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HOTEL OPERATOR BEAT
2023 - EUROPE CITIES & REGIONS

Most attractive markets for hotel operators by market tier

Top-10
- 1st tier cities (>30k hotel rooms)
- 2nd tier cities (>10k hotel rooms)
- 3rd tier cities (>5k hotel rooms)
- Resort destinations

France, Germany, Benelux, and Turkey markets experienced the highest increases in their attractiveness since 2021.

The coastal areas and islands of Italy, France, Turkey, and Greece saw the most substantial increase in operators’ interest.

The dots on the map represent the approximate locations of the markets.
85% of surveyed operators are optimistic or very optimistic about the performance of luxury hotels.

85% of surveyed operators are optimistic or very optimistic about the performance of resorts.

**PERFORMANCE OUTLOOK**

Q: What is your outlook for the following hotel classes/types (RevPAR in the next 12 months)?

<table>
<thead>
<tr>
<th>Category</th>
<th>Very optimistic</th>
<th>Optimistic</th>
<th>Moderate</th>
<th>Challenging</th>
<th>Very challenging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>40.9%</td>
<td>44.2%</td>
<td>8.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upper Upscale</td>
<td>29.7%</td>
<td>54.4%</td>
<td>12.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upscale</td>
<td>20.3%</td>
<td>58.2%</td>
<td>18.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upper Midscale</td>
<td>18.9%</td>
<td>49.7%</td>
<td>24.3%</td>
<td>5.9%</td>
<td></td>
</tr>
<tr>
<td>Midscale</td>
<td>20.1%</td>
<td>36.9%</td>
<td>33.0%</td>
<td>8.9%</td>
<td></td>
</tr>
<tr>
<td>Economy</td>
<td>28.3%</td>
<td>33.1%</td>
<td>25.3%</td>
<td>12.0%</td>
<td></td>
</tr>
<tr>
<td>Resorts</td>
<td>41.4%</td>
<td>43.2%</td>
<td>8.9%</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>Extended stay</td>
<td>35.1%</td>
<td>41.9%</td>
<td>17.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban hotels</td>
<td>34.1%</td>
<td>45.1%</td>
<td>17.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hostels</td>
<td>16.7%</td>
<td>38.6%</td>
<td>31.6%</td>
<td>10.5%</td>
<td></td>
</tr>
</tbody>
</table>

% of respondents

NOTE: totals may not add up due to rounding.
HOTEL OPERATOR BEAT
2023 - EUROPE

53% of surveyed operators report increasing trend of ESG KPIs reporting clause in their new contracts and renewals in the last 12 months

52% of surveyed operators report increasing trend of Pandemic clause in their new contracts and renewals in the last 12 months

CONTRACT TERMS TRENDS

Q: Have you experienced any of the following trends in your key deal terms for new contracts and renewals in the last 12 months?

<table>
<thead>
<tr>
<th>Term</th>
<th>Increasing</th>
<th>No change</th>
<th>Reducing</th>
<th>We don’t provide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusion of a clause requiring to report ESG KPIs</td>
<td>53.3%</td>
<td>35.5%</td>
<td>9.5%</td>
<td></td>
</tr>
<tr>
<td>Inclusion of a pandemic clause</td>
<td>52.1%</td>
<td>36.7%</td>
<td>7.1%</td>
<td></td>
</tr>
<tr>
<td>Key money provisions</td>
<td>45.3%</td>
<td>38.5%</td>
<td>13.3%</td>
<td></td>
</tr>
<tr>
<td>Inclusion of operating guarantees</td>
<td>39.1%</td>
<td>46.6%</td>
<td>12.6%</td>
<td></td>
</tr>
<tr>
<td>Inclusion of carbon footprint targets</td>
<td>36.9%</td>
<td>46.9%</td>
<td>13.8%</td>
<td></td>
</tr>
<tr>
<td>Inclusion of a clause requiring minimum energy efficiency for FF&amp;E/M&amp;E</td>
<td>31.8%</td>
<td>52.2%</td>
<td>14.0%</td>
<td></td>
</tr>
<tr>
<td>Flexibility regarding termination provisions</td>
<td>31.1%</td>
<td>54.5%</td>
<td>12.0%</td>
<td></td>
</tr>
<tr>
<td>Inclusion of a cost recovery clause for energy efficiency upgrades</td>
<td>27.8%</td>
<td>55.1%</td>
<td>15.2%</td>
<td></td>
</tr>
<tr>
<td>Contract term</td>
<td>17.0%</td>
<td>64.9%</td>
<td>12.9%</td>
<td></td>
</tr>
<tr>
<td>Commercial fees</td>
<td>16.8%</td>
<td>59.5%</td>
<td>18.5%</td>
<td></td>
</tr>
</tbody>
</table>

% of respondents for whom these deal terms apply

NOTE: totals may not add up due to rounding
### WILLINGNESS TO OFFER LEASE

*Q: Please indicate (if applicable) how your attitude towards leasing evolved since last year.*

<table>
<thead>
<tr>
<th>Leases Type</th>
<th>Offering more</th>
<th>Offering the same</th>
<th>Offering fewer</th>
<th>Stopped offering</th>
<th>Never an option / Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hybrid leases (fixed + variable components)</td>
<td>29.8%</td>
<td>27.8%</td>
<td>6.1%</td>
<td>34.3%</td>
<td></td>
</tr>
<tr>
<td>Variable leases</td>
<td>26.3%</td>
<td>25.8%</td>
<td>5.1%</td>
<td>40.4%</td>
<td></td>
</tr>
<tr>
<td>Fixed leases</td>
<td>13.5%</td>
<td>33.8%</td>
<td>16.7%</td>
<td>5.6%</td>
<td>39.4%</td>
</tr>
</tbody>
</table>

64% of surveyed operators are offering *hybrid leases.*

22% of surveyed operators are offering fewer or have stopped offering *fixed leases.*

*NOTE: totals may not add up due to rounding*
16% of the pipeline projects are currently delayed (on average)*

8% of the pipeline projects are currently on hold (on average)*

*Weighted average of the mid points

**HOTEL PIPELINE TRENDS**

Q: What percentage of your pipeline projects are currently delayed or placed on hold?

- **% of pipeline delayed**
  - 0%
  - 1-10%
  - 10-20%
  - 20-30%
  - 30-40%
  - 40-50%
  - >50%

- **% of pipeline placed on hold**
  - 0%
  - 1-10%
  - 10-20%
  - 20-30%
  - 30-40%
  - 40-50%
  - >50%

Note:
- DELAYED - the project continues but the completion is expected later than initially planned
- ON HOLD - the project stopped

NOTE: totals may not add up due to rounding
6-12 MONTHS

is the most common delay of pipeline projects (according to 39% of respondents)

68% of issues associated with delayed/pending pipeline projects are due to increasing development costs

HOTEL PIPELINE TRENDS

Q: Of those projects which are delayed what is the average period of delay?*

- 1-6 months: 32.0%
- 6-12 months: 39.5%
- 12-18 months: 15.6%
- 18-24 months: 8.8%
- 24 months and more: 4.1%

% of respondents

Q: For the delayed deals or those that did not proceed, what were the reasons? (multiple answers possible)*

- Increasing development costs: 68.5%
- Issues with debt funding: 46.3%
- Economic uncertainty (e.g. inflation pressure): 28.9%
- Issues with equity funding: 24.8%
- Geopolitical uncertainty (e.g. elections, war in Ukraine): 16.8%
- Commercial terms have become unviable: 16.1%
- The overall project is no longer feasible: 13.4%
- Alternative uses have become more viable: 7.4%

% of respondents

Note:
- DELAYED – the project continues but the completion is expected later than initially planned
- ON HOLD – the project stopped

NOTE: totals may not add up due to rounding
57% of surveyed operators would consider to offer a higher rent for hotels with the highest ESG certifications.

47% are open to lower their fees, while 44% would consider waiving technical development fees for hotels with the highest ESG credentials.

**Environmental Considerations**

Q: Are you willing to provide more favourable commercial terms for hotel properties that have the highest environmental building rating/certification (for example: BREEAM-Outstanding, LEED-Platinum, EPC-A, etc.)?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>Very likely</th>
<th>Likely</th>
<th>Unlikely</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher rent</td>
<td>7.3%</td>
<td>14.6%</td>
<td>35.0%</td>
<td>24.4%</td>
<td>18.7%</td>
</tr>
<tr>
<td>Lower fees</td>
<td>6.8%</td>
<td>8.3%</td>
<td>31.6%</td>
<td>27.8%</td>
<td>25.6%</td>
</tr>
<tr>
<td>Waiving technical development fees</td>
<td>4.4%</td>
<td>10.2%</td>
<td>29.2%</td>
<td>29.2%</td>
<td>27.0%</td>
</tr>
<tr>
<td>More key money</td>
<td>6.3%</td>
<td>7.9%</td>
<td>34.6%</td>
<td>25.2%</td>
<td>26.0%</td>
</tr>
</tbody>
</table>

% of respondents

NOTE: totals may not add up due to rounding
ABOUT THE SURVEY
Operator Beat 2023 – Europe

• The survey was completed by 198 executives representing over 108 operators with an existing presence in Europe or interest to enter the region

• The surveyed operators represent over 9,700 hotels with over 1,225,000 rooms already operating in Europe, with an additional 1,600 proposed hotels comprising over 244,000 rooms in the pipeline
WE MAKE IT INNOVATIVE

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