

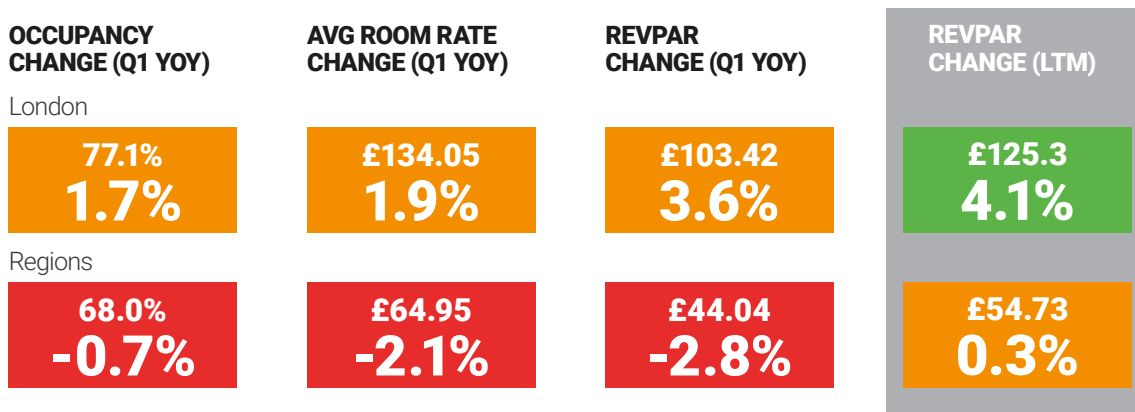
UK HOTEL MARKET TRACKER: Q1 2019

RevPAR in the regions declines during Q1 for the first time since 2012, but hotels continue to attract significant investment.

In Q1 2019, there was polarisation in performance between London and the regions (RevPAR increase of 4% and decrease of 3% respectively). With more hotels due to open and further cost increases on the horizon, hoteliers will be keeping a close eye on the bottom line, particularly in the regions.

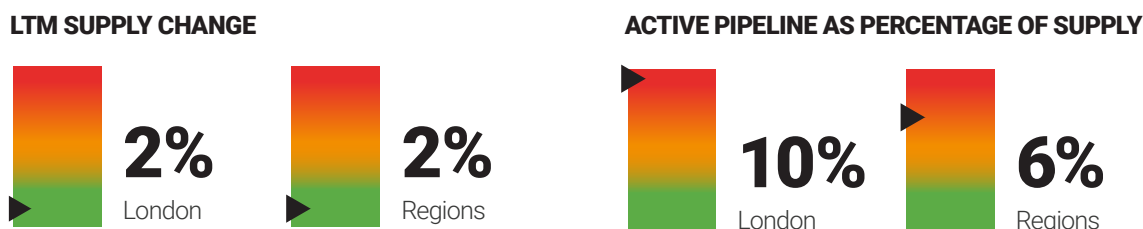
There were numerous big ticket transactions this quarter, notably Queensgate's £1 billion acquisition of Grange Hotels. Whilst there is significant amount of capital in the hotel market, buyers continue to be wary of overpaying as the Brexit saga trundles on.

PERFORMANCE



Source: STR Key: ■ <0% ■ 0-4% ■ >4% LTM = Last 12 months
 Note: Absolute metrics (above) and percentage change (below) are displayed in the performance section.

SUPPLY



Source: STR
 Note: Sliding colour scales provide an indication of the risk implied by each supply metric.

London recorded another strong quarter in Q1 2019, with RevPAR increasing by 3.6% in comparison to Q1 2018, aided by the Six Nations and Passenger Terminal Expo at London ExCel. Strong performance in the last two quarters resulted in LTM RevPAR increasing by 4.1%, despite a relatively subdued Q2/Q3 2018. London's strength continued to be recognised by developers, with active pipeline as a percentage of supply increasing from 8 to 10% in Q1 2019.

In contrast to London, Q1 2019 was a soft quarter for the regions, with RevPAR decreasing by 2.8%, the first quarterly decline since 2012. With further cost increases expected this year and capex requirements continuing, regional hoteliers and investors will be keeping a close eye on cash flow generation for the remainder of 2019.

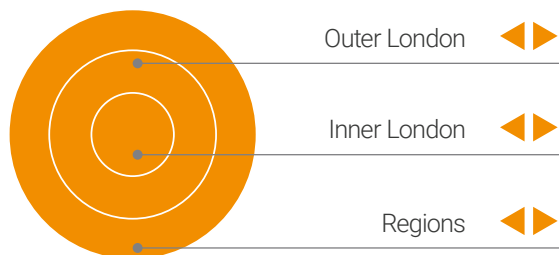
Despite stagnating performance in the regions, active pipeline as a percentage of supply increased slightly in Q1 2019. Hotels remain a popular asset class with developers, who are taking a longer term view on UK hotel performance.

TRANSACTIONS (LTM)

▲ **21%** **LONDON**
£2.6bn

▲ **15%** **REGIONS**
£3.7bn

YIELD TRENDS¹



Source: HVS

1. Yield movement since previous quarter

Q1 2019 was a busy quarter for transactions, with £2 billion of hotels being acquired – £1.3 billion in London and £700 million in the Regions. On a LTM basis, both London and the Regions are significantly up on the previous year, with 91 transactions (£6.3 billion) against 85 the previous year, an increase in transaction volume of 18% YOY (21% for London, 15% for the Regions). The most significant London transaction in Q1 2019 was the sale of four Grange Hotels to Queensgate for £1 billion (£763k/room). Significant London single asset sales included Dalata's acquisition of the Clayton Hotel, Aldgate, London for £91 million (£430k/room). Regional transactions included Topland's sale of 26 Hallmark Hotels for £250 million (£101k/room) to Vivion Capital Partners.

There continues to be a significant amount of available capital in the hotel market. Multiple investors are taking serious looks at opportunities but do not want to overpay, particularly in light of further Brexit delays. As a result, there has been no discernible change in yields in London or the regions this quarter.

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ABOUT ALIXPARTNERS

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

ABOUT HVS

HVS is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming and leisure industries. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, investors, lenders, operators and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 60 offices and 350 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

Superior results through unrivalled hospitality intelligence. Everywhere.

ABOUT STR

STR is the source for premium global data benchmarking, analytics and marketplace insights. Our data is confidential, reliable, accurate and actionable. Our comprehensive solutions, analytics and unrivalled marketplace insights are built to fuel growth and help our clients make better business decisions.

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