

HVS International

European Hotel Transactions Article 2002 Country Analysis

Scandinavia and Central and Eastern Europe

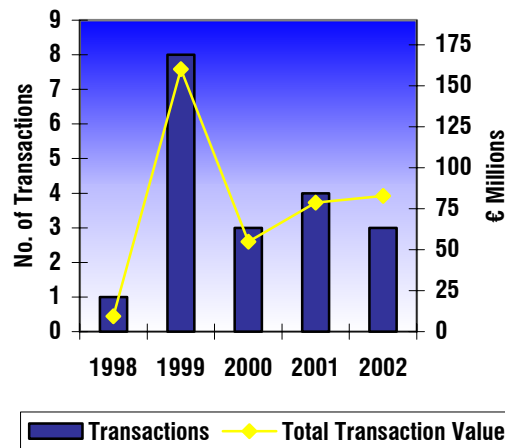


Presented by
Philippa Bock and Bernard Forster

Market Review – Scandinavia

In the main, hotel investment activity has historically been characterised by domestic investors and is centred on the capital cities, with Stockholm the most liquid investment market within the region, followed by Copenhagen.

Figure 1 Single Asset Transactions in Scandinavia 1998-02



In 1999 all transactions recorded within our survey took place in Sweden, representing some €160 million of investment. The most notable transactions included the 198-room Scandic Park in Stockholm for €34.1 million (€172,000 per room) and the 111-room Scandic Hasselbacken in Stockholm for €43 million (€387,000 per room).

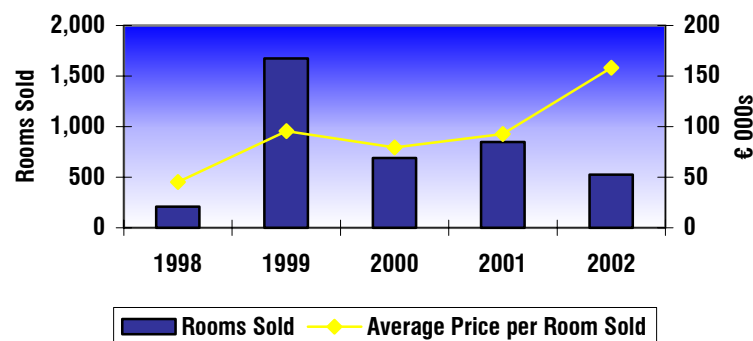
The number of single asset transactions in 2000 was less than it was in the previous year, as investors chose instead to reap the benefits of a strong trading year. Nevertheless, investment activity in 2000 was shared between the Scandinavian countries. Transactions included the 495-room Ramada Hotel President in Helsinki for €36.3 million (€73,000 per room), the Radisson SAS Plaza in Oslo for €30.8 million (€45,000 per room) and the 287-room Quality Globe Hotel in Stockholm for €35 million (€122,000 per room).

In 2001, with a softening in market conditions, a number of investors decided to exit the market, but with activity limited only to Sweden, this resulted in a decline in the number of transactions compared with the previous year. HVS recorded four single asset deals, with a total

investment value of €79 million. The transactions included the sale of the 328-room Scandic Hotel Malmen in Stockholm for approximately €30 million (€90,000 per room) to Capona, the 151-room Stockholm Plaza to SSRS Holding for €20 million (€135,000 per room) and the 150-room Mr Chip Hotel to Pandox for €13.5 million (€89,000 per room).

Single asset activity in 2002 has been considerably stronger than it was in 2001, aided by the sale of three Radisson SAS hotels in Norway to Wenaas Hotels for €156 million (€155,000 per room). Three further transactions have taken place in Sweden, the most notable of which was the sale of the 212-room Scandic Hotel Anglais in Stockholm to the Swedish company AFA Sjukförsäkrings for €63.1 million (€298,000 per room).

Figure 2 Single Asset Hotel Transactions in Scandinavia – Average Price per Room Sold 1998-02



In 2000 the Scandinavian portfolio hotel market started to consolidate with Scandic's acquisition of the Swedish company Provobis. The transaction, which involved 17 properties and some 3,000 rooms, completed for a purchase price of approximately €71 million. As a result of this corporate sale, Scandic later disposed of five properties that did not fit within the company's structure or brand image.

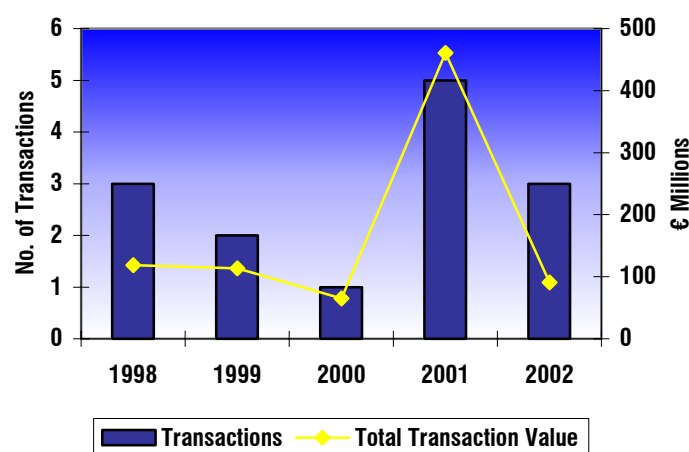
In 2001, portfolio activity in Scandinavia was exceptional, as Scandic itself became a victim of the consolidation game, snapped up by Hilton for approximately €1 billion. The acquisition provided Hilton with control of the Scandinavian market, some 154 hotels and 26,500 rooms.

In 2002 and beyond, international investors are expected to show continued interest in the Scandinavian market. But relatively few opportunities exist, making Hilton's acquisition of Scandic all the more important.

Market Review – Central and Eastern Europe

In the main, hotel investment activity is centred on Prague, Warsaw and Budapest, although, increasingly, other markets such as Moscow, Sofia and Zagreb are coming into play. Only one publicly reported transaction was recorded in 2000: the 314-room Renaissance Hotel in Prague was sold to Hospitality Europe for €64.8 million (€206,000 per room). However, in 2001 five hotels transacted, equating to approximately €460 million. Hotels that exchanged hands included the 162-room Four Seasons Hotel in Prague for approximately €70 million (€431,000 per room) to the Quinlan Partnership and the 406-room InterContinental Warsaw, for approximately €175 million (€430,000 per room) to a group of foreign investors including Six Continents. Meanwhile, Hungary's national airline, Malev, sold its 50% stake in the Atrium Hotel company, the owner and operator of the 353-room Hyatt Regency in Budapest, to its co-owner and operator Pannonia Hotels for a reported €25 million. Pannonia has since sold the company, in July this year, to HVB Leasing for €50 million but will continue to operate the hotel under a 22-year lease agreement.

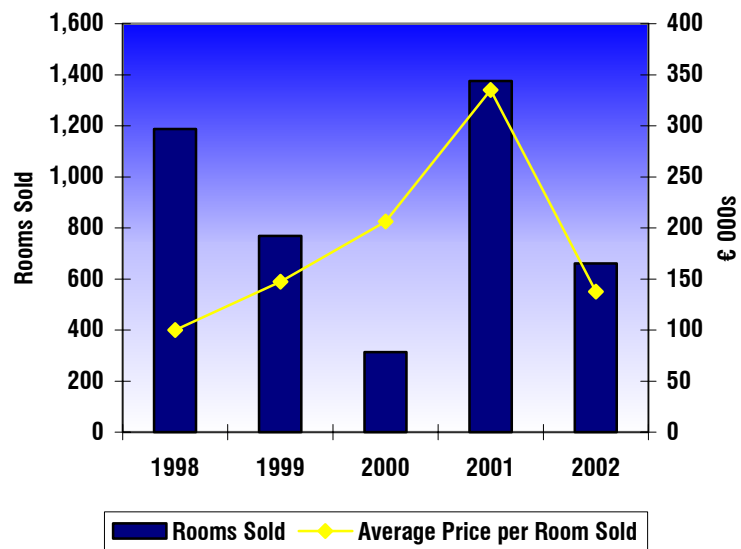
Figure 1 Single Asset Transactions in Central and Eastern Europe 1998-02



Prague has enjoyed the strongest trading performances and is arguably the most liquid investment market within the region, followed by Budapest and Warsaw. All three countries are likely to be ready for EU membership from the beginning of 2004. Indeed, the recent increase in investment activity, particularly within Prague and Budapest, is a sign that investors perceive there to be less risk associated with these markets

than in the past. To a certain extent both Budapest and Warsaw have suffered from oversupply of hotels; however, there are some signs that the balance between supply and demand is being restored.

Figure 2 Single Asset Hotel Transactions in Central and Eastern Europe – Average Price per Room Sold 1998-02



HVS International - Offices & Divisions



Europe

HVS London

14 Hallam Street
London W1W 6JG
UK
(44) 20 7878 7700
(44) 20 7436 3386 (fax)

HVS Madrid

Paseo de la Castellana 93 - 2^o
28046 Madrid
Spain
(34) 91 597 4635
(34) 91 597 3054 (fax)

Asia

HVS Singapore

100 Beach Road
#28-10/13 Shaw Towers
Singapore 189702
(65) 6293 4415
(65) 6293 5426 (fax)

HVS India

C-67 Anand Niketan
2nd Floor, New Delhi 110021
India
(91) 11 410 1005
(91) 11 410 1066 (fax)

United States of America

HVS New York

372 Willis Avenue
Mineola, NY 11501
USA
(516) 248-8828
(516) 742-3059 (fax)

HVS San Francisco

Suite 620
116 New Montgomery Street
San Francisco, CA 94105
USA
(415) 896-0868 x108
(415) 896-0516 (fax)

HVS Miami

Treman Center
8925 SW 148th Street
Suite 216, Miami, FL 33176
USA
(305) 378 0404
(305) 378 4484 (fax)

HVS Boulder

2229 Broadway
Boulder, CO 80302
USA
(303) 443-3933 x11
(303) 443-4186 fax

Canada

HVS Vancouver

4235 Prospect Road, N Vancouver
British Columbia, Canada, V7N 3L6
(1) 604 988 9743
(1) 604 988 4625 (fax)

HVS Toronto

Hammersmith House
2120 Queen Street East, Suite 202
Toronto, Ontario, Canada M4E 1E2
(1) 416 686 2260
(1) 416 686 2264 (fax)

South America

HVS São Paulo

Av Brig Faria Lima
1912 cj 7F
01452-001 São Paulo/SP
Brazil
(55) 11 3034 1091
(55) 11 3034 6364 (fax)

HVS Buenos Aires

Reconquista 1056 – 10° Piso
1003 Buenos Aires
Argentina
(54) 11 4515 1461
(54) 11 4515 1462 (fax)

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