BNP PARIBAS REAL ESTATE

RESEARCH

PROPERTY REPORT

EUROPEAN HOTEL MARKET

March 2011

EUROPEAN HOTELS SET FOR SUSTAINED GROWTH

Hotel investment activity reached a floor in 2009. The recovery observed in 2010 should go on in 2011 with a number of themes expected: operators' sale and leaseback (asset-light) strategy will continue, more distressed assets are likely to come onto the market, the bid-ask price gap will reduce and hotel operating performances will follow the upward trend established in 2010.

From the end of 2009, tourism in Europe, severely impacted by the financial turmoil, started to slowly recover. The growth in the number of international arrivals observed in 2010 confirmed this upward trend, but a 3% gain does not compensate for previous declines and international tourist arrivals remain 2% below the 2008 record level. Besides tourism in Europe recovered at a slower pace than the rest of the world that recorded a 7% yearly increase in tourist arrivals in 2010, exceeding 2008 levels by 2%. Moreover, international travel to Europe accounted for 50% of worldwide arrivals in 2010, a share that is continuously declining. In 1995, Europe's share of total arrivals in the world was 58%; the average over the last fifteen years is 55%.

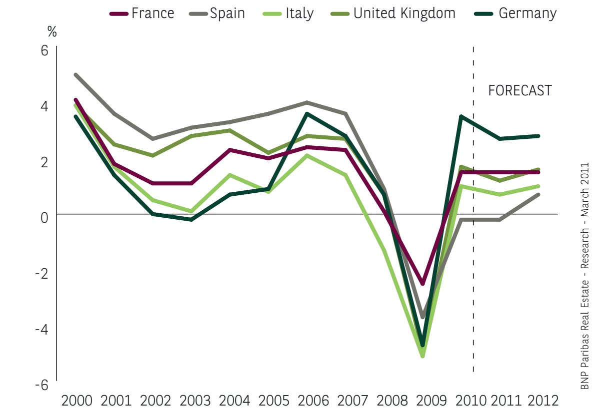
On the lodging industry side, thanks to the return of business and foreign visitors, each of the five countries monitored recorded growth in Revenue Per Available Room (RevPAR) in 2010 compared to the previous year. Whether only driven by occupancy rise (Italy and Spain) or by increase in average room rates and occupancy, RevPAR recorded growth from 2% in Italy to 20% in Germany. However, these good hotel performances observed in 2010 do not compensate the sharp falls suffered in 2009. There is still some distance from 2008 levels and even more from those of 2007 record year.

Coming from a particularly low basis in 2009, investment activity in hotel real estate improved in 2010. Hotel investment volume in the top five European markets amounted to €6.6bn in 2010, doubling compared to the previous year. Indeed, the positive situation of the lodging sector enhanced investors' confidence. Moreover, as operators continued their asset-light strategy 2010, particularly the second half of it, witnessed large sales and leaseback of pan-European portfolio. Even though less numerous than expected, many distressed assets came onto the market, particularly in Germany and the United Kingdom. The latter, followed by France, keep the European lead in hotel investment activity; together they represent 76% of the top five countries volume.

	Occupancy rate (%) 2010	y-o-y % change	Average Daily Rate (€) 2010	y-o-y % change	Revenue per Available Room (€) 2010	y-o-y % change	International tourists arrivals (m) 2010*	y-o-y % change	Hotel Investment volume (€ m) 2010	y-o-y % change
France	65.2	2.5	82.1	3.8	53.5	6.4	79.1	3.0	1,871	189.8
Spain	60.7	8.4	72.3	-1.8	43.9	6.5	53.0	1.4	487	-22.6
Italy	59.6	5.3	107.0	-3.2	63.8	2.0	43.2	0.0	294	-25.7
United Kingdom	73.6	4.8	84.5	3.3	62.2	8.3	27.9	-1.1	3,161	185.2
Germany	63.6	6.4	83.8	13.1	53.3	20.3	26.9	11.2	837	87.6

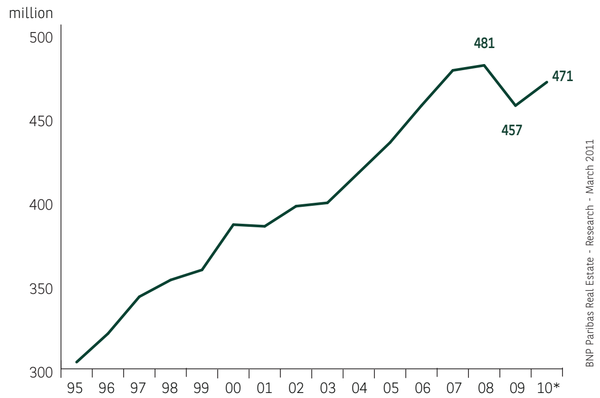
Source: WTO, MKG Hospitality, BNP Paribas Real Estate Research
* first estimation

Gross domestic product growth



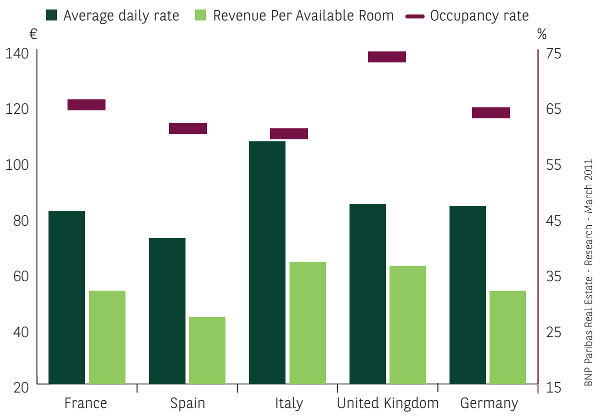
Source : Eurostat, INSEE, Forecast BNP Paribas

International tourist arrivals in Europe



* first estimations
Source : WTO

Hotel performances in the top five European tourism markets in 2010



Source: MKG Hospitality

MACRO ECONOMIC CONTEXT

The vigorous GDP growth recorded in the Euro area and the United Kingdom during Q2 2010 (respectively 1% and 1.2%), slowed down during the second half of the year and is expected to stay sluggish during 2011. Indeed, as the key factors that drove GDP growth in 2010 faded away, recovery lost momentum. Large discrepancies remain amongst the Euro area countries with Germany expected to keep on growing at a rapid pace while peripheral countries should experience both low employment growth and slow GDP growth. France should stand in the middle of the pack, in line with the European average GDP growth of 1.3%.

On the employment side, no strong rebound is expected. Indeed, with an economic growth below average, employment growth should be limited in the Euro area (+1%). While job losses cease in the core countries, falls are likely to continue in Greece, Ireland and Spain. Similarly, in the United Kingdom, jobs should drop over the next two years due to cuts in public spending. Even though the 2010 results benefited from the gradually improving economic situation, some serious challenges remain and the tourism sector still has a long way to go to reach the record level of 2007.

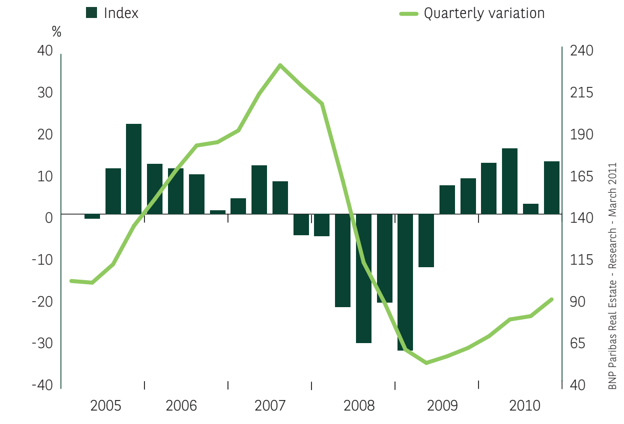
TOURISM MARKET

Following the exceptional 4% decrease in 2009 which was the worst downturn for decades, worldwide international tourist arrivals increased strongly. In 2010, they were up 7% on 2009 and even exceeded the 2008 results by 2%. Indeed, international tourism recovered faster than expected from the impacts of the global financial crisis, pushed by improved confidence and economic conditions across the world. All regions recorded positive growth in international tourist arrivals with emerging countries being the main drivers of the upturn, while advanced economies grew at a slower pace. Indeed, the two-tier recovery, as a reflection of the broader global economic situation should continue over 2011 and the near future. Preliminary results for international tourism receipts showed growth lagging behind that of arrivals. Indeed, following major shocks competition is fiercer and travellers are looking for the best value for money so arrivals tend to recover faster than receipts.

With a 5% drop in international tourist arrivals between 2008 and 2009, Europe was the hardest hit region. During 2010, the effects of the crisis reduced, but the closure of the airspace in April due to the volcanic eruption in Iceland and the complicated weather conditions in various European countries in December hindered the pace of recovery. Thus, the 3% growth rate in 2010 was insufficient to balance the drops of the previous year. Nevertheless, large discrepancies were recorded among destinations. Germany's 11% increase on 2009 outperformed with arrivals exceeding 2008's record levels by around 2 million. The moderate increases recorded by France (+3%) and Spain (+1%) did not compensate for the earlier losses. International tourist arrivals in Italy remained unchanged while the United Kingdom continued to record drops.

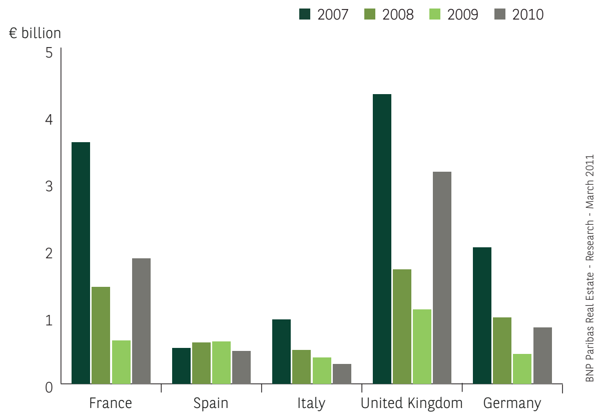
Growth in international tourist arrivals in Europe should continue at a solid pace during the first half of 2011 before slowing during the second half. For 2011, average growth is forecasted to range from 2% to 4%.

European real estate investment index



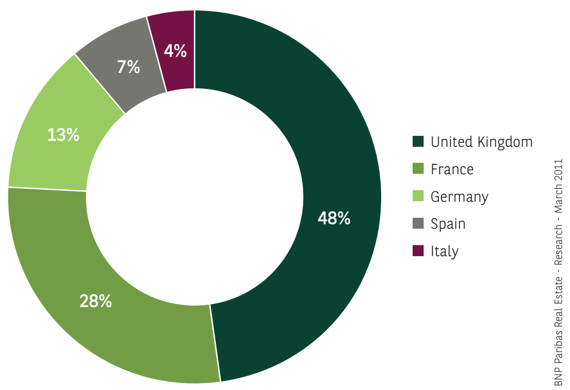
Source : BNP Paribas Real Estate Research

Hotel investment



Source : BNP Paribas Real Estate Research

Share of hotel investment in 2010



Source : BNP Paribas Real Estate Research

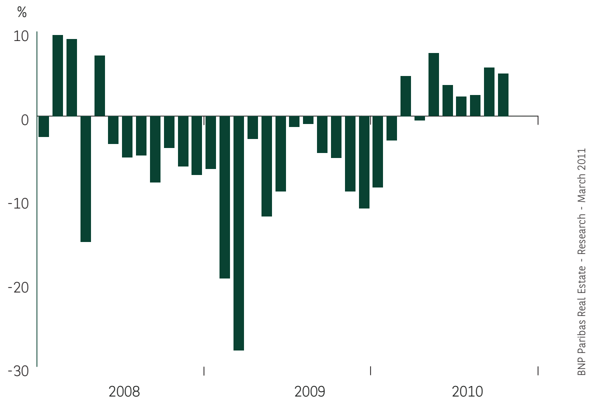
HOTEL INVESTMENT MARKET

Parallel to the recovery of the lodging sector, investors' confidence has regained momentum since the start of 2010. In the top five European markets, hotel investment volume amounted to €6.6bn during 2010, 106% up on 2009 and even 26% higher than 2008's level. Even though the hotel investment market is more active, total turnover is still 32% down on 2007. Growth accelerated significantly during the second half of the year which recorded 70% of 2010 hotel investment volume. These buoyant results were mainly fuelled by the investment volumes recorded in the United Kingdom (€1.3bn) and in France (€1bn) during the last quarter of 2010. In fact, the hotel investment in the United Kingdom, even though it was the most affected market by the financial crisis in 2008, remained the most active with 48% of total volumes (€3.2bn in 2010) and recorded one of the most rapid growth among the top five, representing a 185% increase over 2009. Moreover, with a total volume of €1.9bn, almost tripled compared to 2009, France is progressively catching up with 2007 hotel investment levels. Germany also greatly improved a very low base of hotel investment turnover while Italy and Spain still recorded decreases over 2009.

The fall in cross border investments and the decline in portfolio transactions that characterised hotel investment activity in 2009 are progressively fading away. Indeed, foreign investors were rather active in trophy asset acquisitions and big portfolio transactions in major European capital cities. Moreover, many operators pursued their asset-light strategy. Thus, despite the high level of equity required for portfolio transactions, they represented 26% of the total volume invested in hotels in the top five European countries in 2010 compared to a 17% share in 2009. The expected distressed assets sales were not numerous and mainly came onto the German and the United Kingdom markets.

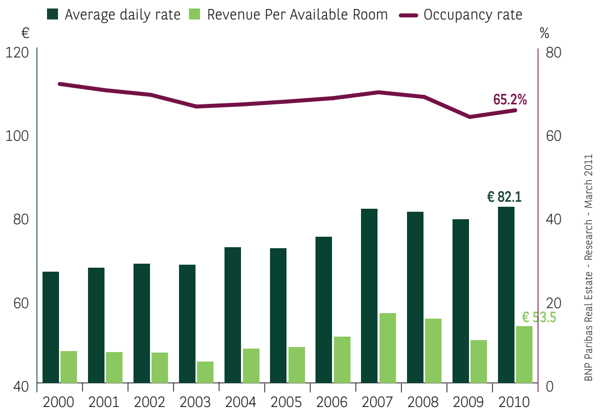
The enhanced performance of the lodging sector, the improved willingness from banks to lend and the greater realism of sellers who agreed to reduce prices contributed to the revival of the hotel investment activity. Interest in hotel properties strengthened during the second half of 2010. However, investors remained focused on prime assets that are still supply-limited, while secondary properties stayed difficult to trade. With hotel RevPAR expected to improve further and a bid-ask price gap narrowing, hotel investment activity is expected to continue growing in 2011.

International tourist arrivals
Monthly evolution



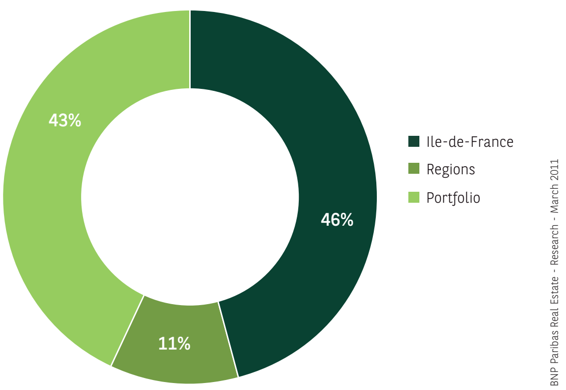
Source : UNWTO

Hotel performance 2000 - 2010



Source: MKG Hospitality

Hotel investment by regions in 2010



Source : BNP Paribas Real Estate Research

FRANCE

Tourism

French tourism went through the crisis relatively smoothly with a 3.1% drop in international tourist arrivals compared to 2008, when Europe was recording a 5% decrease. International tourists started to return during the first half of 2010 and have risen by 3% compared to 2009. However, the growth rate of 3% was not sufficient to compensate for the losses of the previous two years and international tourist arrivals in France still lag 3% behind the record year of 2007. Even though arrivals turned positive from March, French tourism growth was curbed by the snow in December and by the Icelandic ash cloud that froze European air space in April.

Out of the top five foreign visitors to France, only visits from the British have declined for two consecutive years (-7% compared to 2009). In contrast, there is a marked increase of visits from long-haul clientele, such as Chinese (+46%) and Central and South American (+30%). Moreover, the impacts of the Euro/dollar exchange rate have encouraged American tourists to return to France; their visits have been growing constantly since May 2010.

Hotel Performance

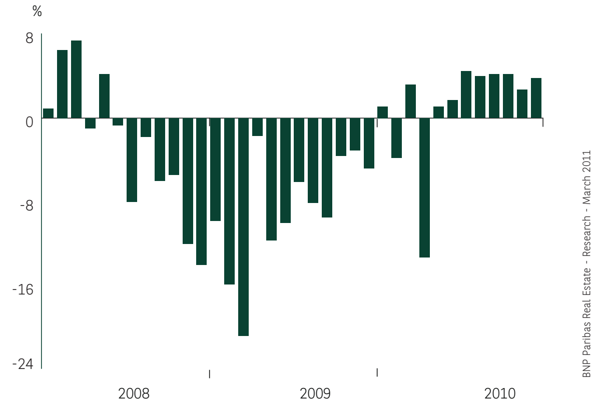
Taking all categories combined, the French hotel industry was hit hard in 2009, even though it recorded the smallest decline of hotel performance indicators in Europe. Revenue per available room (RevPAR) fell by 9% mainly due to a 4.8 point fall in the occupancy rate compared to 2008. The recovery in 2010 has been gradual, and really took hold in March when all three performance indicators looked up. The return of business clients since the beginning of the year, followed by foreign clientele, gradually allowed room prices to rise again. The combined results for 2010 are showing clear sign of recovery with an increase of 1.6 points in occupancy and 4% in the average daily rate. RevPAR is € 53.5, up 7% compared to 2009, but still 6% down on record year 2007. The upturn depends on category and localisation. The RevPAR of 3-star and 4-star hotels (directly hit by the economic crisis in 2009) increased by 6.7% and 10.6% respectively, while lower category hotels stabilised during both the recovery and the crisis (RevPAR growth of around 2%). Similarly, the Parisian hotel market was more buoyant with a 12% rise in RevPAR compared to 3% in the regions. France holds the presidency of the Group of Twenty in 2011; the political summit in Paris and events in other French destinations should boost RevPAR further.

Investment market

With transactions totalling €1.9bn during 2010, hotel investment in France was 190% higher than in 2009. After a major decline in 2009, the upward trend initiated in spring 2010 strengthened during the second half of the year. Whereas the first six months of 2010 witnessed the trade of two Accor Portfolio and three single asset deals over €20m, the second half gathered momentum and recorded high-profile asset sales (Le Lutétia for €145m, le Crillon for €250m) and large portfolio deals (B&B hotels, Citadines). Contrary to what was expected from the crisis, few distressed assets came onto the market in 2010. Deals for under €20m mostly involved private investors who shunned the stock market and shifted their attention back to the hotel market adjusted values. Larger transactions are attributable to investment funds, attracted by high quality assets with secured yields.

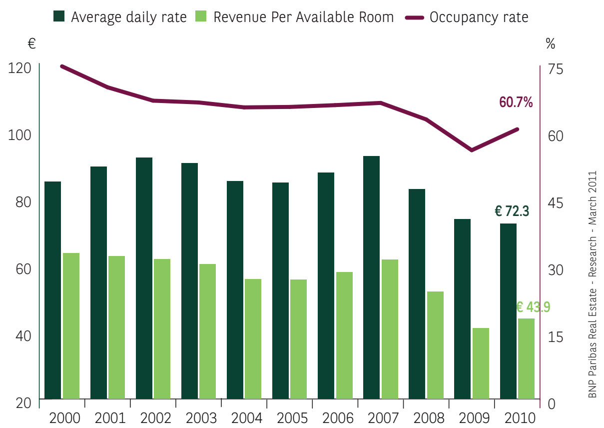
Bearing in mind that several sales and leaseback portfolios are in the pipeline, 2011 should continue on the same upward trend. Indeed, the bid/ask gap narrowed and this should boost transactions over the coming months. Although banks are still selective, the improvement in hotel performance is helping to make the environment more positive for investors.

International tourist arrivals
Monthly evolution



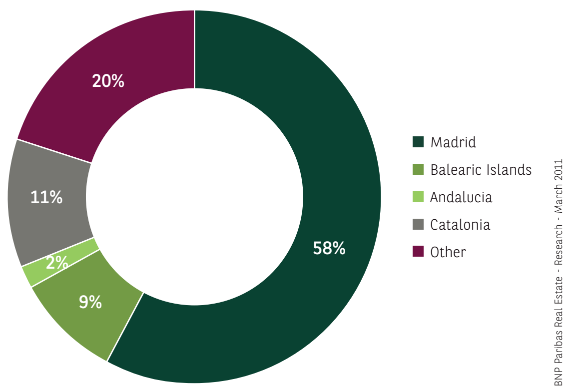
Source : UNWTO

Hotel performance 2000 - 2010



Source: MKG Hospitality

Hotel investment by regions in 2010



Source : BNP Paribas Real Estate Research

SPAIN

Tourism

2010 was the year of slow recovery for Spanish tourism industry, which recorded a 1.4% increase in international tourist arrivals. Even though this performance does not compensate for the previous year's losses, 2009 figures were clearly the bottom of the market. With a 9% annual drop in international tourist arrivals and expenditures in 2009 compared to 2008, Spain was the hardest hit market among Europe's top holiday destinations. This was mainly due to its high reliance on German and British tourists. The situation could have been even worse if the Spanish tourism industry had not been rescued by domestic tourists, which partly offset the heavy losses in foreign tourists. The positive growth of the last few quarters despite the decline in British and German inflows, shows that Spain has started to penetrate new markets (like France, the Nordic countries and Italy). Hopefully in upcoming years Spanish tourism will reduce its dependency on Germany and UK. With a 1.4% increase in international tourist arrivals, the Spanish tourism industry seems set to embark on a slow recovery process.

Hotel Performance

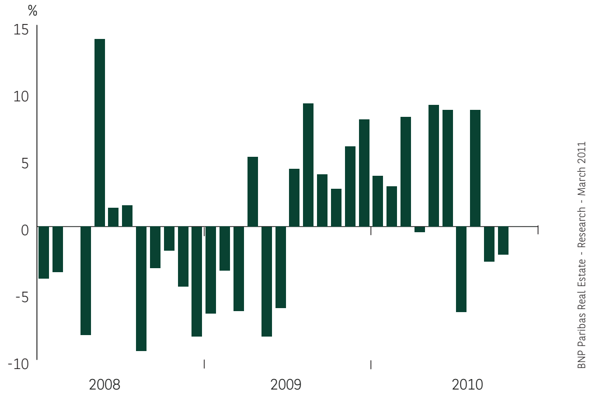
With a 21% drop in RevPAR between 2008 and 2009, Spanish hotels were the most affected by the economic turmoil. Indeed, in order to stop the massive outflow of occupancy, Spanish hoteliers pushed down prices month after month to balance RevPAR. Finally, occupancy rates turned positive in January 2010, RevPAR in March 2010 and average room rates in June 2010 compared to the previous year. Combined figures for 2010 showed an increase of 4.7 points in occupancy and a RevPAR rising by 7% despite the 2% decline of average daily rates. Improvement in performances in 2010 did not compensate the losses of the previous years; RevPAR remained 29% down on 2007 and 16% down on 2008. The situation varies from category to category. Upscale hotels observed a 9.4% increase in RevPAR, pushed up by 5.9 pts in occupancy rate, while budget hotels continued to adjust average room rates (-9.4%) and even if the occupancy rate rose by 4.7 pts, RevPAR was still down by 1.2%. Spain key cities, Barcelona and Madrid, recorded severe drop of RevPAR in 2009 (respectively -23% and -26%); their recovery will take time. During 2010 their RevPAR grew by 6.2% and 8.6% reaching € 57.7 and €55.4 respectively, remaining way behind pre-crisis level.

Investment market

The volume of hotel transactions in Spain reached €487m in 2010, dropping by 23% compared to 2009. Hotel investment activity remained sluggish mainly because of the lack of available finance that continues to hold the market back. Domestic investors were the most active, representing 60% in terms of volume invested. Foreign investors focused on high-quality-upscale hotels, well-located and managed by renowned international chains. Moreover, key city centres were more attractive with 70% of the hotel investment volume in Madrid and Barcelona. Even though the Spanish hotel investment market witnessed more interest from investors and less 'wait and see' attitude, the gap between buyers and sellers expectations is still large.

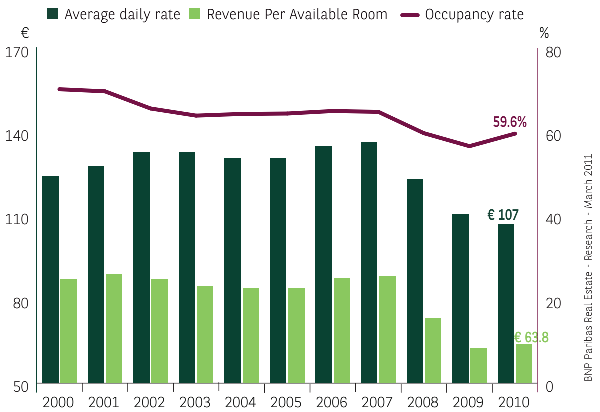
The improvement in the hotel's performance indicators since the beginning of 2010 has reduced the perceived risk of the hotel sector, enhancing foreign investors' interest. Moreover, many refinancing deals are due to expire in 2011. Thus, the hotel investment volume in Spain should gradually increase in 2011 with investors keeping focus on Barcelona and Madrid.

International tourist arrivals
Monthly evolution



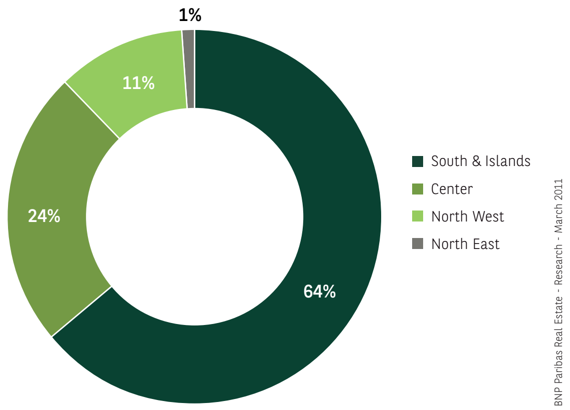
Source : UNWTO

Hotel performance 2000 - 2010



Source : MKG Hospitality

Hotel investment by regions in 2010



Source : BNP Paribas Real Estate Research

ITALY

Tourism

The only country out of the top five destinations in Europe to record an annual increase (+1.2%) in international tourist arrivals in 2009, Italy passed through the recession relatively easily. At the end of October 2010, Italy recorded stable international arrival figures. After an increase in arrivals of 5% in the first six months of the year, they plunged during the following months. While short vacations mainly sustained Italian tourism in 2009, there was a drastic fall in the number of holiday trips in 2010, and short breaks in particular (-19%). Moreover, business trips also suffered a significant fall (-18%). Nonetheless, over the first ten months of 2010, expenditures from tourists in Italy were up 0.5% on the same period in 2009.

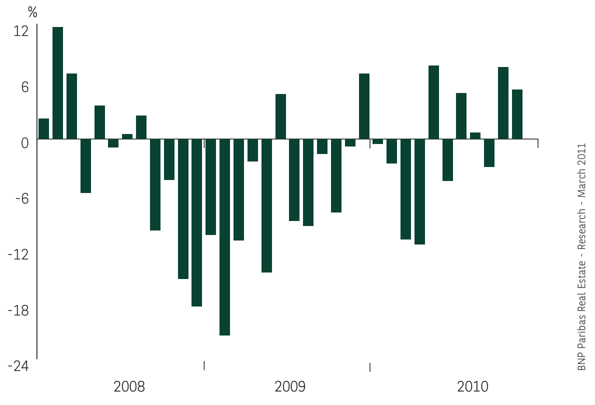
Hotel Performance

After two consecutive drops in 2008 and 2009, Italian hotel performances finally picked up again in 2010 with a RevPAR growth of 2% reaching €63.8. Hoteliers pushed prices down until August 2010 in order to move occupancy rates up and to stop the depreciation of the RevPAR. Subsequent slight increases on average room rates did not stop the positive dynamic in occupancy rates. Moreover, average room rates in Italian hotels remain the highest in Europe after Switzerland. Although recovery was observed in all categories of hotels, budget hotels recorded better performances with a 6.4% increase in RevPAR compared to midscale and upscale hotels that only grew by around 2%. Turin, the hardest hit market in 2009 (-21%), managed to increase its RevPAR by 19% in 2010, mainly due to an occupancy rate upsurge. Milan, with a negative growth in average daily rates, ended 2010 with a 4% increase in RevPAR, like Rome.

Investment market

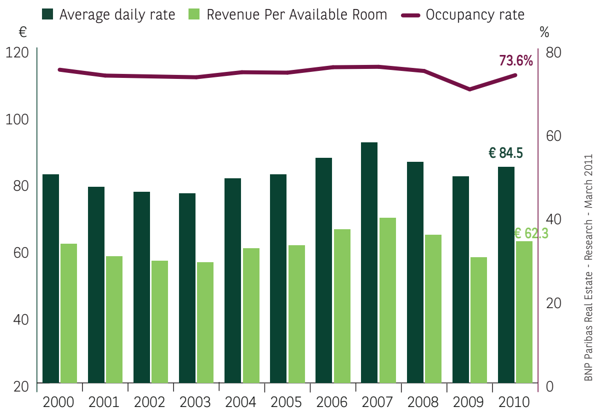
With an investment volume of €294m recorded in 2010, a decrease of 26% compared to 2009, hotel investment activity remained very weak. Along with Spain, Italian hotel investment did not accelerate during the second half of the year remaining sluggish with only one sizeable deal recorded in Q4 (NH Ischia Termal Resort sold for €51m). Although hotel performance indicators stabilised and the recovery has started, investors are still wavering, particularly institutional investors who lost interest in this sector. Thus, private investors (mostly local) have been the most active in the market since the beginning of 2010. Indeed, they have high level of liquidity available and are traditionally keen on investing in their home-country's real estate. The recovery is very slowly happening in the Italian hotel investment market. Even though the tourism industry is getting better and there are opportunities for investment in the market, institutional investors' activity may remain low in 2011 due to their risk aversion. However, investment volume is not expected to be fall thanks to local private investors.

International tourist arrivals
Monthly evolution



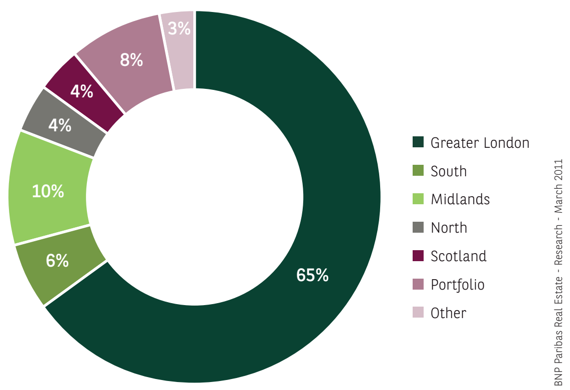
Source : UNWTO

Hotel performance 2000 - 2010



Source : MKG Hospitality

Hotel investment by regions in 2010



Source : BNP Paribas Real Estate Research

UNITED KINGDOM

Tourism

Against the backdrop of the economic downturn, 2009 was a challenging year for tourism worldwide. Visits to the United Kingdom from overseas fell by 6.3%, although there was a huge contrast depending on the visit purposes. Whilst business visits dropped by 19% compared to 2008, holiday trips only fell by 4.6%, helped by the weakness of sterling that attracted short-haul tourists. In 2010, after two consecutive quarters of decline, international tourist arrivals started to grow during Q3 and were finally almost stable at the end of the year compared to 2009. The number of arrivals have been affected by a particularly bad weather, the volcanic ash cloud that closed the airspace for a full week and the strikes at British Airways; indeed March and April decreased by 10.8% and 11.3% respectively compared to the same month in 2009. In contrast, May was more buoyant (+7.9%) benefiting from postponed trips being reactivated. Business visits recovered faster with a 3% increase recorded so far in 2010 compared to previous year.

Hotel Performance

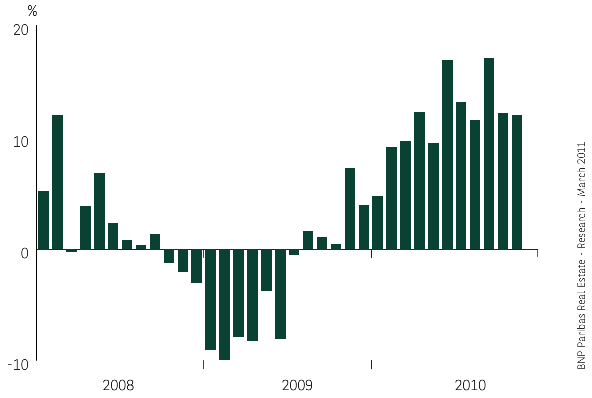
With a 10% annual drop in RevPAR recorded in 2009, hotels in the United Kingdom were the first in Europe to be on the road to recovery. When other European countries were still struggling at the beginning of 2010, United Kingdom hotels started to record increases in RevPAR from December 2009 with the progressive return of business travellers. When United Kingdom was traditionally a strong source market for other countries (France and Spain especially), its share of foreign visitors has been decreasing since the beginning of the crisis with British outbound travellers turning increasingly inbound. With a strong occupancy rate in 2010 of 73.6% (only 2 points below 2007 record levels) and an average daily rate rising by 3%, UK hotels managed to increase their RevPAR by 8% compared to 2009. Budget hotels still observed falls in average daily rates (-2%) over 2009, while upscale hotels recorded the best improvements with a RevPAR growth of 11%. London distanced itself from the other European destinations with the highest occupancy rate during 2010 (84.4%). Major discrepancies also remained between London and the other UK regional markets; average daily rates continued to fall or only stabilised through 2010 while they were up 9% in the capital.

Investment market

Hotel investment activity in the United Kingdom improved during 2010 with a clear acceleration during the second half of the year. Indeed, total investment turnover amounted to €3.2bn in 2010, 185% up on the previous year, with 68% realised during the second half. The increase in hotel performances recorded in the UK capital boosted demand for hotel assets, thus London's share of the hotel investment volume reached 65% in 2010.

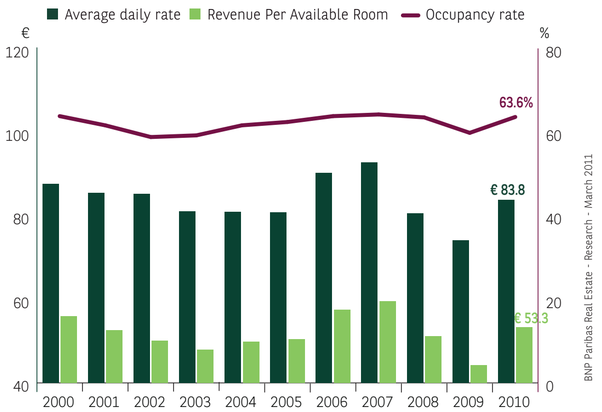
In line with overall investment patterns in the United Kingdom, hotel investment was dominated by overseas players seeking for high-profile trophy assets or distressed sales. The latter continued to be a feature of the UK market, however their number was lower than initially expected. Indeed, banks tried to restructure debt, reset covenants and placed assets into administration as a last resort. 2010 witnessed some high profile transactions, including Grosvenor House sold for €547m, the Cumberland sold by RBS for €250m and Le Méridien Picadilly for €75m.

International tourist arrivals
Monthly evolution



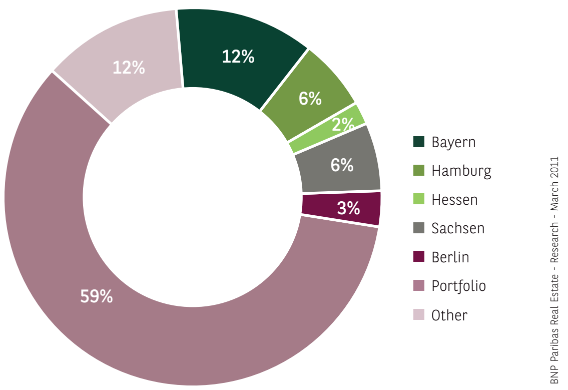
Source : UNWTO

Hotel performance 2000 - 2010



Source : MKG Hospitality

Hotel investment by regions in 2010



Source : BNP Paribas Real Estate Research

GERMANY

Tourism

At the end of 2009, Germany was recording a 2.7% decrease in the number of international tourist arrivals. The desertion of important source markets such as the United States, Spain and the United Kingdom had been largely offset by domestic tourism and short trip bookings from border countries. Figures were stable during the third quarter of 2009, started rising in the fourth and continuously since then. Thus, 2010 recorded an 11.8% growth compared to the same period in 2009. The number of international tourists is even growing by 8% compared to the record year of 2008.

With 458 international conventions, Germany is the clear number one in Europe, far outpacing Spain (360), Italy (350), the United Kingdom (345) and France (341). On a world-wide scale only the USA (595 conventions) can top this high figure. While companies avoided as many conferences as they could in 2009 in order to control their costs, business necessity eventually requires travel that they had to fulfil in 2010. Business travel is therefore strongly recovering while leisure is holding up well.

Hotel Performance

Severely affected in 2009 with a RevPAR drop of 13%, German hotels recorded excellent performances in 2010. Indeed, mainly fuelled by a 13% increase of the average room rates, they recorded a growth of RevPAR of 20% compared to 2009 and of 4% compared to 2008. These increases are, however, from a very low base. These results are mainly based on good attendance to large MICE (Meetings, Incentives, Conferences, and Exhibitions) events and the return of business travellers. Additionally, the Ruhr region was European Capital of Culture in 2010 and welcomed ten million visitors (five millions were expected).

14 out of 15 markets monitored in Germany recorded increases of all three hotel performance indicators in 2010 and two digit growth in RevPAR. Only Hamburg, one of the least hit by the crisis, observed a decline in occupancy and the smallest RevPAR rise (+9%). Essen and Munich stood out with occupancy rate above 70% and RevPAR increases of 30% and 29% respectively.

Investment market

In 2010, the German hotel investment market amounted to €838m, increasing by 88% compared to 2009 thanks to a particularly buoyant second half of year. Indeed, after six first months when activity remained sluggish, the second half of 2010 realised 85% of the total hotel investment volume of the year. Conversely to 2009, foreign investors, mostly institutional buyers, were back in the German hotel market in 2010, responsible for approximately a third of the total investment volume and 90% of the portfolio volume. German private investors dominated smaller single asset deals. 2010 also witnessed the return of important portfolio trade that represented 60% of the total volume, whereas they were completely absent in 2009.

As expected, investors who have been wavering for the last 18 months were attracted by the good performance and the strong recovery of the German lodging sector. This upward trend should continue in 2011.

GLOSSARY

The numerical data used by BNP Paribas Real Estate for its statistics feature all the information at the group's disposal when compiling them. These statistics may change according to new information brought to our knowledge that is often confidential to begin with.

Definitions

Arbitrage: sale of a real-estate asset belonging to one investor to another investor.

Average Daily Rate: **Net Room Revenue (excl. breakfast) divided by the number of occupied rooms.**

Immostat: an Economic Interest Group founded in 2001, through an association between BNP Paribas Real Estate, CB Richard Ellis, DTZ Jean-Thouard and Jones Lang LaSalle. In the interests of consistency, the brokers adopted numerous joint definitions: market districts in Ile-de-France, conditions of buildings and premises, definitions of surface areas to be taken into account, rents, etc. The structure of the EIG guarantees the independence of data processing and respect for the confidentiality commitments of each of its members. It concerns the investment markets for corporate real estate and occupiers of warehouses greater than 5,000 m² as well as offices in the Paris area.

Investment fund: collective ownership of financial or real estate assets managed by a regulated and certified structure (fund manager). These include:

- **Open-ended fund:** a fund is open-ended when there is no limit to the shares issued.
- **Closed fund:** shares in a closed fund are only managed by the fund manager during the subscription period. A closed fund has a limited lifecycle.
- **Pension fund:** financial body that manages the funds from the accumulative pension system. This fund is the resources that employees from the public and private sectors have set aside over their professional lives to improve their retirement pension.
- **Opportunistic funds:** targets yields of over 17%, with gearing exceeding 60% of the gross asset value.

IRR (Internal Rate of Return): discount rate such that the sum of discounted future revenues equals the initial cost of investment.

Investment volume takes into account all commercial properties BNP Paribas Real Estate is aware of, whose owner has changed during the studied period, whatever the purchasing price. Quoted investment volumes are not definitive and are consequently subject to change.

Leverage effect: increasing the profitability of an investment by borrowing.

NPV (Net Present Value): difference between the sum of discounted future revenues and the initial cost of investment.

OAT (French Treasury bond): bond issued by the French government. It acts as a benchmark for the risk-free, long-term yield.

Occupancy Rate: **Ratio between the number of occupied rooms and the number of available rooms (in %).**

OPCI (French real estate investment fund): real estate funds. They come in two forms:

- Fonds de Placement Immobilier (FPI), real-estate investment funds for which the payout is taxed as classic property revenues,
- Sociétés de Placement à Prépondérance Immobilière à Capital Variable (SPPICV) Variable capital, property-dominated investment funds for which the payout is taxed as dividends and share capital gains.

Overnight stays: **number of arrivals multiplied by the number of nights spent in a hotel over the time period observed. Overnight stays better reflect hotel market situation than number of arrivals.**

Portfolio: group of several assets located in different places.

Pre-letting: transaction signed more than 6 months before the delivery of the building by an occupier.

Property Company: a company whose purpose is to acquire or construct buildings with a view to renting them, or owning stakes in companies with the same purpose.

RevPAR (Revenue per Available Room): **Net Room Revenue (excl. breakfast) divided by the number of available rooms. It can also be obtained by multiplying Occupancy rate and Average daily rate. RevPAR is a more comprehensive indicator on the hotel market situation since it incorporates the effect of both Occupancy and average room rate's change on the total room revenue**

Risk premium: measure of the difference between an asset or portfolio's profitability and a risk-free asset (government bond).

SCPI (Société Civile de Placement Immobilier): collective investment company formed to acquire and operate real estate by issuing shares to the public.

SIIC (listed Real Estate Investment Company): the SIIC regime allows tax exemption on earnings as long as 85% of revenues are paid out to shareholders.

Tourists: people who are travelling to and staying in places outside their usual environment for at least one night and not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited

Business tourism: individual or group travel for professional motives for at least one night. It can be divided into 4 sectors :

- Congress and conventions
- Trade fairs and exhibitions
- Incentive, corporate events
- Individual business travel

Yield:

- **Net:** ratio between net income (excl. operating costs) and the acquisition price including all acquisition costs.
- **Initial:** ratio between the net rent before taxes and charges on the date of sale and the selling price (all costs included).
- **Prime:** net lowest yield obtained for the acquisition of a unit:
  - of standard size,
  - of the highest quality and specification,
  - in the best location in each market.

NOTES

INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS.

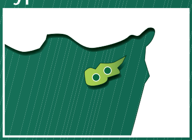
Canada and USA

India

Japan

Canary Islands

Cyprus



- Our locations
- Our alliances

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