

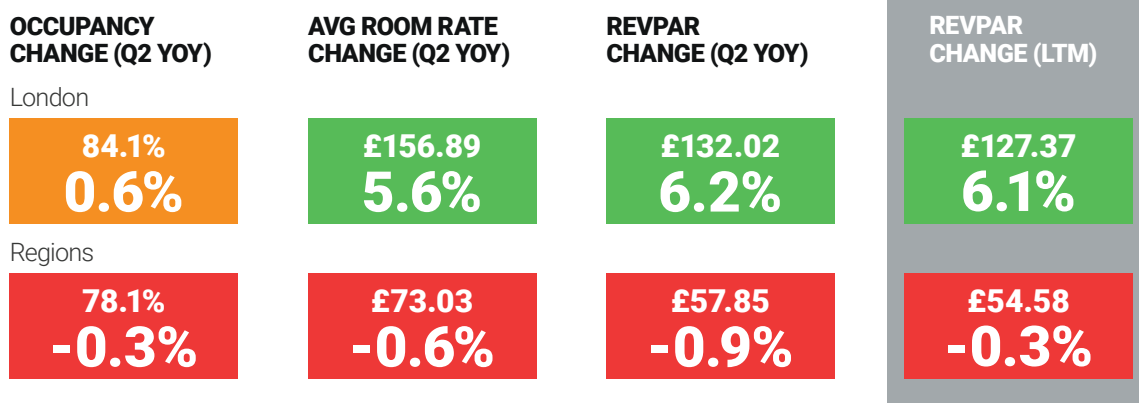
## UK HOTEL MARKET TRACKER: Q2 2019

### The ICC Cricket World Cup boosts performance in London, but fails to stop the regions sliding

London recorded continued strong growth in Q2 2019, as hoteliers pushed rates for visitors travelling to watch the ICC Cricket World Cup. In contrast, regional RevPAR decreased for the second consecutive quarter, even with numerous matches being hosted outside of the capital. The combination of top line retraction, costs pressures, and unrelenting new supply is putting significant pressure on regional hotel margins.

Across the UK, only £360 million of transactions were completed in Q2 2019. Transaction flow continues to be impacted by Brexit-uncertainty, with deals taking longer and longer to complete.

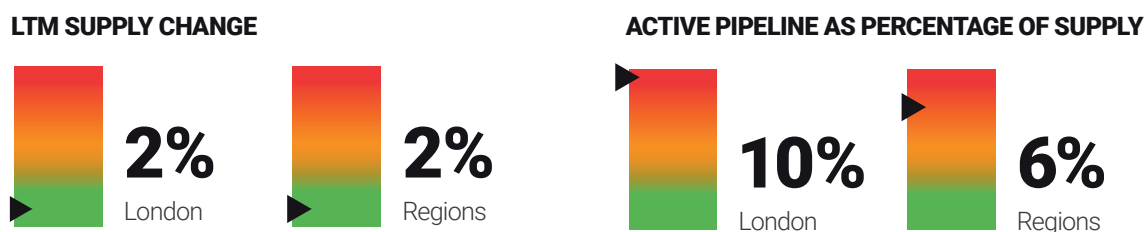
### PERFORMANCE



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



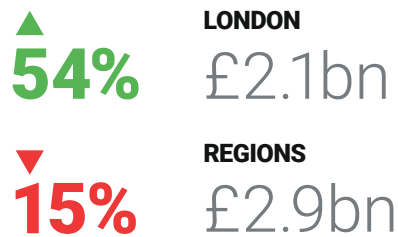
Source: STR

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

RevPAR in London increased by 6% in Q2 2019, as hoteliers benefitted from sporting events including the 2019 ICC Cricket World Cup and Major League Baseball held at The London Stadium. Active pipeline (10% of current supply) will be monitored by operators in the capital given relatively flat occupancy, but a LTM RevPAR increase of over 6% demonstrates how robust demand remains.

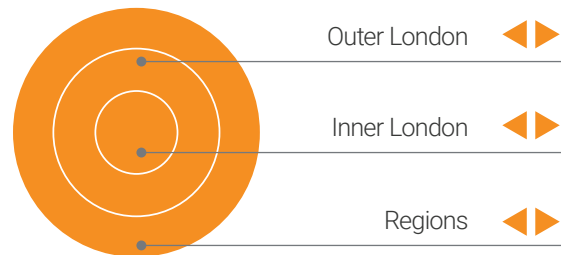
In the regions, RevPAR decreased for a second consecutive quarter, despite hosting Cricket World Cup matches which benefitted cities including Birmingham, Manchester and Southampton. With revenue declining, costs increasing and active pipeline remaining at 6% of current supply, operators may struggle to increase profitability, particularly in locations outside the main tourist hubs or without robust corporate activity.

## TRANSACTIONS (LTM)



Source: HVS

## YIELD TRENDS<sup>1</sup>



1. Yield movement since previous quarter

£2.1 billion of transactions were completed in London in the 12 months to Q2 2019, an increase of 54% on the previous year. This figure was boosted by the sale of the Grange portfolio in Q1 (£1 billion) and the 163-bedroom Crowne Plaza Kensington in Q2 to a Singaporean consortium led by Heeton Holdings (£84 million, or £513,000/bedroom). Q2 2019 was a slower quarter for hotel transactions in comparison to Q1, with only £360 million of hotels being acquired – some £144 million in London and £210 million in the regions. The transaction market is suppressed due to Brexit-related deal reticence, with transactions either being put on hold or with some taking much longer to complete.

Yields in London and the regions remain tight in comparison to historical averages, although there was little evidence of further compression in Q2 2019 except in isolated cases in London.

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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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