%)....but none to date, nor for offices (7% avg)
- **Hotels 30% of fund-raising**, Residential 19%, Industrial 40%

Source: Colliers, Preqin

Summary points

Supply:demand fundamentals support occupancy and RevPAR growth

Rate cutting regime will support improved pricing

Fundraising expansion will drive strong investor demand

Luxury/experience driven demand key to investors choice

Capacity for M&A and strategic partnerships

Conversions and brown-to-green offer further opportunities

Source: 2024 Global Investor Outlook

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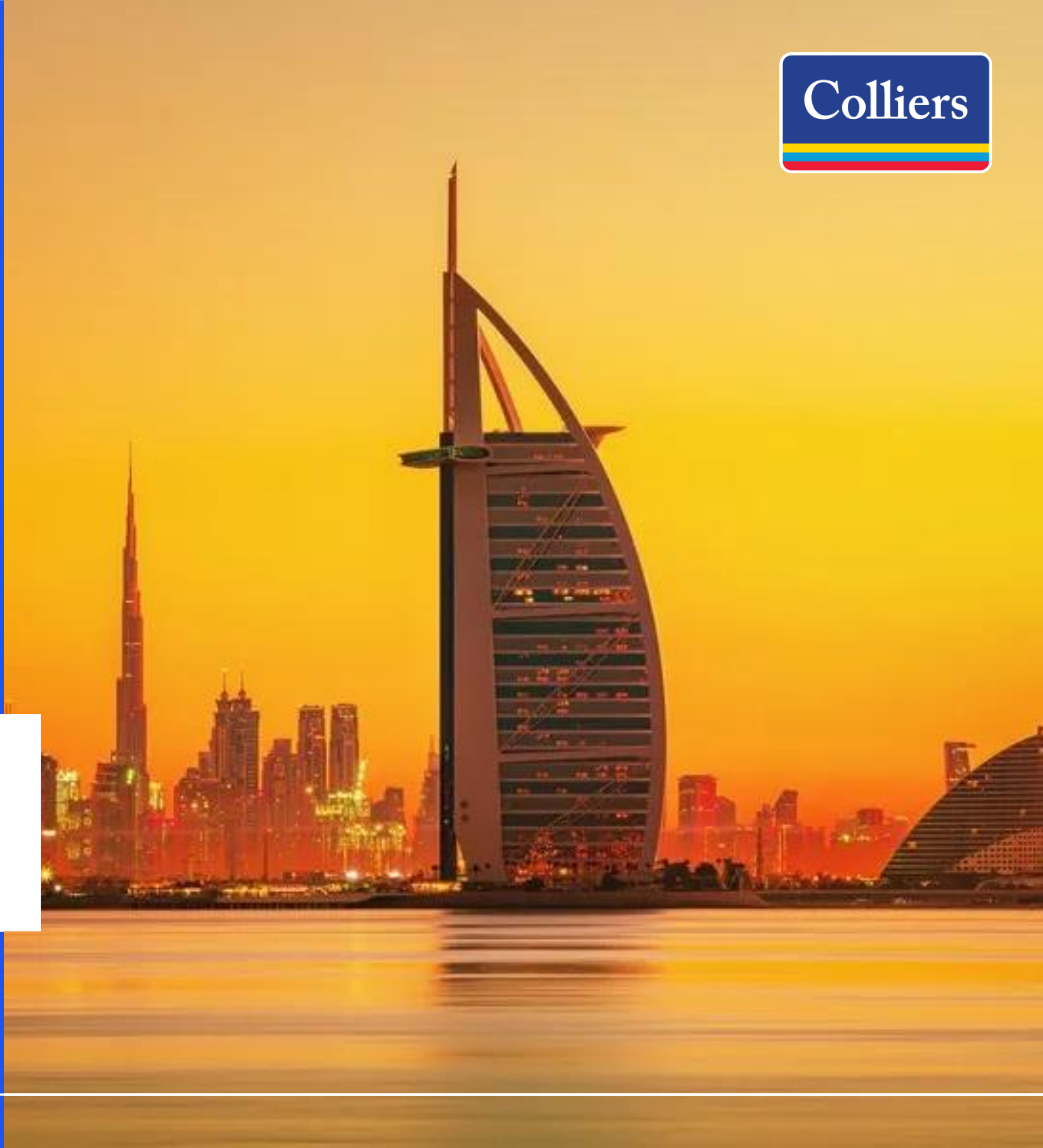
Thank you!



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