

MARKET BEAT

UNITED KINGDOM

Hospitality Full Year 2023

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MARKET SUMMARY & OUTLOOK

	YoY Chg.	12-Mo Chg.
Investment Trends	▼	▲
Prime Yields	▲	—
Market Performance	▲	▲
Supply Outlook	▲	—
Demand Outlook	▲	▲

The market continues to experience constrained deal flow, largely as a result of the mismatch between sellers holding out for prices based on buoyant trading whilst buyers struggle given the far higher cost of debt. The bid:ask spread is showing signs of narrowing whilst macroeconomic uncertainties dissipate. In 2024, we expect to see an uptick in deal activity as refinancing events take place.

Yields present a nuanced landscape, sitting generally 75-100 basis points softer YoY. The persistent "flight to quality" remains dominant, intensifying competition for prime opportunities and supporting persistently tight yields for the best quality product. Base rates are anticipated to move in during the second half of 2024 after which a gradual sharpening of yields should be expected.

As of December 2023, the UK hotel industry has witnessed a remarkable upswing in performance. ADR over the LTM stood at approximately £120 (+26% on 2019) indicating a real growth of 6.1%. Occupancy sits 40 bps behind 2019 and is expected to fully recover by mid-2024. Despite the real RevPAR growth of 5.9% since 2019, the spread between RevPAR and GOPPAR has widened due to pressures on the cost base.

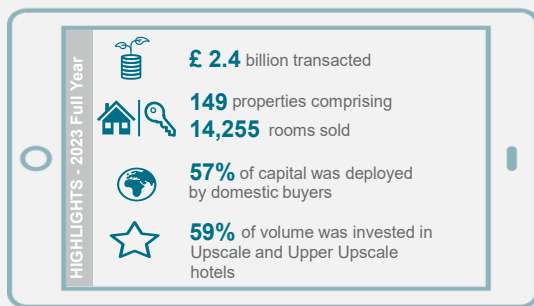
UK-wide room supply grew +0.7% YoY at December 2023, in contrast to a 5.8% growth in room nights. Office to hotel conversions have delivered a number of opportunities for developers, especially within key markets like London and Edinburgh which will drive additional supply growth looking forward. In certain markets, room supply will see additional growth as hotels come back online following termination of several government asylum

Hotel overnights are projected to surpass 2019 levels by 2024, with domestic overnights leading the recovery. The easing of inflation, wage growth and low unemployment, has contributed to an increase in consumer spending throughout 2023 and is anticipated to persist into 2024. Cross-continental demand recovery, especially from Asia and the Middle East, should provide further support to this upward trajectory.

INVESTMENT TRENDS

Sources: Cushman & Wakefield, CoStar, Oxford Economics

Note: A contingency of 5% is assumed for transactions in the last 12 months, as some deals are revealed with notable delay.



RECENT TRANSACTION TRENDS

	Last quarter (Q4 2023)				Current Year (2023)			
	Properties	Rooms	Volume	% Change*	Properties	Rooms	Volume	% Change*
United Kingdom	30	3,750	745	97%	149	14,255	2,430	-28%
Regional	22	2,510	231	32%	111	9,368	1,005	-48%
London	8	1,240	515	152%	38	4,887	1,425	-1%
Manchester	0	0	0	n/a	4	477	58	-50%
Edinburgh	2	436	47	469%	6	945	172	134%

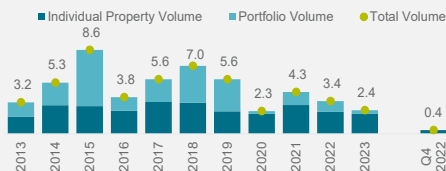
Volume transacted in GBP millions

*Refers to the % change in transaction volume from the previous period

Source: Cushman & Wakefield

ANNUAL TRANSACTION VOLUMES

(2013 - 2023, GBP BILLIONS)



Source: Cushman & Wakefield / RCA

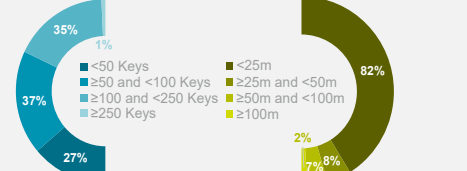
AVERAGE TRANSACTION PRICE

(2023, GBP)



BREAKDOWN BY NO. OF ROOMS SOLD & DEAL SIZE

(2023, % SHARE OF DEALS)

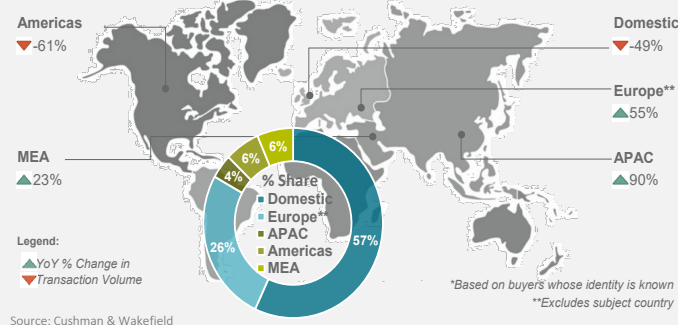


Source: Cushman & Wakefield

NATURE OF INVESTMENTS

TRANSACTION VOLUME* BY SOURCE OF CAPITAL

(% CHANGE, 2023 vs 2022)



Source: Cushman & Wakefield

TRANSACTION VOLUME PER HOTEL CLASS

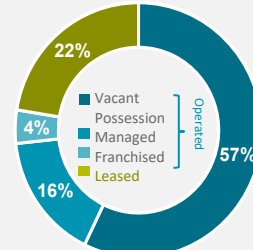
(% CHANGE, 2023 vs 2022)

HOTEL CLASS	% OF TOTAL VOLUME	% CHANGE	HOTEL CLASS	% OF ROOMS SOLD	% CHANGE
Luxury	7%	-30%	Luxury	4%	-40%
Upper Upscale	22%	-44%	Upper Upscale	16%	-36%
Upscale	37%	61%	Upscale	25%	2%
Upper Midscale	8%	-43%	Upper Midscale	14%	-43%
Midscale	4%	-57%	Midscale	6%	-62%
Economy	23%	-48%	Economy	35%	-38%

Source: Cushman & Wakefield

TRANSACTIONED VOLUME BY OPERATING STRUCTURE

(2023, % SHARE OF DEALS)



Source: Cushman & Wakefield

TRANSACTIONED VOLUME BY TYPE OF INVESTOR

(2023, % SHARE OF TOTAL VOLUME)

	BUYERS (% Share)		SELLERS (% Share)	
	Current Year	% Change	Current Year	% Change
Institutional	14%	-83%	44%	-46%
Private	67%	-18%	48%	-33%
Public	15%	-39%	7%	-77%
User/Other	3%	234%	1%	-77%

Source: Cushman & Wakefield / RCA

MARKET BEAT

UNITED KINGDOM

Hospitality Full Year 2023

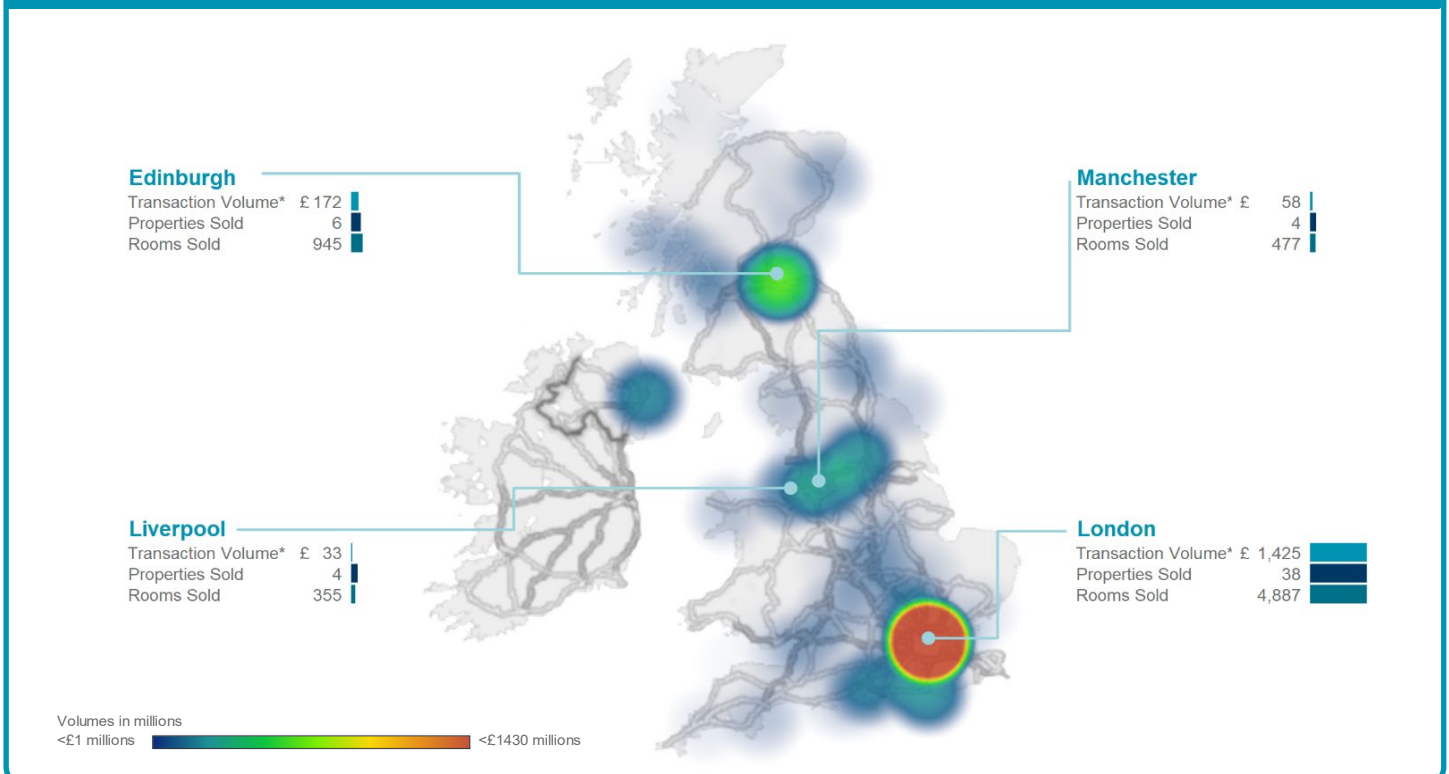


MAJOR DEALS OF 2023

Property	Market	Keys	Buyer	Buyer Origin	Seller	Seller Origin
Art'otel Battersea	London	164	Cedar Capital Partners	GBR	Battersea Power Station Development Company	MYS
The Covent Garden Hotel Firmedale (Freehold)	London	58	Firmedale Hotels	GBR	CBRE Investment Management	GBR
Travelodge Gatwick Airport	London	400	Blacksand Real Estate	BHR	M&G Real Estate	GBR
Apex London Wall Hotel	London	89	Dalata Hotel Group	IRL	Apex Hotels	GBR
5-10 Great Tower Street (Development)	London	160	Dominus	GBR	RBS	GBR
New London House (Development)	London	370	Whitbread	GBR	Orchard Street IM	GBR
Hilton London Hyde Park	London	132	Private Family Office	UAE	Aroundtown	DEU
Haymarket House (Development)	London	214	Criterion Capital Limited	GBR	Hermes / CPPIB	USA / CAN
Queens Hotel Leeds	Leeds	232	Pandox	SWE	Aprirose	GBR
The Grand Brighton	Brighton	201	Fattal Hotels	ISR	Wittington Investments	GBR
Crerar Hotel Group (Portfolio)	Scotland	389	Fairtree / Blantyre Capital	ZAF / GBR	Crerar Hotels	GBR
Waldorf Astoria Edinburgh	Edinburgh	241	Henderson Park	GBR	Lulu Group	UAE
Hilton Belfast	Belfast	202	Pandox	SWE	Starwood Capital	USA
Premier Inn Manchester Piccadilly	Manchester	193	West Midland Pension Fund	GBR	British Steel Pension Fund	GBR
Dalmahoy Hotel & Forest of Aden Country Club	Edinburgh & Birmingham	429	Warner Leisure Hotels	USA	Abu Dhabi Investment Authority (ADIA)	UAE
Holiday Inn Express Southampton	Southampton	182	Hunton Hotels	GBR	Brightbay Real Estate Partners	GBR

Note: Ordered by date of transaction; London then Regional.

UNITED KINGDOM TRANSACTIONS - MAP VIEW FULL YEAR



Source: Cushman & Wakefield

Note: Excludes Republic of Ireland.

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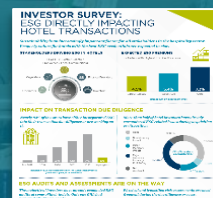
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