

MARKET SUMMARY & OUTLOOK

	YoY Chg	12-Mo. Forecast
Investment Trends	▼	▲
Prime Yields	▲	—
Market Performance	▲	▲
Supply	▲	—
Demand	▲	▲

The UK hotel investment market, like the wider real estate market, remains hampered by heightened costs of debt and sentiment that this will remain in place for some time. Transactions have been fuelled by owner-operators and the private markets, with deals below £25M accounting for 80% of transactions in H1. Further volumes have been supported by office conversions, with hotels stacking up in the right locations. In H2 2023 and 2024, we anticipate increased lender pressure rather than outright distress. Yields remain in a grey area, with evidence found more so in bids on failed processes than actual trades. However, sentiment remains that yields have moved out by 75-150 bps. A lack of trades has resulted in a dearth of direct transactional evidence and a sluggishness to the ongoing pricing and valuation shift. That said, in times of uncertainty, a flight to quality is persisting, holding yields for the best of the best, driving competition for prime assets. As of June 2023, the last twelve-months ADR stood at £115, 22% ahead of 2019 levels (+2.3% real growth). Occupancy sits 100 bps behind at 76.7%, but this is forecast to be on par with 2019 by year-end 2023. The spread between RevPAR and GOPPAR growth has widened since pre-COVID as a result of upward pressure on the cost base. However, H1 has seen this cost base remain relatively stable, suggesting that market forces are beginning to come into effect. It is currently difficult to ascertain the real room supply due to alternative usage of hotels for displaced individuals, especially in certain markets. This must be taken on a market-by-market basis with some more exposed than others. Supply previously delayed is starting to come online, with some markets feeling the pressure as room supply grows significantly. That said, the UK's ability to absorb growing supply has been effective in the past. Overnights in hotels are expected to be on par with 2019 levels, with domestic overnight 13% above and international 10% behind. As inflation continues and mortgage rates flow throughout over the next 4 years, curbed consumer spending is expected. However, this drop-off can be expected to be counteracted by recovering international demand, especially cross-continental.

Sources: Cushman & Wakefield, CPI, Costar, Hotstats, Oxford Economics.

Note: Contingency of 5% is applied for transactions in H2 2022 and H1 2023, as some deals are revealed with notable delay.

INVESTMENT TRENDS

HIGHLIGHTS - H1 2023

- £1.3 billion transacted
- 72 properties comprising 6,843 rooms sold
- 36% of capital was from international buyers
- 44% of volume was invested in Upscale hotels

RECENT TRANSACTION TRENDS

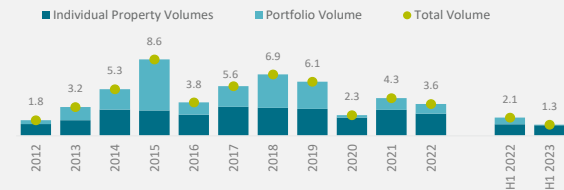
	Last 6 months (H1 2023)				CALENDAR YEAR 2022			
	Properties Sold	Rooms Sold	Volume Transacted	% Change*	Properties Sold	Rooms Sold	Volume Transacted	% Change*
United Kingdom	72	6,843	1,257	-38.7%	234	22,484	3,600	-15.5%
Regional	54	4,724	600	-46.0%	204	17,360	1,955	0.7%
London	19	2,119	657	-30.2%	31	5,125	1,645	-29.1%
Manchester	2	183	26	-65.1%	7	1,164	118	-60.0%
Edinburgh	4	509	125	108.4%	7	496	74	-72.3%

Volume transacted in GBP, millions

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

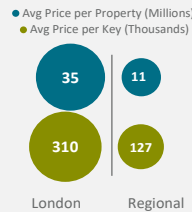
Source: Cushman & Wakefield

ANNUAL TRANSACTION VOLUMES (2012 - H1 2023, GBP MILLIONS)

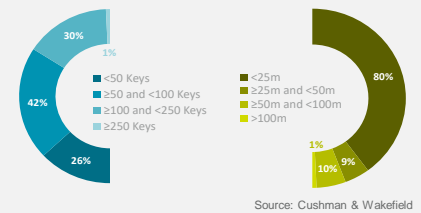


Source: Cushman & Wakefield / RCA

AVERAGE TRANSACTION PRICE (H1 2023, GBP)



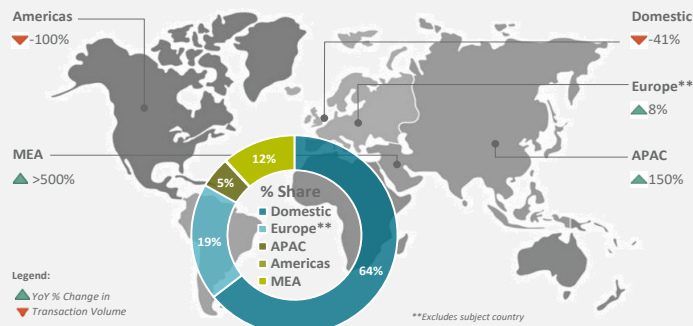
BREAKDOWN BY NO. OF ROOMS SOLD & DEAL SIZE (H1 2023, % SHARE OF DEALS)



Source: Cushman & Wakefield

NATURE OF INVESTMENTS

TRANSACTION VOLUME* BY SOURCE OF CAPITAL (% CHANGE, H1 2023 vs H1 2022)



Source: Cushman & Wakefield

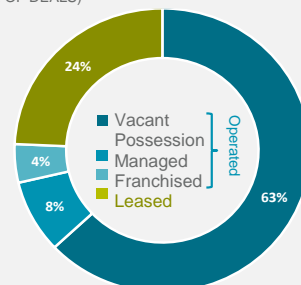
*Based on buyers whose identity is known

TRANSACTION VOLUME PER HOTEL CLASS (% CHANGE, H1 2023 vs H1 2022)

HOTEL CLASS	% OF TOTAL VOLUME	% CHANGE	HOTEL CLASS	% OF ROOMS SOLD	% CHANGE
Luxury	13%	+14%	Luxury	9%	+112%
Upper Upscale	9%	-77%	Upper Upscale	9%	-62%
Upscale	44%	+126%	Upscale	28%	-6%
Upper Midscale	7%	-61%	Upper Midscale	14%	-51%
Midscale	4%	-47%	Midscale	7%	+2%
Economy	22%	-57%	Economy	33%	-38%

Source: Cushman & Wakefield

TRANSACTION VOLUME BY OPERATING STRUCTURE (H1 2023, % SHARE OF DEALS)



Source: Cushman & Wakefield

TRANSACTION VOLUME BY TYPE OF INVESTOR (H1 2023, % SHARE OF TOTAL VOLUME)

Investor Type	BUYERS (% Share)		SELLERS (% Share)	
	Last 6 Months	% Change	Last 6 Months	% Change
Institutional	5%	-97%	31%	-74%
Private	74%	-21%	64%	-48%
Public	22%	+85%	2%	-89%
User/Other	0%	N/A	3%	N/A

Source: Cushman & Wakefield / RCA

MAJOR DEALS

SELECTED MAJOR HOTEL TRANSACTIONS (UK, H1 2023)

	Property	Market	Keys	Buyer	Buyer Origin	Seller	Seller Origin
LONDON	Custom House (Conversion)	London	200	Jastar Capital	GBR	Mapeley	GBR
	Apex London Wall Hotel	London	89	Dalata Hotel Group	IRL	Apex Hotels	GBR
	5-9 Great Newport Street (Conversion)	London	66	Melford Capital Partners	GBR	Consolidated Developments	GBR
	Travelodge Gatwick Airport Central	London	400	Blacksand Real Estate	BHR	M&G	GBR
	Firmdale The Covent Garden Hotel	London	58	Firmdale Hotels	GBR	CBRE IM	USA*
	Maldron Hotel Finsbury Park	London	192	Dalata Hotel Group	IRL	Tide Construction	GBR
	The County	London	175	Splendid Hotel Group	GBR	Imperial London Hotels	GBR
	Native Bankside	London	75	Jastar Capital	GBR	Create REIT	GBR
	Art'otel Battersea	London	164	Cedar Capital Partners	GBR	Battersea Power Station Development Company	MYS
	Premier Inn Holborn	London	153	Whitbread	GBR	M&G	GBR
REGIONAL	The Caledonian Edinburgh	Edinburgh	241	Henderson Park	GBR	Lulu Group	UAE
	Tigerlily Hotel	Edinburgh	33	Aegon	NLD	Lothbury IM	GBR
	Aubrey Park Hotel	Redbourn	137	Somani Hotels	GBR	ESO Capital	GBR
	Crerar Group Portfolio	Various, Scotland	389	Blantyre Capital	GBR	Crerar Hotels	GBR
	Hotel Indigo Newcastle	Newcastle upon Tyne	148	KE Hotels	GBR	Downing	GBR
	Holiday Inn Nottingham	Nottingham	128	Hunton Hotels	GBR	Quinn Hotels	IRL
	The Grand Brighton	Brighton	201	Fattal Hotels	ISR	Wittington Investments	GBR
	Queens Hotel Leeds	Leeds	232	Pandox	SWE	Aprirose	GBR
	Premier Inn London Elstree Borehamwood	Borehamwood	124	Undisclosed	N/A	CBRE IM	USA*
	Clayton Hotel Cambridge (Ground Lease)	Cambridge	155	Macquarie Group	AUS	CBRE IM	USA*

Note: Sorted by market and date of transaction. *CBRE IM capital origin is through UK-based funds.

UNITED KINGDOM TRANSACTIONS - MAP VIEW 2023

<£1M <£660M

Manchester

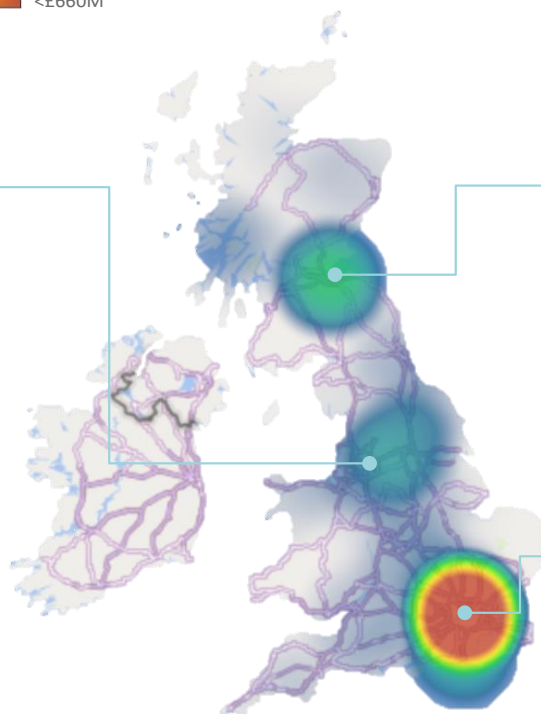
Transaction Volume* £ 26
 Properties Sold 2
 Rooms Sold 183

Edinburgh

Transaction Volume* £ 125
 Properties Sold 4
 Rooms Sold 509

London

Transaction Volume* £ 657
 Properties Sold 19
 Rooms Sold 2,119



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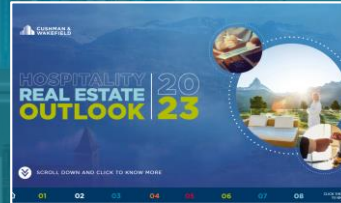
RECENT PUBLICATIONS



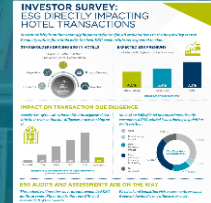
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Europe - Q1 2023



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