

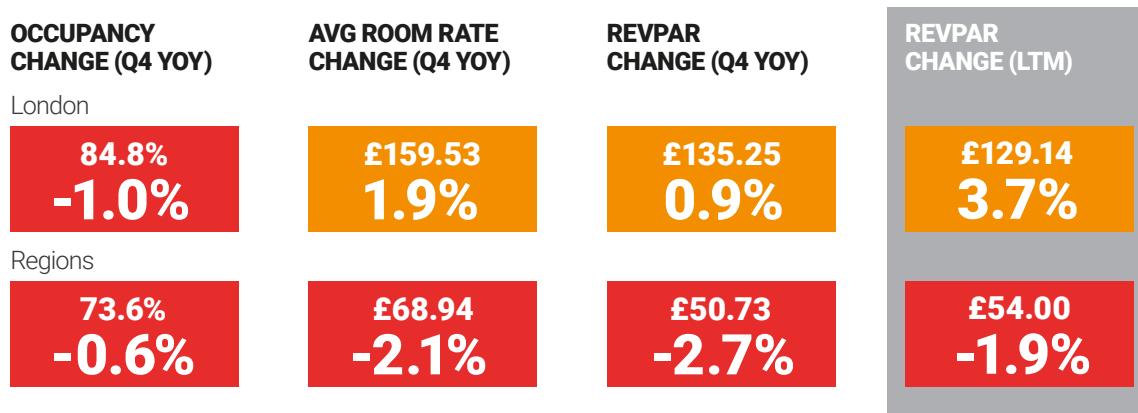
UK HOTEL MARKET TRACKER: Q4 2019

Regional performance continues to deteriorate, London RevPAR growth softens

London recorded RevPAR growth of 0.9% for the final quarter of the decade. Whilst this is encouraging, hoteliers will be keeping a close eye on softening occupancy, especially given active pipeline levels above 10%. Regional RevPAR declined 2.7% in Q4. The regions posted a decline of 1.9% for the full year 2019, marking the first annual decline since 2015.

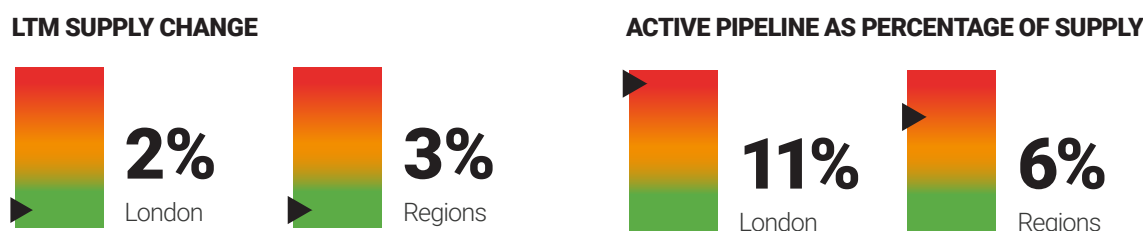
Transaction volumes were 19% down in 2019, as increased portfolio activity was more than offset by a steep decline in single assets sales. However, with transactions up in Q4 2019 and greater political certainty, investors are likely to be cautiously optimistic about a resurgence in activity heading into 2020.

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 finished the decade positively, with quarterly RevPAR increasing by 0.9% in comparison to Q4 2018. Whilst hoteliers will welcome another consecutive period of growth, quarterly RevPAR growth is lower than the other quarters in 2019 (growth of 5%, 6% and 4% in Q3, Q2 and Q1 respectively).

Growth in Q4 was rate-driven, as occupancy faced increasing pressure from supply growth in the Capital. With an 11% increase in bedrooms set to come online in the next three years, demand pressure for existing hoteliers is set to continue.

Regional RevPAR declined by 2.7% in Q4 2019, continuing the decline recorded in 2019 to-date. Hoteliers will be concerned that the scale of decline is increasing in the regions, and that both occupancy and ADR contracted. The regions have faced a strong headwind of increasing supply, with the number of bedrooms increasing by 3% in the last twelve months (LTM). This increase was higher than London's change of 2%, and a greater challenge for the regions as they do not benefit from the same international demand as London.

TRANSACTIONS (LTM)

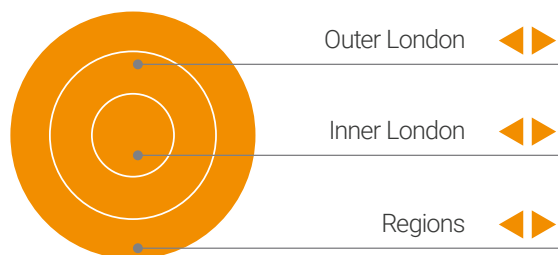
▲
48%

LONDON
£1.5 billion

▼
38%

REGIONS
£2.2 billion

YIELD TRENDS¹



Source: HVS

1. Yield movement since previous quarter

UK transaction volumes have decreased by £900 million in the LTM (-19%). In London, an uplift of £1.2 billion in portfolio activity was partially negated by single asset transaction volumes declining by £0.7 billion. The decline in London single asset transactions is partly due to investments being deployed into regional forward-sold development projects and the lack of available assets in the Capital.

The most notable UK hotel transaction in Q4 2019 was the sale of 17 properties from Marathon Asset Management to Thai investor DTGO for £450 million. Another significant transaction was the sale of the 211-room Fairmont St. Andrews in Scotland by Kennedy Wilson to Great Century for a reported USD178 million (£135 million), which also included golf courses.

The recent UK election result and the ensuing Brexit decision is likely to make the UK more attractive to many investors. This is likely to have a more immediate impact on yields in London during 2020, albeit this improvement could be tempered by the pipeline of luxury hotels in inner London. It may take a little longer for the UK regions to catch up.

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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 provides premium data benchmarking, analytics and marketplace insights for global hospitality sectors. We deliver data that is confidential, accurate and actionable, and our comprehensive solutions empower our clients to strategize and compete within their markets. STR is continuously working to enhance our solutions while shaping the future of industries. We maintain a presence in 15 countries, and process, analyze and report on data from 67,000 hotels representing 9 million rooms. STR was acquired in October 2019 by CoStar Group, Inc. (NASDAQ: CSGP), the leading provider of commercial real estate information, analytics and online marketplaces.

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