EUROPEAN HOSPITALITY

EUROPEAN HOTELS UPDATE

H1 2024

CUSHMAN & WAKEFIELD

Better never settles

KEY TAKEAWAYS

Record Demand

As global travel expands, the demand for hotel accommodation in H1 2024 has increased across all European regions, surpassing the pre-pandemic levels by 12% on average.

4

Robust Performance

Driven by strong ADR growth and continued occupancy recovery across Europe, the RevPAR in H1 2024 exceeded H1 2023 and H1 2019 levels, by 5% and 26% respectively.

8

Healthy Profitability

In 10 out of 15 key urban markets across Europe, full-serviced branded hotels improved their profitability. The GOP margins for 12 months rolling to June 2024, ranged between 26% and 45%, with hotels in London and Barcelona being on top.

9

Investment Resurge

European hotel transaction volumes amounted to about €11.6 billion in H1 2024, marking the highest 6-month volume since 2019, up 49% on H1 2023 and only 9% short of H1 2019.

14

High-end Focus

About 47% of the investment volume during H1 2024 was directed towards luxury and upper-upscale hotels, with an average price per room at €759,000 and €344,000, respectively.

15

Yields at inflexion

Following decompression in 2023, yields remained generally stable in H1 2024, with data showing the cap rates slightly declining by 6.6bps in Europe and 14.1bps in the UK.

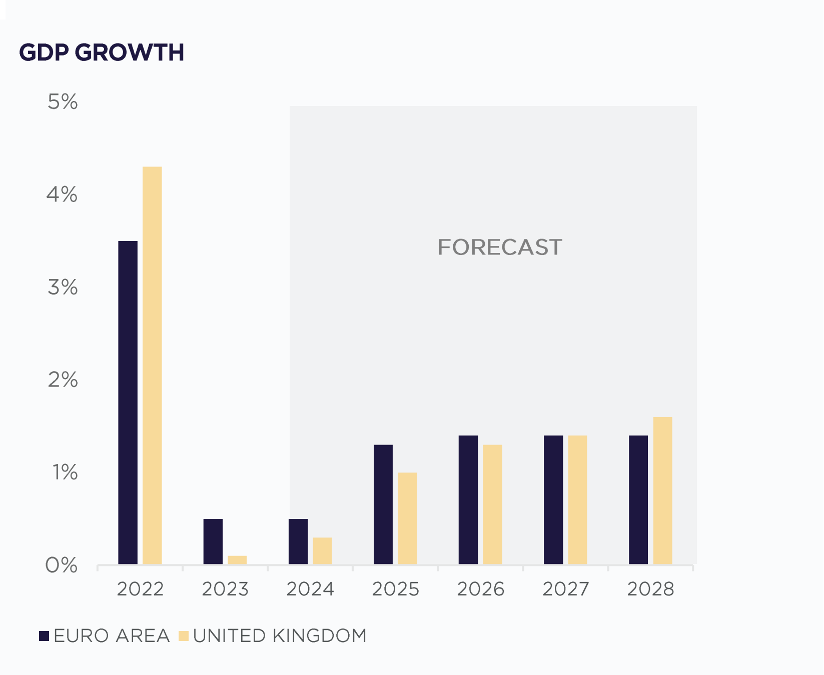
15

EUROPEAN HOTELS
ECONOMIC INDICATORS

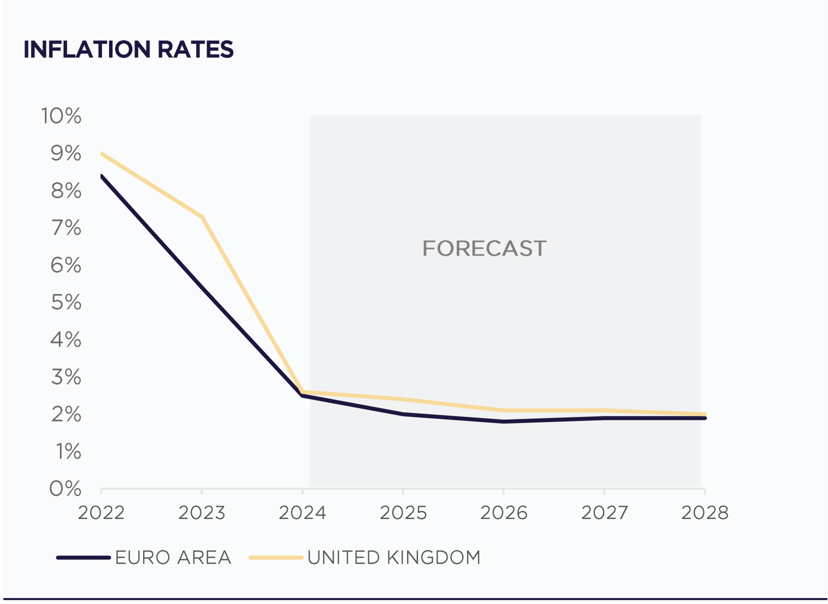
Despite ongoing challenges from heightened geopolitical tensions, high financing costs, fragile confidence, and the effects of prolonged inflation, **most European economies returned to positive growth** in early 2024. Both the Euro Area and the UK recorded GDP growth in the first quarter, exiting technical recession, though the growth was at modest levels. However, significant variation exists at the country level, with Germany and Ireland experiencing negative growth, while Spain and Portugal saw growth increase.

On a positive note**, inflation rates across Europe began to stabilise near target levels during H1 2024**. While remaining cautious, the ECB and BoE gradually eased their monetary policies, each implementing a 25bp cut in the first half of the year. However, the prolonged conflict in the Middle East has caused shipping challenges through the Red Sea, forcing most freight companies to take a lengthy detour around Africa, which has led to a sharp rise in shipping costs. Combined with the potential for inflationary pressures persisting in the last mile, there is concern about the short-term impact on prices, which in turn might lead to a slower-than-expected pace of interest rate cuts.

Despite these challenges, **inflation is expected to stabilise around the target in the second half of 2024**, enabling further rate cuts and reducing financing costs. **Economic growth is projected to gradually pick up in the coming years**, though growth rates are likely to remain subdued as both consumers and businesses slowly recover from the challenges of recent years



Source: Cushman & Wakefield Research , Moody's Analytics
(Forecasts relate to Cushman & Wakefield Baseline Scenario – June 2024)



Source: Cushman & Wakefield Research , Moody's Analytics
(Forecasts relate to Cushman & Wakefield Baseline Scenario – June 2024)

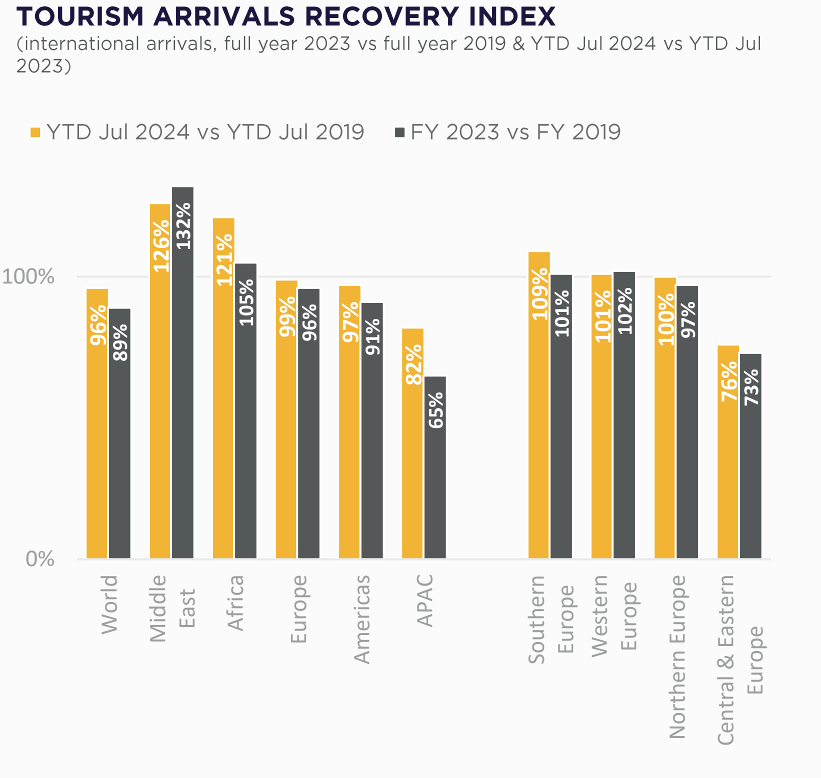
EUROPEAN HOTELS
DEMAND

PERSISTENT TOURISM – A GLOBAL PERSPECTIVE

Despite facing economic and geopolitical challenges, **global international arrivals demonstrated strong growth** in the first seven months of 2024, increasing by 11% compared to YTD Jul 2023. Although this figure remained 4% below YTD Jul 2019 levels, two regions surpassed it, including the Middle East (+26%) and Africa (+21%). Additionally, five sub-regions exceeded their YTD Jul 2019 arrival figures: North Africa (+21%), Central America (+19%), Southern Europe (+9%), Western Europe (+1%), and the Caribbean (+9%). According to the UNWTO, these results were driven by sustained strong interest in travel experiences, the reopening of Asian markets, and improvements in air connectivity and visa facilitation.

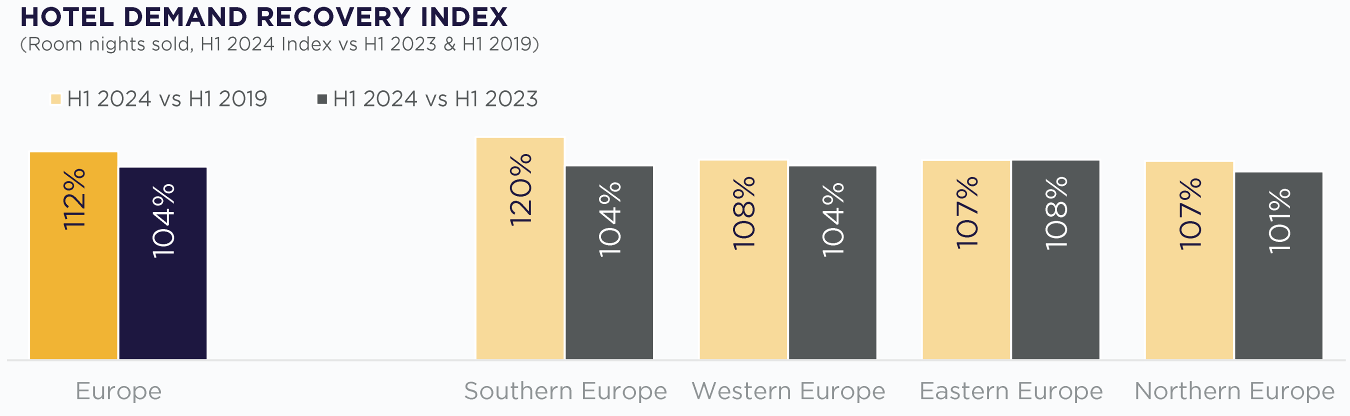
As global travel continues to expand, the **demand for hotel accommodation has increased across all major regions in Europe**, surpassing levels observed in both H1 2023 and H1 2019. The growth in accommodated nights has been more substantial than the increase in international arrivals, suggesting longer stays and continued strength of domestic demand.

International arrivals continue to recover but still room to grow



Source: C&W Research based on UNWTO Tourism Recovery Tracker data

Demand for hotel accommodation in Europe continues to grow and surpass arrivals

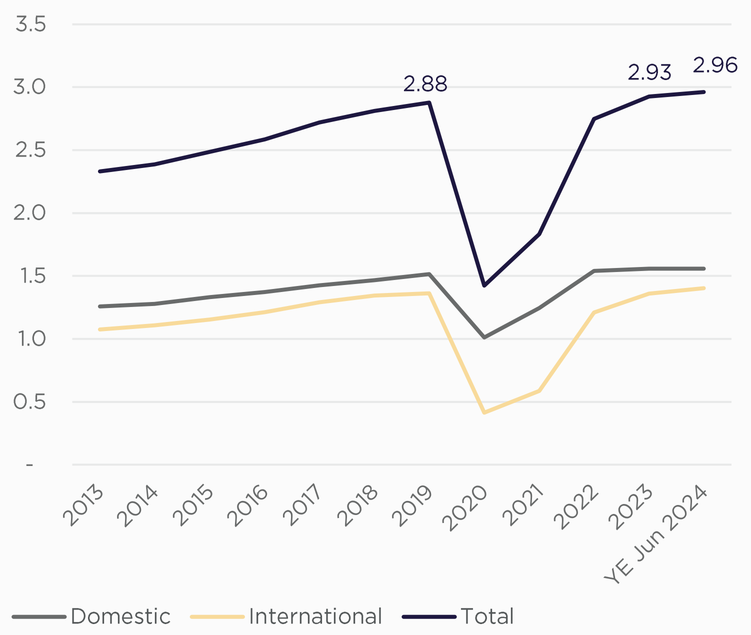


Source: Cushman & Wakefield Research based on UNWTO Tourism Recovery Tracker & STR data

EUROPEAN HOTELS **DEMAND**

European demand continues to grow

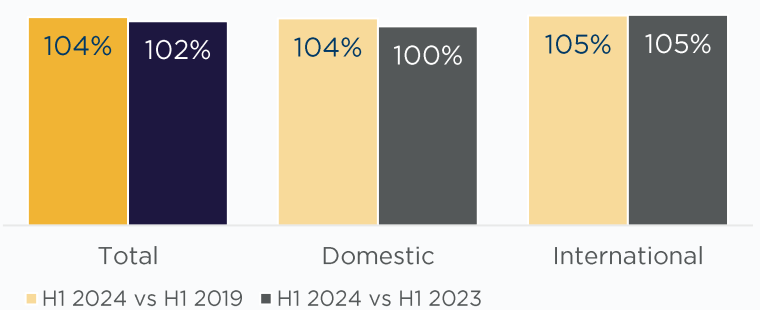
NIGHTS TOURISM ACCOMMODATION ESTABLISHMENTS (European Union, billions)



Source: Cushman & Wakefield Research based on Eurostats data

TRAVEL DEMAND RECOVERY

(Nights in tourism accommodation establishment, H1 2024 Index vs H1 2023 & H1 2019, European Union)



Source: Cushman & Wakefield Research based on Eurostats data

RECORD DEMAND FOR THE EUROPEAN ACCOMMODATION SECTOR

The continued appeal of Europe as a tourism destination, improved transportation connectivity and several major sports and entertainment events contributed to the record-breaking tourism activity during the first six months of 2024.

According to Eurostat, visitors spent 1.2 billion nights in tourist accommodation across the EU in H1 2024, marking **the highest number ever recorded for the first half of any year**. This was 2.2% and 4.3% more than the same period in 2023 and 2019, respectively.

The key driver of growth compared to H1 2023 was international tourism with 5.3% more nights in H1 2024, while the number of nights spent by domestic visitors slightly declined (-0.5%). Nevertheless, **domestic tourism remained the prevailing source of demand**, contributing 52% of nights.

The intra-European travel was the strongest contributor to inbound demand, whereas the **United States was the best-performing long-haul source market**, according to a recent report by the European Travel Commission (ETC). While inbound visitation to Europe from Asia Pacific is improving, progress from China and Japan continues to be slow. Some countries – such as Spain and Portugal – have made impressive gains in capturing additional arrivals from India. A handful of smaller destinations have also seen notable increases in arrivals from Brazil.

EUROPEAN HOTELS **DEMAND**

On a country level, Estonia was the fastest-growing market across Europe in H1 2024. After a sharp decline in visitation during 2023, due to war in Ukraine, the Baltic country bounced back in H1 2024, with an 85% increase in nights spent at tourist accommodation establishments compared to same time last year. Three other countries also recorded double-digit increases: Albania, Luxembourg and Malta. **Only four out of 33 reporting countries registered a decrease in tourism since last year:** Iceland (-2%). France (-1.1%), Belgium (-0.4%) and Sweden (-0.2%).

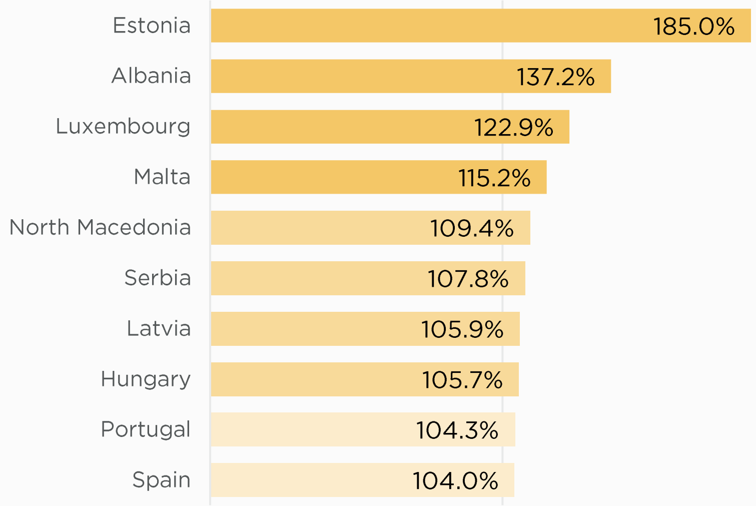
As of June 2024, the largest market in Europe, in terms of nights spent at tourist accommodation, was Spain, with 211 million nights, followed by Germany and France.

Noteworthy, **tourism visitation is reported to spread across Europe into "cooler" or emerging destinations** underpinned by several factors such as high temperatures during summer, better value-for-money propositions, fewer crowds, improved rail and air connectivity, as well as increasing demand for authentic or "off-the-beaten-track" travel. For example, according to ETC, more travellers visited destinations with temperate weather and fewer crowds in the first half of this year. This led to notable increases in international overnight stays for Denmark (+38%) and Norway (+18%) year-to-date relative to 2019. Also, the market share of international overnight arrivals in more price-competitive and less visited Balkan countries, such as Albania, Serbia and Montenegro, is set to increase in 2024 compared to 2019 notably.

European markets continue to grow in 2024

TOP-10 FASTEST GROWING MARKETS IN EUROPE

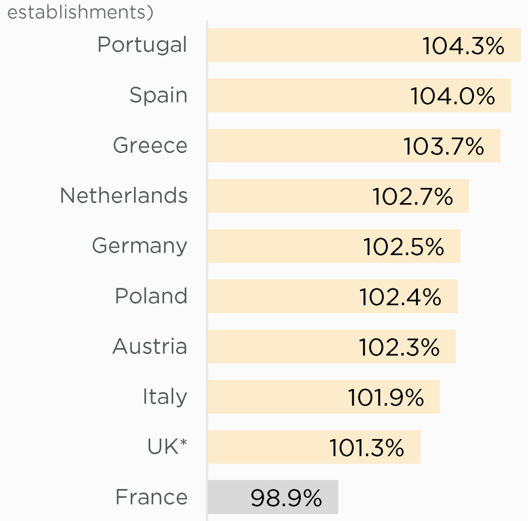
(Index H1 2024 Index vs H1 2023 - Nights spent in tourist accommodation establishments)



*Source: Cushman & Wakefield Research based on Eurostats data * Data unavailable for Switzerland, Bulgaria, UK and Ireland*

TOP-10 LARGEST MARKETS IN EUROPE

(Index H1 2024 vs H1 2023 - Nights spent in tourist accommodation establishments)



Note: Markets sorted based on growth rate

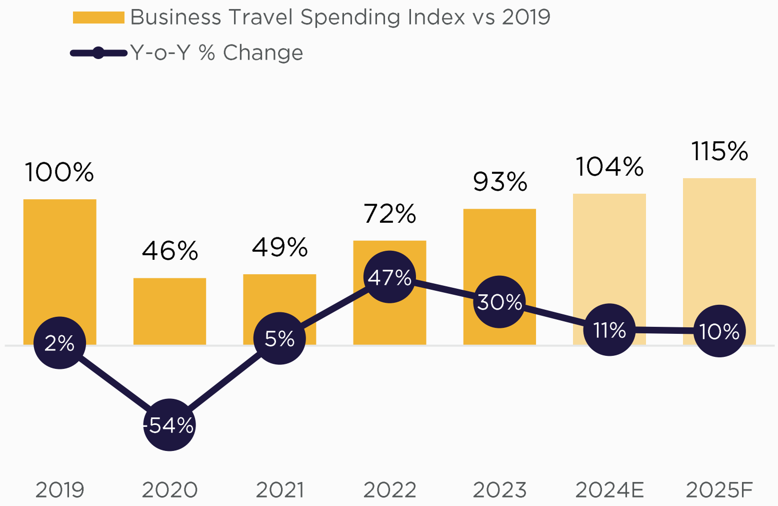
Source: Eurostat (data unavailable for Switzerland, Bulgaria, and Ireland). UK growth rate based on room nights sold, as reported by STR.

EUROPEAN HOTELS
DEMAND

Business travel spending set to recover in 2024

GLOBAL BUSINESS TRAVEL SPENDING RECOVERY INDEX

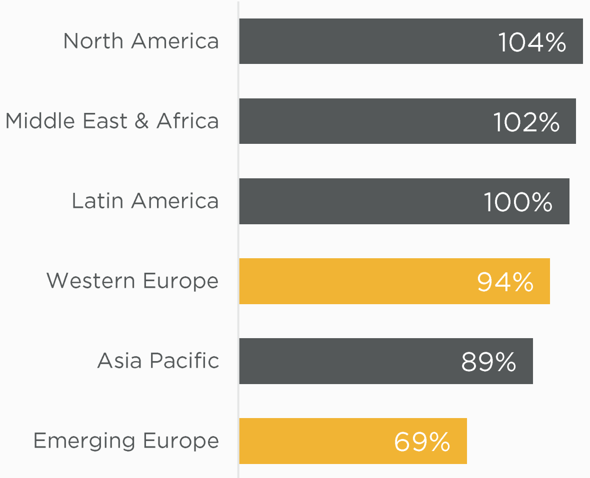
(2019 Base Year, Index based on spending in USD)



Source: GBTA July 2024

REGIONAL BUSINESS TRAVEL SPENDING RECOVERY INDEX

(2023 vs 2019, Index based on spending in USD)



Source: GBTA July 2024

RETURN OF BUSINESS TRAVEL

Global business travel is recovering ahead of expectations and despite numerous challenges.

Key issues include the proliferation of online meetings, travel budget constraints amidst rising costs of business, accommodation and flight costs, economic concerns, and the impact of ESG as companies aim to reduce their travel-related carbon footprint.

Nevertheless, **business travel is returning and evolving**, driven by pent-up demand from the COVID crisis, with many meetings and events being postponed rather than cancelled. Additionally, there are fewer but longer business trips, resulting in fewer **flights but more nights,** and remote working has increased the need for internal and external face-to-face meetings. The rising demand for accommodation from super-commuters and digital nomads also supports this recovery.

According to the Global Business Travel Association (GBTA), business travel spending increased by 30% in 2023, reaching 93% of pre-pandemic levels in 2019. **In 2024, the business travel spending is expected to grow by 11% and finally surpass pre-pandemic levels by 4%,**

The recovery will not be the same in all markets and sectors. It will depend on the nature of companies and industries. Between 2023 and 2028, the fastest growing sectors are expected to be the financial and insurance activities sector (+72%), followed closely by the arts, entertainment, and recreation sector and professional, scientific and technical services (+62%). in contrast, the retail trade sector is expected to grow by 41%, and the agriculture, forestry, and fishing sector is anticipated to see the least growth at 32% during the same period.

EUROPEAN HOTELS **DEMAND**

POLARISING BUSINESS TRAVEL ACROSS MARKETS

Based on the segmentation data from a sample of full-service branded hotels in key cities, **corporate travel is yet to recover across most European markets**, with room revenue from the corporate segment in H1 2024 surpassing pre-pandemic levels (H1 2019) in only 3 out of 13 markets. However, it needs to be noted that this data is based on bookings with a corporate negotiated rate; thus, it does not capture the rising demand from remote workers and digital nomads who typically don't have local or global contracts with hotels.

The more positive picture is in the conference segment, where room revenue from the various MICE segments in H1 2024 surpassed H1 2019 levels in 11 out of 13 selected key markets, with only Vienna and Amsterdam being behind.

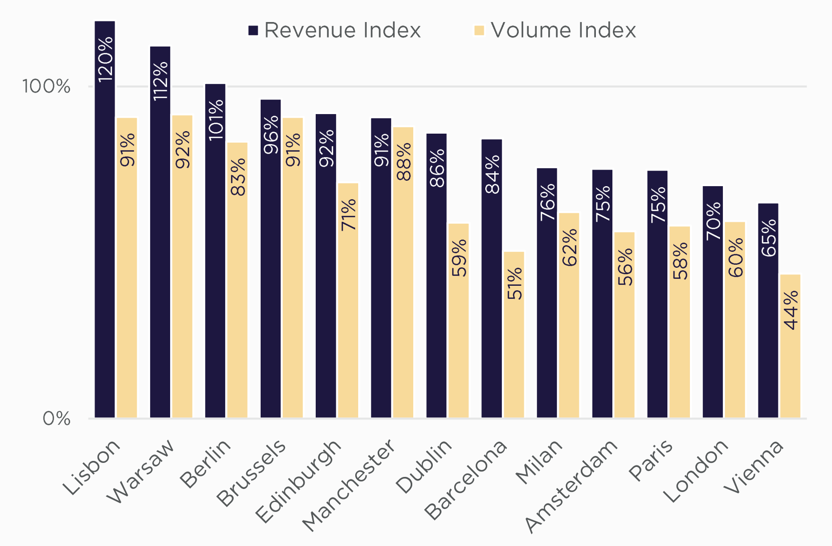
As with other demand segments, the growth of the corporate and conference room revenues within the selected key markets in Europe has been driven by robust increases in room rates (on average +20% and 31%, respectively, in H1 2024 vs H1 2019). However, the volume of room nights sold in corporate and conference segments remains notably behind, on average -29% and -12%, respectively, over the same period.

The early data from H2 2024 suggest continued business travel growth, expected to drive hotel occupancy recovery for the remainder of 2024 and next year, supported by the revival of global economies and associated boost in business activity.

Corporate travel across most markets in Europe is yet to recover

CORPORATE HOTEL DEMAND RECOVERY INDEX

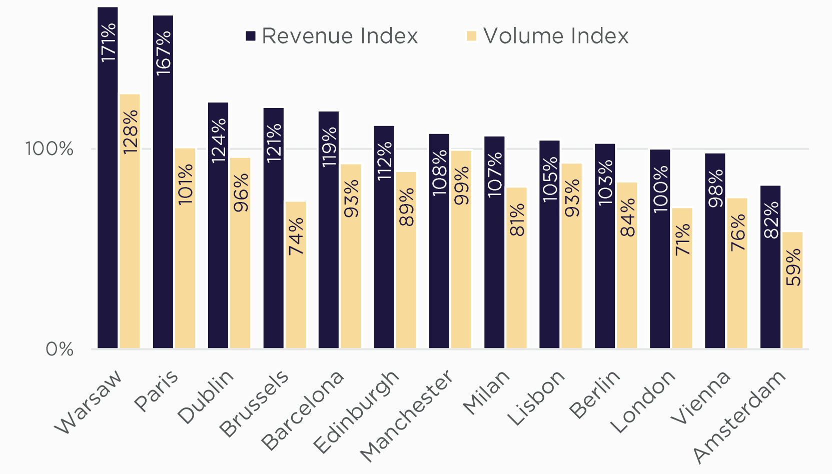
(Rooms Revenue and Room Nights Sold Index, H1 2024 vs H1 2019)



Source: HotStats, July 2024

CONFERENCE HOTEL DEMAND RECOVERY INDEX

(Rooms Revenue and Room Nights Sold Index, H1 2024 vs H1 2019)



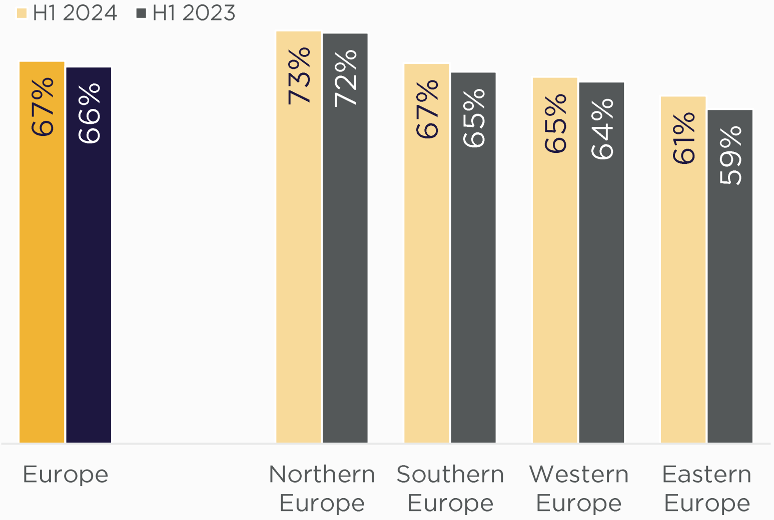
Source: HotStats, July 2024

EUROPEAN HOTELS OPERATING PERFORMANCE

Hotel occupancy levels increased in all European sub-regions

AVERAGE HOTEL OCCUPANCY LEVELS BY REGION

(H1 2024 vs H1 2023)

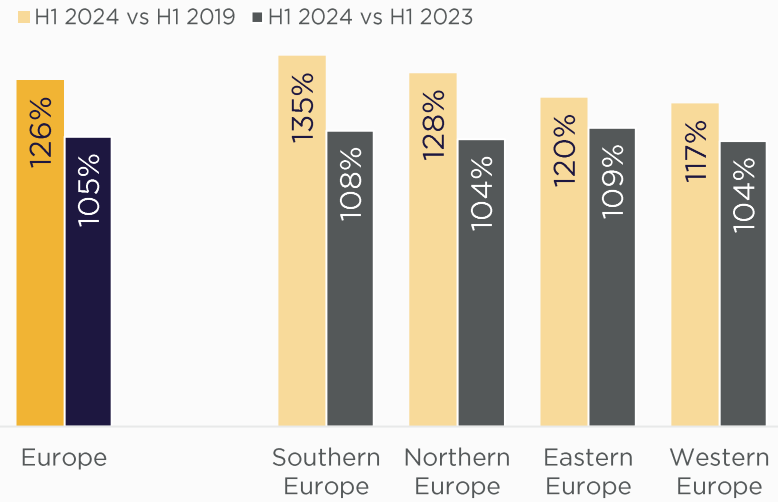


Source: C&W Research based on UNWTO Tourism Recovery Tracker and STR data

Hotel occupancy levels increased in all European sub-regions

REVPAR INDEX BY REGION

(based on values in EUR, H1 2024 Index vs H1 2023 & H1 2019)



Source: C&W Research based on STR data

TOP-LINE ECLIPSING 2023

Fuelled by continued growth in leisure tourism and returning business travel, **the performance of hotels across most European markets has fully recovered from the pandemic**. The average RevPAR in Europe reached €96 (H1 2024), 5% above the same period last year. This rise was driven by a nearly 4% increase in ADR and a 1.5% increase in occupancy (H1 2024 vs H1 2023). Nevertheless, **there is still room to grow** as the average occupancy in Europe remained over 3pp below pre-pandemic levels of nearly 70% (H1 2019).

On a country level, the highest occupancy in the first half of 2024 was achieved by hotels in Ireland, followed by the UK, Spain and the Netherlands. Among the 27 reporting nations, **16 countries recorded an increase in occupancy compared to last year**, with the highest growth observed in Estonia (+11 pp), followed by Latvia and Croatia.

In terms of RevPAR growth in H1 2024 relative to H1 2023 (based on values in EUR), the most substantial increase was recorded in Lithuania (+19%), Russia (+19%), and Greece (+18%). Overall, **seven European countries recorded above 10% RevPAR growth.**

In terms of major urban markets, the highest RevPAR was achieved in Paris, Zurich and Geneva. However, the strongest growth relative to H1 2023 was recorded in Moscow (40%), Madrid (23%), Athens (22%), Edinburgh (19%) and Belgrade (19%).

EUROPEAN HOTELS **OPERATING PERFORMANCE**

HOTEL MARGINS UNDER PRESSURE, BUT HOLDING

Over the past two years, hoteliers faced significant challenges due to unprecedented inflationary pressures, the energy crisis and a lack of skilled labour. However, this created the incentive to revise operational processes, lighten staffing structures and implement technology. Consequently, **hotels have started to adapt to operate more efficiently**. This, coupled with a shift from an occupancy-focused to an ADR-driven revenue management strategy (better flow-through), led to increased profits across most markets in the first half of 2024. A positive trend was also the moderating energy cost during the same period.

There were winners and losers in H1 2024

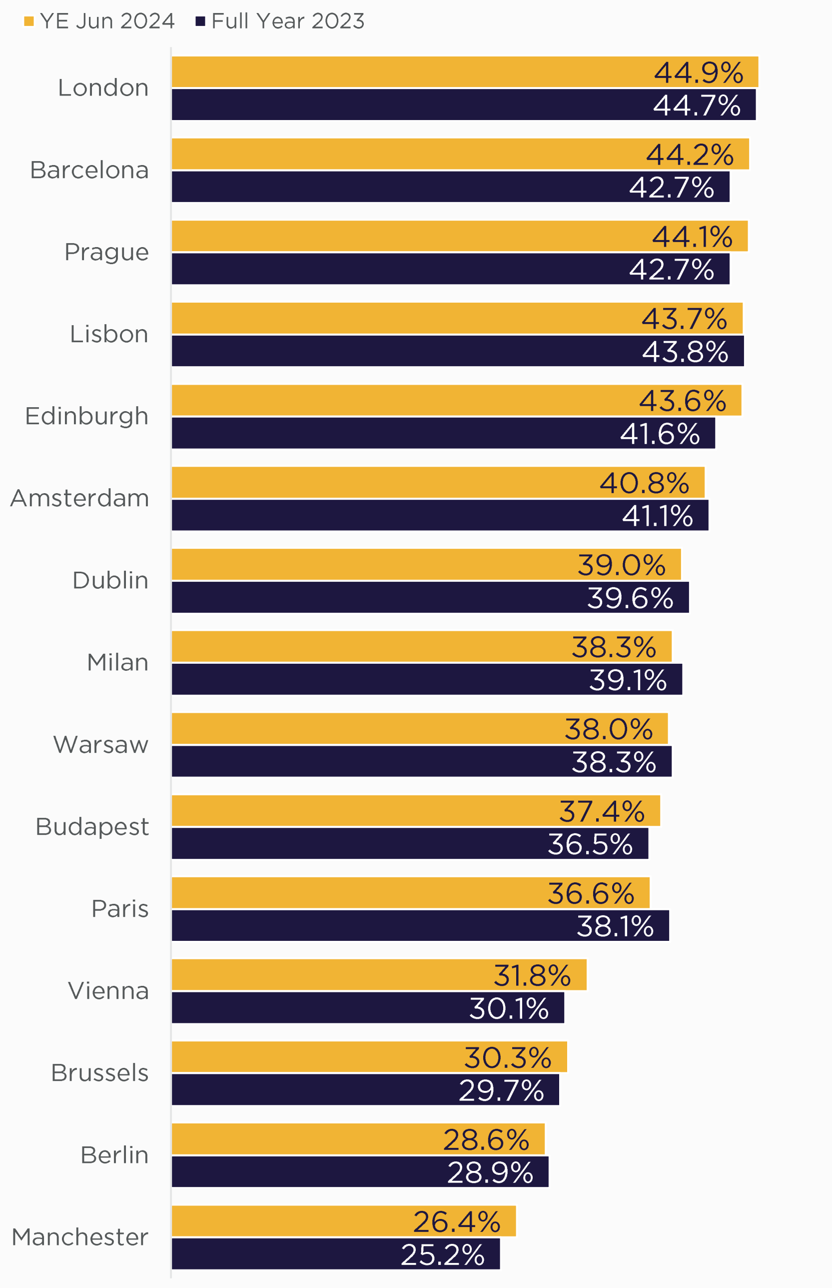
The analysis of profit margins (GOP %) for rolling 12 months to June 2024 in full-service branded hotels across 15 European markets indicates that **8 cities improved their profitability**, with the biggest gains recorded in Edinburgh (+2 pp), Vienna (+1.7 pp) and Barcelona (+1.5 pp). This was due to a substantial revenue increase in these markets while recording relatively moderate expense growth.

Nevertheless, London remained the market with the highest profit margins among the key European cities, followed by Barcelona, Prague and Lisbon. Lisbon dropped from second to fourth place due to a 0.1pp decline in GOP margin.

Overall, the **hotel margins remained relatively healthy**, above 30% in most European markets and, in some cases, above 40%.

Hotel profit margins under pressure but still very healthy

HOTEL PROFITABILITY - SELECTED KEY MARKETS
(YE June 2024 vs Full Year 2023, GOP %,full-service branded hotels)*



*Source: HotStats (sample of full-service branded hotels, *data not available for Madrid and Munich)*

EUROPEAN HOTELS
OPERATING PERFORMANCE

While most markets recorded improved hotel profitability during H1 2024, **the positive story was not everywhere**. The samples of upper upscale branded hotels in Paris, Milan and Dublin indicated that hotels faced profitability challenges in these markets, with gross operating profit per available room (GOPPAR) levels declining in H1 2024 compared to H1 2023. This was primarily due to a decrease in revenue (RevPAR), combined with the expense growth in Paris and Dublin. In Milan, expenses declined, but not enough to offset the lost revenue.

Operating expenses grew in most markets in H1 2024, with Prague and Lisbon recording the highest increases relative to H1 2023. However, both markets improved profit margins, as the expense growth was surpassed by the healthy revenue increase.

Overall, the expenses increased by 3% on average across the selected European urban markets. Only three cities recorded a decline - Manchester, Brussels and Milan. The first two reduced expenses more significantly than the lost revenue, thus improving profits.

Payroll accounted for 42-54% of total expenses, and it was the primary driver of expense growth in H1 2024, increasing by 6% on average. The only exception was Brussels, where the payroll cost per available room declined in H1 2024 versus H1 2023. This was despite a slight increase in occupancy (+0.2pp) and several hotel openings that increased competition for labour in the Belgium capital.

The cost of goods expenses decreased by 2% respectively over the same period. This included Utilities that declined by 13%. Other expenses increased by 1% (H1 2024 vs H1 2023).

Healthy revenue drives hotel profits in most European markets, despite the growing expenses

HOTEL REVENUE INDEX
(H1 2024 vs H1 2023, Total Revenue PAR)

Prague	117%
Edinburgh	115%
Barcelona	112%
Budapest	110%
Lisbon	107%
Vienna	105%
Berlin	104%
Warsaw	103%
London	101%
Paris	99%
Manchester	99%
Amsterdam	99%
Brussels	98%
Dublin	97%
Milan	96%

HOTEL EXPENSE INDEX
(H1 2024 vs H1 2023, Total Expense PAR)

Prague	110%
Lisbon	108%
Barcelona	106%
Budapest	106%
Edinburgh	106%
Berlin	105%
Paris	104%
Warsaw	104%
London	100%
Vienna	100%
Dublin	100%
Amsterdam	100%
Milan	99%
Brussels	96%
Manchester	96%

PROFITABILITY INDEX
(H1 2024 vs H1 2023, GOP PAR in EUR)

Edinburgh	130%
Prague	126%
Vienna	122%
Barcelona	120%
Budapest	117%
Manchester	110%
Lisbon	107%
London	102%
Berlin	102%
Brussels	102%
Warsaw	101%
Amsterdam	97%
Dublin	94%
Milan	92%
Paris	91%

*Source: HotStats (sample of full-service branded hotels, *data not available for Madrid and Munich)*

EUROPEAN HOTELS **OPERATING PERFORMANCE**

ACTUAL VALUES MATTER THE MOST

Despite a minor decline, **Paris remains the leading market in terms of GOP PAR** on a 12-month rolling basis, closely followed by London. Hotels in these two markers deliver markedly higher GOP PAR than hotels in other major cities across Europe. Hotels in Edinburgh and Barcelona are closing the gap in third and fourth place, albeit still notably behind.

HOTELS DEFY THE COST PRESSURES

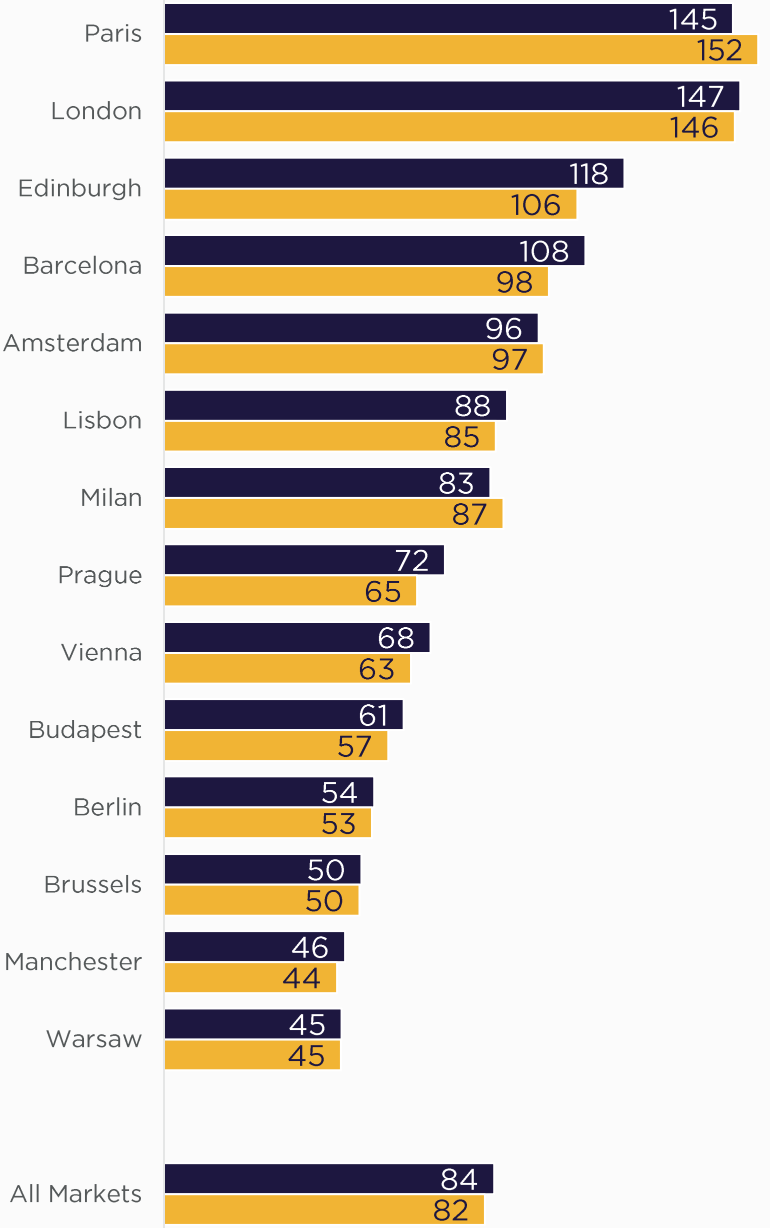
Overall, **11 markets out of 15 recorded a growth of GOP PAR** in H1 2024 versus H1 2023. The average increase across the samples of branded full-service hotels in major urban markers was 5%. This is positive news given the ongoing inflationary pressures and lack of labour.

Real estate investors have taken note of the **resilience of hotels in the higher inflationary environment**, as evidenced by their continued transaction activity.

Paris and London are the most profitable markets in Europe

HOTEL PROFITS PER AVAILABLE ROOM

(Selected Markets in Europe, GOP PAR in EUR, YE June 2024 vs FY 2023)



*Source: HotStats (sample of full-service branded hotels, *Insufficient data for Madrid, Munich and Dublin)*

EUROPEAN HOTELS
HOTEL INVESTMENT

Hotel profit margins under pressure but still very healthy

HOTEL TRANSACTION ACTIVITY IN EUROPE (H1 2024)

	LAST QUARTER			LAST 6 MONTHS 2024		
	Q2 2024	Q2 2023	% Change*	H1 2024	H1 2023	% Change*
Properties Sold	252	145	▼ 73.8%	470	341	▼ 37.9%
Rooms Sold	29,213	15,225	▼ 91.9%	53,259	41,425	▼ 28.6%
Volume Transacted (€)	5.844m	2.952m	▼ 98.0%	11.630m	7.783m	▼ 49.4%

Source: Cushman & Wakefield
A contingency of 5% is assumed for transactions in the last 12 months, as some deals are revealed with notable delay. Volume transacted in EUR, millions.
**Refers to the % change in transaction volume from the previous period*

RECOVERING TRANSACTION ACTIVITY

European hotel transaction volumes amounted to more than €11.6 billion in H1 2024, marking **the highest 6-month volume since 2019,** up 49% from H1 2023 and only 9% short of H1 2019. Several large portfolio deals drove these volumes, representing more than one third of the total.

In the first half of 2024, 470 properties were transacted in Europe, comprising nearly 53,300 rooms. Q2 volumes reached € 5.8 billion nearly twice as much as the same time last year (€ 3 billion in Q2 2023).

Individual property volumes were boosted by **several landmark hotel transaction**s, including Amundi's sale of the Pullman Paris Tour Eiffel to Morgan Stanley and QuinSpark Investment Partners, Kennedy Wilson's sale of the Shelbourne Hotel in Dublin to Archer Hotel Capital and Blackstone's sale of the Hilton Paris Opera to City Development Limited.

Private investors were most active in H1 2024

TRANSACTION VOLUME BY TYPE OF INVESTOR

(H1 2024, % share of total volume)

	BUYERS (% Share)	H1 2024	SELLERS (% Share)	H1 2024
	Last 6 months	% Change	Last 6 months	% Change
Institutional	40%	▲ 48%	33%	▲ 33%
Private	46%	▲ 71%	44%	▲ 83%
Public	11%	▲ 173%	22%	▲ 378%
User/Other	3%	▲ 38%	0.4%	▼ -64%

Source: Cushman & Wakefield

EUROPEAN HOTELS
HOTEL INVESTMENT

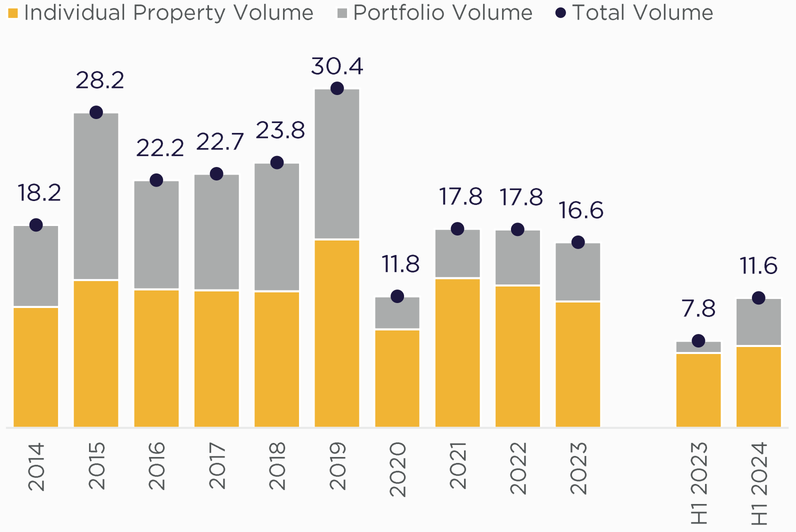
Portfolio deals accounted for 37% of the total volumes in H1 2024. Key transactions included Blackstone's purchase of Village Hotels (33 hotels) from KSL Capital Partners in Q2, the sale of 10 Radisson Edwardian hotels to Starwood Capital Group in Q1, acquisition of 21 hotels from Landsec by Ares Management and EQ Group in Q2, Paddy McKillen Jr's sale of a 70% stake in the Dean Hotel Group (8 hotels) to Elliott Management and LHC Investment Advisory in Q1 and Travelodge's acquisition of 66 properties from its largest landlord, Lxi REIT.

Deals under €50 million represented 88% of all transactions in H1 2024. Only 17 deals were recorded for €100 million or more, representing only 4% of transactions. Most deals (53%) involved hotels with less than 100 rooms.

Robust increase of transaction activity in H1 2024

ANNUAL TRANSACTION VOLUMES

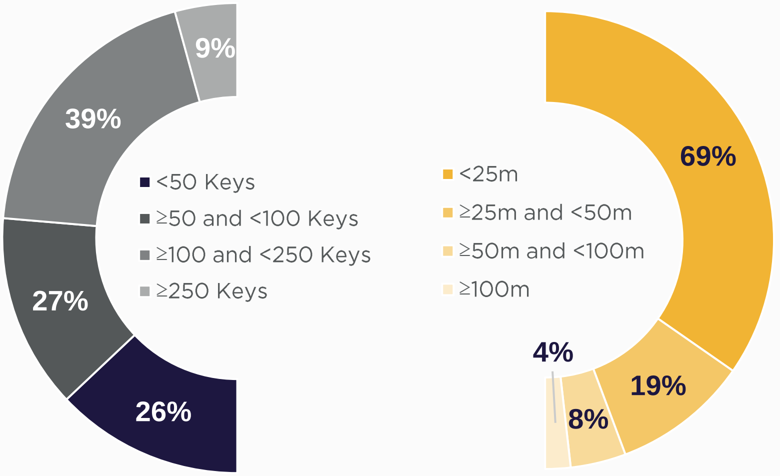
(2013 - 2024, EUR billions)



Source: Cushman & Wakefield

Smaller deals dominated the hotel investment activity in H1 2024

TRANSACTION BREAKDOWN BY NO. OF ROOMS SOLD & DEAL SIZE (H1 2024)



Source: Cushman & Wakefield

EUROPEAN HOTELS

HOTEL INVESTMENT

The UK regained its status as the most active hotel investment market in Europe

HOTEL TRANSACTION ACTIVITY IN EUROPE (2024)

(H1 2024 vs H1 2023, EUR billions)

No.	Country	H1 2024 €	H1 2023 €	% change
1	United Kingdom	4.7	1.5	219%
2	Spain	1.6	1.6	3%
3	France	1.5	1.7	-16%
4	Italy	0.8	0.4	90%
5	Ireland	0.7	0.2	298%
6	Germany	0.5	0.4	21%
7	Portugal	0.3	0.2	34%
8	Greece	0.3	0.2	96%
9	Switzerland	0.2	0.1	97%
10	Norway	0.2	0.1	137%

Source: Cushman & Wakefield

The UK, Spain and France were the most active hotel investment markets, accounting for 67% of European volumes in H1 2024 with €7.8 billion (+62% vs H1 2023). The UK reclaimed its leading position in Europe, with €4.7 billion transacted H1 2024 (+219% vs H1 2023), including 197 hotels comprising 21,380 rooms.

Among the top 10 markets, the most notable increases in investment volumes relative to H1 2023 were in Ireland (+298%), the UK (+219%), Norway (+137%), Switzerland (+97%) and Greece (+96%).

Regarding the key urban markets, **London, Paris, and Dublin were on top of the list for investors**, followed by Barcelona and Rome.

London and Paris are the most active hotel investment urban markets

TOP-5 URBAN MARKETS BY TRANSACTION VOLUME

(EUR Millons)

No.	City	H1 2024 €	H1 2023 €	% change
1	London	2,607	827	215%
2	Paris	1,137	1,187	-4%
3	Dublin	543	83	554%
4	Barcelona	364	412	-12%
5	Rome	238	84	184%

Source: Cushman & Wakefield

EUROPEAN HOTELS
HOTEL INVESTMENT

Hotels are on the radar of investors, driven by strong recovery from the pandemic and after proving resilience in a high-inflation environment. In the last six months, **the most active were private buyers** accounting for 46% of total volume (+71% vs H1 2023), followed by institutional investors (40%, +48% vs H1 2023).

While **European buyers continue to dominate the region, accounting for 66% of the transacted volume**, investments from the US recorded the most substantial increase (+500%), generating 27% if the volumes in H1 2024. There is also a return of capital from Asia Pacific, showing a 19% increase compared to H1 2023.

About **47% of the hotel investment volume during H1 2024 was directed towards luxury and upper-upscale hotels**. However, upper midscale hotels had the most significant growth in both rooms sold (+112%) and total volume (+231%) since 2023.

Overall, the average price per room in Europe was about EUR 198,000 in H1 2024, compared to EUR 218,000 in H1 2023. The decline in average price results from changing the composition of the transactions by class and location rather than an indication of continued discounting in the hotel sector. On the contrary, following decompression in 2023, **yields remained generally stable in H1 2024**, with values further supported by growing income and minor compressions for the "best of the best" deals in markets with high entry barriers. This is reflected in the Hedonic Series trend report by MSCI, with the cap rates in Europe slightly declining between Q4 2023 and Q2 2024, by 6.6bps in Europe and 14.1bps in the UK.

With the ECB's interest rate cut in June and growing debt liquidity, **further stabilization is expected in H2 2024, with gradual yield sharpening for prime assets** and value discovery for secondary assets/opportunistic plays as we move into 2025

High-end hotels were the most popular class for hotel investment

TRANSACTION VOLUME PER HOTEL CLASS
(% change, H1 2024 vs H1 2023)

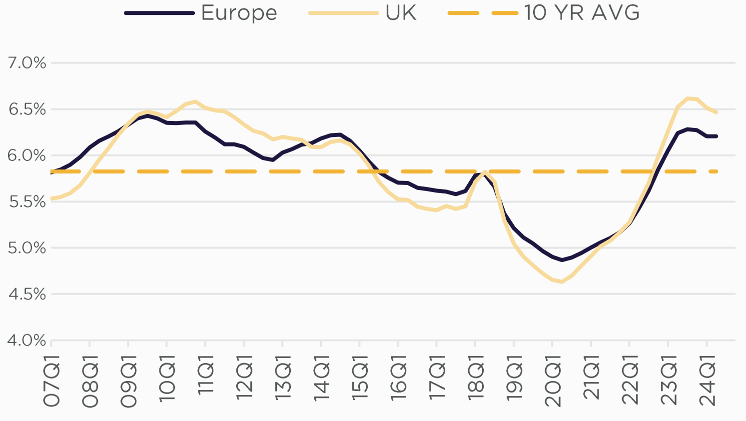
Hotel Class	% of Total Volume	% change	Avg. price/room (2024, '000)€
Luxury	19%	▲ 75%	803
Upper Upscale	28%	▲ 72%	344
Upscale	18%	▼ -18%	180
Upper Midscale	20%	▲ 231%	179
Midscale	8%	▲ 23%	139
Economy	8%	▲ 11%	102

Hotel Class	% of Rooms Sold	% change
Luxury	6%	▲ 47%
Upper Upscale	18%	▲ 107%
Upscale	21%	▼ -15%
Upper Midscale	25%	▲ 112%
Midscale	13%	▲ 15%
Economy	16%	▲ 43%

Source: Cushman & Wakefield

Hotel yields reaching inflexion point

HOTEL CAP RATE TRENDS
(Hedonic Series)

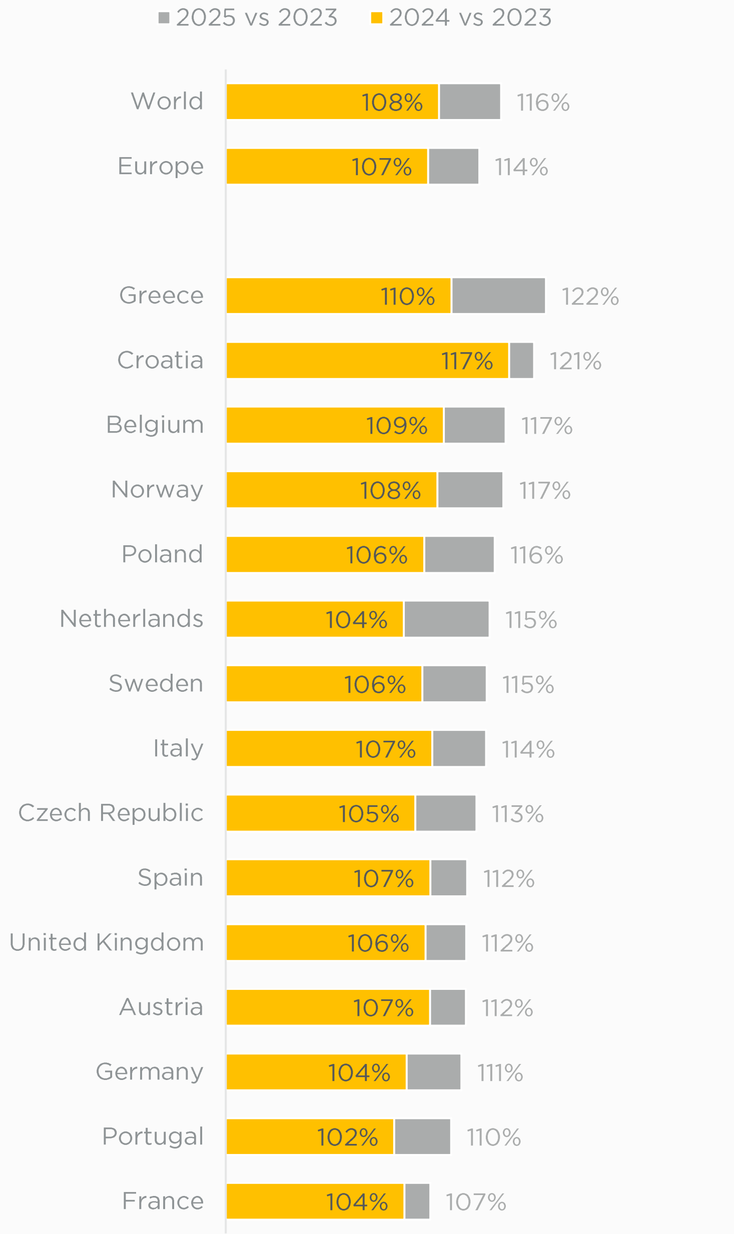


Source: MSCI/RCA (The Hedonic Series is an enhanced suite of cap rate and pricing time series. The methodology reflects yield or pricing for the average property rather than an average of the yields or prices of properties that have transacted).

EUROPEAN HOTELS
HOTEL INVESTMENT

Hotel demand set to grow in 2024 and 2025

ACCOMMODATION DEMAND OUTLOOK
(Top-15 largest markets in Europe, nights in hotels, index – 2023 base year)



Note: Countriess are sorted based on growth index 2025 vs 2023)
Source: Oxford Economics (Jun 2024 update),

REASONS FOR OPTIMISM IN 2024

Hotel performance is expected to remain healthy in the second half of 2024, with the **RevPAR growth projected to moderate but surpass inflation**, underpinned by continued ADR increase, while occupancy is expected to recover to pre-pandemic levels by year-end. So far, data indicates about 5% RevPAR growth for 2024 in Europe (vs 2023), which is above the initial expectation of around 3% as per our Hotel Investor Compass 2024.

The **positive outlook is supported by the constrained hotel supply in most markets and continued growth of travel**, underpinned by increasing air and rail connectivity, recovery of business travel, and a return of so-far-underperforming Asian source markets. A further boost is provided by several major events, including UEFA Euro 2024 in Germany, Taylor Swift Eras and Coldplay tours, which affected both H1 and H2 2024, followed by Paris Olympics and Paralympics in July-September. Moreover, the recent inclusion of Romania and Bulgaria in the Schengen area of free movement will further facilitate intra-European travel.

According to the Q2 forecast by ETC, **tourist spending across Europe is expected to increase by 13.7% in 2024** compared to 2023, amounting to €800.5 billion in nominal terms. The highest gains in spending are anticipated in Spain, Greece, Italy, France, and Bulgaria. Additionally, the average length of stay will contribute to the value of tourist arrivals at a destination, as longer trips will result in higher expenditures on accommodation and food. Destinations expected to see longer average stays this year include Croatia, Italy, Malta, Romania, and Cyprus.

Several challenges remain, including economic and geopolitical concerns, particularly the conflicts in Ukraine and the Gaza Strip, as well as the rising costs of business and travel and staffing issues.

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ABOUT CUSHMAN & WAKEFIELD

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