

MARKET BEAT

EUROPE

Hospitality Full Year 2023

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MARKET SUMMARY & OUTLOOK

	YoY Chg.	12-Mo. Forecast.	
Investment Trends	▲	▲	Overall, more than €16.9 Bn worth of hotels transacted in 2023, with 787 properties and nearly 106K rooms. While this remains 44% below 2019 levels, it stands only 4% short of 2022. In Q4 2023 transaction volume increased by 13% relative to Q4 2022, reaching €5.4 Bn. Portfolio deals represented 1/3 of 2023 volume and more than half in Q4 2023. The key portfolio transactions were Equity Inmuebles, A&O and the sale of Blackstone's 35% stakes in HIP. Rising debt costs exerted pricing pressure on hotel real estate in 2023. This resulted in yield decompression relative to 2022, albeit the impact was partly offset by improved operating income. The pricing is likely to remain under pressure at least until interest rates begin to decline (expected in H2 2024). Nevertheless, the "flight to quality" remains, intensifying competition for prime opportunities and supporting tight yields for the best product.
Prime Yields	▲	▲	Hotels have benefited from a robust performance in 2023, with RevPAR surpassing the 2019 levels by 22%. This was driven by 27% growth of ADR, while the occupancy remained 4% below pre-pandemic levels. Most countries recorded double-digit RevPAR growth, with Turkey, Italy and France leading the way (>36% increase). In terms of key cities, Rome, Paris and Edinburgh recorded the highest increase (48-55%).
Market Performance	▲	▲	The supply growth in Europe has been mild in 2023, constrained by elevated construction and financing costs causing delays and cancellations. This is set to continue in most markets, with average supply growth for the top-20 largest markets at 2.1% CAGR by 2025. Dublin, Frankfurt, Vienna, and Lisbon are expecting the largest pipelines, while markets like Barcelona, Amsterdam, and Milan have minimal hotel construction underway.
Supply Outlook	▲	▲	Demand in European hotels strongly bounced back in 2023, surpassing 2019 levels (+6% room nights sold). There are differences across Europe, with most CEE markets lagging due to the war in Ukraine while the majority of markets in Western Europe are already above 2019. Domestic travel drove the recovery, while inbound visitation almost reached pre-pandemic levels in 2023 (international arrivals in Europe only 6% behind 2019).
Demand Outlook	▲	▲	

INVESTMENT TRENDS

Sources: Cushman & Wakefield, STR, UNTWO, Oxford Economics

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

HIGHLIGHTS - 2023 Full Year

- € 16.9 billion transacted
- 787 properties comprising 105,761 rooms sold
- 65% of capital was deployed by European buyers
- 49% of volume was invested in Upper Upscale & Upscale hotels

RECENT TRANSACTION TRENDS

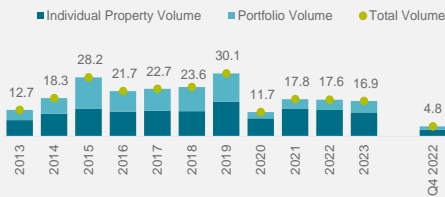
	Last quarter			Current Year		
	Q4 2023	Q4 2022	% Change*	2023	2022	% Change*
Properties Sold	281	207	36%	787	807	-2%
Rooms Sold	46,719	22,126	111%	105,761	89,974	18%
Volume Transacted	5,401	4,779	13%	16,931	17,576	-4%

Volume transacted in EUR, millions

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

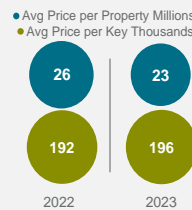
Source: Cushman & Wakefield

ANNUAL TRANSACTION VOLUMES (2013 - 2023, EUR BILLIONS)

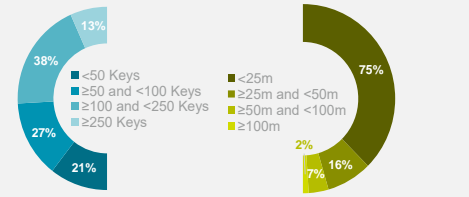


Source: Cushman & Wakefield / RCA

AVERAGE TRANSACTION PRICE (2023, EUR)



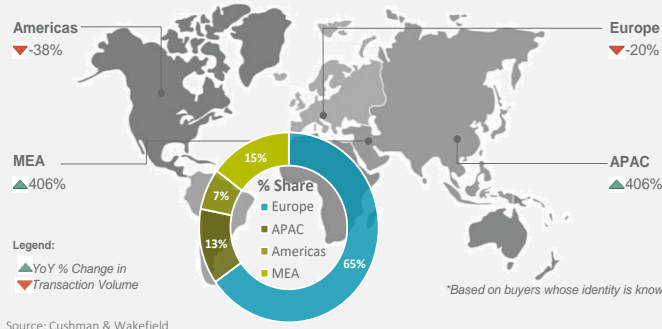
BREAKDOWN BY NO. OF ROOMS SOLD & DEAL SIZE (2023, % SHARE OF DEALS)



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	16%	-14%	Luxury	6%	-17%
Upper Upscale	21%	-26%	Upper Upscale	13%	-23%
Upscale	28%	20%	Upscale	32%	51%
Upper Midscale	11%	-14%	Upper Midscale	18%	8%
Midscale	12%	5%	Midscale	15%	-7%
Economy	12%	-22%	Economy	15%	-18%

Source: Cushman & Wakefield

TRANSACTIONED VOLUME BY TYPE OF INVESTOR (2023, % SHARE OF TOTAL VOLUME)

BUYERS (% Share)	Current Year		% Change	SELLERS (% Share)	Current Year		% Change
	Current Year	% Change			Current Year	% Change	
Institutional	42%	-23%	▼	37%	-24%	▼	
Private	49%	-5%	▼	52%	-11%	▼	
Public	5%	-46%	▼	10%	-30%	▼	
User/Other	4%	144%	▲	2%	-51%	▼	

Source: Cushman & Wakefield / RCA

TOP 10 COUNTRIES BY TRANSACTION VOLUME (2023 vs 2022, EUR MILLIONS)

No.	Country	2023	€	2022	€	% change
1	Spain	4.2	€	2.9	€	44%
2	France	3.1	€	2.4	€	26%
3	United Kingdom	2.8	€	4.0	€	-31%
4	Germany	1.6	€	1.9	€	-20%
5	Italy	1.5	€	1.5	€	1%
6	Portugal	0.8	€	0.9	€	-15%
7	Sweden	0.3	€	0.4	€	-16%
8	Netherlands	0.3	€	0.6	€	-46%
9	Ireland	0.3	€	0.4	€	-29%
10	Greece	0.3	€	0.2	€	23%

Source: Cushman & Wakefield

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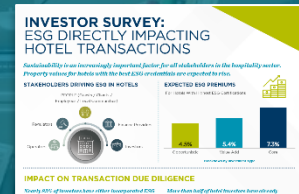
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