

European Hotel Investment Sustains High Tempo

Investment volume stable in 12-months to Q1 2019 at €23.0 billion

HIGHLIGHTS

A continuation of the buoyant demand for alternative investments and operational real estate has sustained the relatively high investment volumes observed in the European hotel sector. Following a record-breaking 2018, a robust start to the year has maintained an investment volume of €23.0 billion for the 12-months to Q1 2019.

The UK captured 35.5 per cent of capital deployed in the region, reaching €8.2 billion and reflecting a +15.1 per cent year-on-year increase. This growth was spurred by a particularly strong start to 2019, with Q1 up +24.5 per cent.

Spain remains Europe's second largest hotel investment market. Deals amounted to €4.2 billion in the 12-months to Q1 2019, up +17.5 per cent.

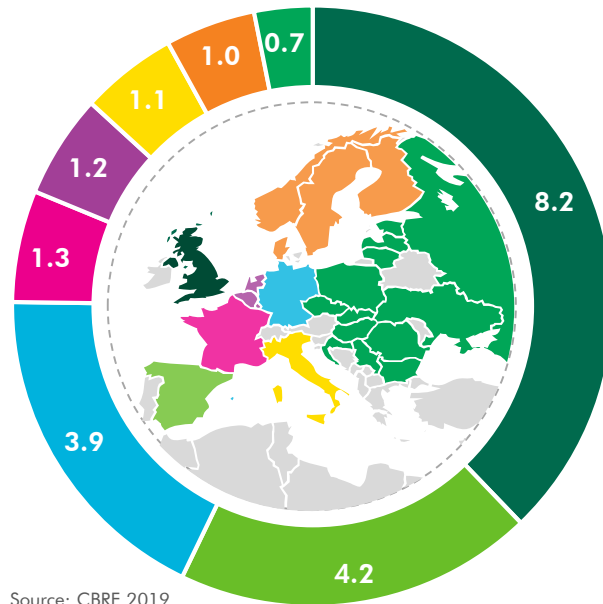
Germany, a supply constrained investment market, experienced modest growth in the hotel deal volume. Over the last 12-months, investment reached €3.9bn, up +7.1 per cent and representing 17.0 per cent of total European investment.

Hotel investment in France amounted to €1.3 billion through the last 12-months. Whilst this represented a decline of -6.0 per cent year-on-year, it was enough to elevate France to Europe's fourth largest market.

The Benelux hotel deal volume declined by -54.2 per cent, principally as a result of falling deal activity in the Netherlands (-57.0 per cent). The investment volume in the Nordics also declined despite an increase in activity recorded in Finland (+72.7 per cent).

Other notable risers included CEE (+2.3 per cent), driven largely by growth in the Czech Republic (+560.7 per cent), and Switzerland (+208.9 per cent).

HOTEL TRANSACTION VOLUMES, TWELVE MONTHS TO Q1 2019 (EUR)



Source: CBRE 2019
 *Includes hotel investment and owner-operator deals.
 Thus, investment volumes can differ from other volumes reported by CBRE Limited.
NB. Benelux consists of Belgium, Netherlands and Luxembourg. CEE consists of Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, and Ukraine. Nordics consist of Denmark, Finland, Norway, and Sweden.

European hotel real estate investment declined by 0.5 per cent year-on-year in the 12-months to Q1 2019, totalling €23.0 billion for the period.

The UK ▲ €8.15bn +15% y/y	Spain ▲ €4.17bn +18% y/y	Germany ▲ €3.90bn +7% y/y
France ▼ €1.30bn -6% y/y	Benelux ▼ The Netherlands €1.20bn €1.05bn -54% y/y -57%	Italy ▼ €1.12bn -39% y/y
Nordics ▼ €0.73bn -40% y/y	CEE ▲ €0.68bn +2% y/y	Ireland ▲ €0.55bn +66% y/y
Portugal ▲ €0.39bn +346% y/y	Switzerland ▲ €0.29bn +209% y/y	Austria ▼ €0.21bn -34% y/y

EUROPEAN TRANSACTION VOLUMES 12-MONTHS TO Q1 2019

Hotel Investment Volume* ▼ €23.0bn -1% y/y	All Sectors Investment Volume ▼ €301.9bn -6% y/y
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CONTACTS

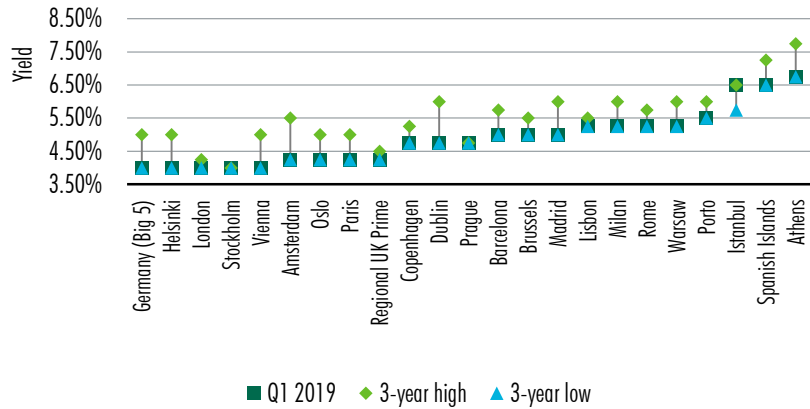
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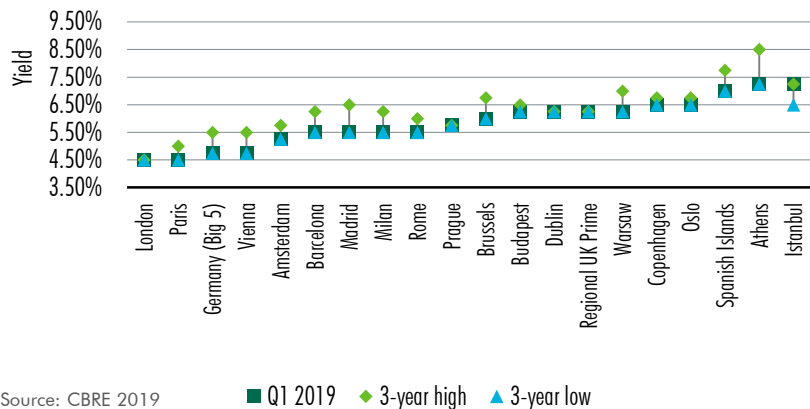
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HOTEL OPERATIONAL LEASE YIELDS



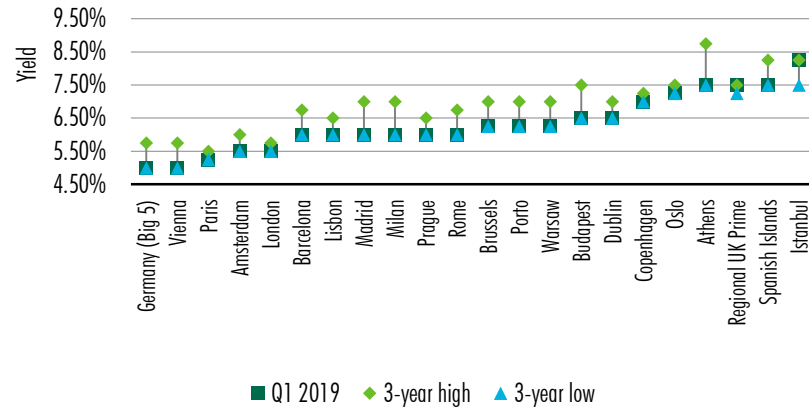
Source: CBRE 2019
NB. Operational lease, local lease terms apply.

HOTEL VACANT POSSESSION YIELDS



Source: CBRE 2019
NB. Based on upscale assets, hotels unencumbered and operated independently or under a franchise agreement, non-guaranteed variable income stream, typical cap rates.

HOTEL MANAGEMENT CONTRACT YIELDS



Source: CBRE 2019
NB. Based on upscale assets, hotels operated by internationally renowned brand under a management agreement, non-guaranteed variable income stream, typical cap rates.

Strong investor demand is putting pressure on yields in Iberia. The Spanish cities of Barcelona and Madrid saw yields fall across all key operating structures. Meanwhile yields also fell in Lisbon and Porto for hotels operated under an operational lease or management contract.

There was also yield contraction recorded in Amsterdam and Helsinki for hotels operated under an operational lease agreement.

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