



Hotel-Industry Update July 2021

The holiday hotel industry is booming, while cities are coming back slowly; Cash-rich Investors are impatiently waiting in the starting gate; yet there is a lack of specific targets.

*"We know the European hotel business.
And the hotel business knows us."*

Newsletter July 2021

mrp hotels
Vienna – Berlin – Amsterdam – Istanbul

mrp hotels at a glance



Strategic Consulting



Performance Management



Planning und Construction Services



Hotel Development



Destination Management



Transaction Support

4 subsidiaries in Europe

45,000 realized rooms

2 Million square meter GFA supported

30% of all hotel rooms supported in Vienna

21 Countries projects supported

400 hotel projects managed

Clients

1.5 bn € of real estate under asset management contracts

Partnership of former executives from Starwood, IHG, NH, Hyatt, Jumeirah etc.

10 clients from the Forbes 100

SIGNA

Deka Immobilien Investment

Blackstone

unibail-rodamco



Institutional Investors



Family Offices



Investmentfonds



Developer

The first half of 2021

What has happened over the past six months?

Market

Intercontinental tourism stopped completely

Business tourism is at an extremely low level

City-hotel industry struggles, a few hotels with 40-50% occupancy; the majority with 3 to 10% occupancy

Holiday hotel industry is doing very well since the lifting of the tourist "travel bans" and impress with high occupancy rates (in some cases over 90%) and room rates; especially where a strong regional and domestic market prevails

Travel market dependent on current infection situation, very volatile (e.g. England / Portugal) with constant flow of added restrictions

Operators

Asset buyers remain uncertain because operating companies are still "black boxes"

Redesigning the concepts to a lean staff and cost structure

Many employees have fled the industry; shortage of skilled workers will increase in the future due to longer training periods

Operators work on 2020 balances and on forecasts (still influenced by a lot of insecurity)

"New kids on the block" have entered the market and are demonstrating continuous ability to grow with new capital and enough flexibility to react to changes in the industry / guest needs, and have limited overhead costs

Investors

Trend towards hybrid lease / rental or management contract, which includes risk sharing, has sustained

Institutional investors are rather cautious due to their structural and safety requirements and internal compliance

Banks with many questions in financing and uncertainty in valuation criteria

Concepts such as "The Base" and "Stayery" have completed new investment rounds in recent months

Competitive advantage for private equity funds or investors with a greater risk appetite, some of whom also buy operating companies

Conclusion Overall Market

Property valuation still difficult, without precise assessment on lease-valuation and without valid benchmarks and meaningful key figures

Quality, credit rating and operator transparency have become more relevant

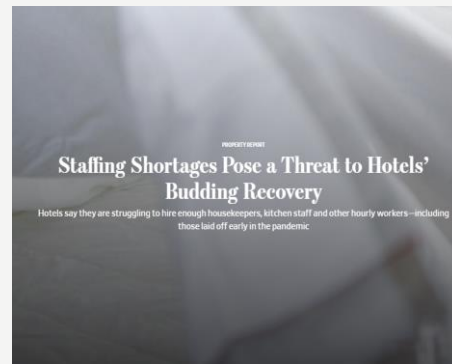
Property location of increasing importance, especially regarding recovery periods

Recovery of European tourism in sight this summer

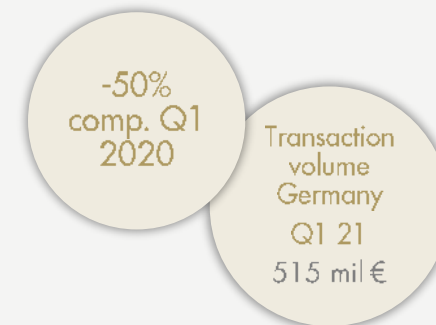
Sunday, 11 July 2021
By Helen Lyons



Source: The BrusselsTimes



Source: WSJ



Source: Thomas Daily

Current Hotel Investor Sentiment

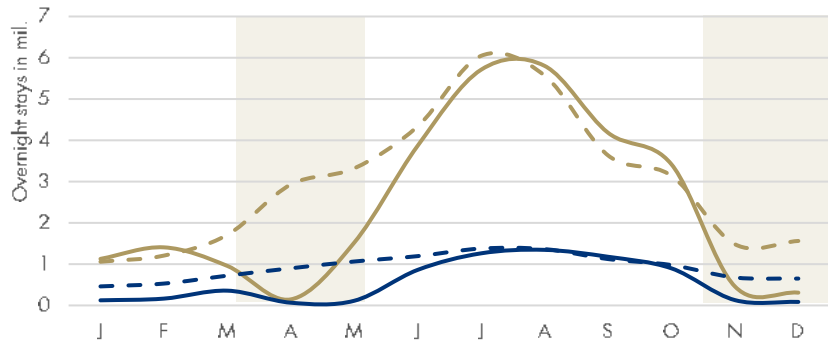


Source: mrp research database

When will tourism return?

Holiday regions are booming, but cities are struggling

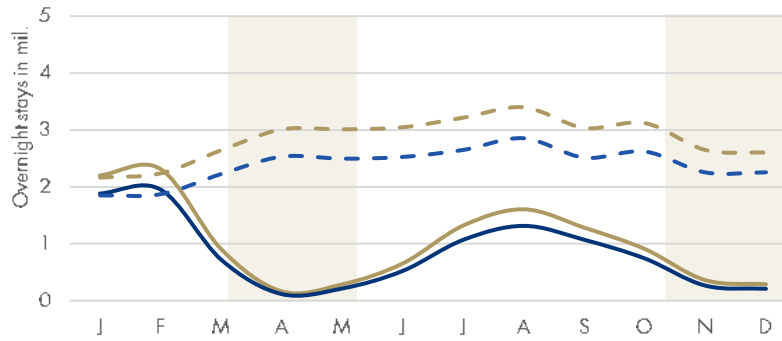
Schleswig-Holstein (S-H) 2020



The lockdown refers to the period with a minor number of exemptions. Hotels thus had to shut down/ limit operations.

Legend: Lockdown Months (shaded), Total Overnights 2020 (solid blue line), Total Overnights 2019 (dashed blue line)

Berlin 2020



Legend: Total Overnights 2020 (solid blue line), Total Overnights 2019 (dashed blue line)

2020

S-H reflects the rapid re-bounce of overnight stays in holiday regions following the first lockdown; in some cases, overnights were even above 2019 values

The fundamental desire to travel and reduced travel to long-distance markets are driving up bookings in short-haul and domestic holiday destinations

Berlin, on the other hand, is significantly more reticent; business demand specifically is lacking in this region

Even in the open months, leisure tourists could not compensate the lack of overnight corporate stays. Peak time for city tourists in spring / autumn, when hotels were already closed (again)

2021

Increase in overnight stays expected after opening of hotels from May 21st in holiday destinations as in the first lockdown over the summer

The para-hotel industry (e.i. apartments) in particular, benefit from increased demand.

Recovery in major cities such as Berlin is clearly delayed in contrast to leisure demand in the holiday regions

This year too, there is a lack of confidence in autumn travel possibilities, so there is still great uncertainty as to how overnight stays will develop with significantly reduced business demand.

easyJet expands route offering (Bremen & Salzburg) to European holiday destinations

Lufthansa will be operating its largest aircraft (368 passengers) from FFM to Palma from mid-July

Lufthansa Adds new routes to holiday destinations (+20 from FFM, +15 new from MUC)



VS.

Business travel declines in the long term

At more than 60% of DAX companies, business travel is permanently reduced by 30% (Handelsblatt survey, Apr 21)

Sources: Tourismusstudie IP Österreich 2021, OTA Insight, Eurocontrol, sh-business.de, tageskarte, destatis.de, UNWTO, presseportal.de, Fairmas, Stat. Landesamt SH / Berlin, easyjet.com, tagesschau.de, RND



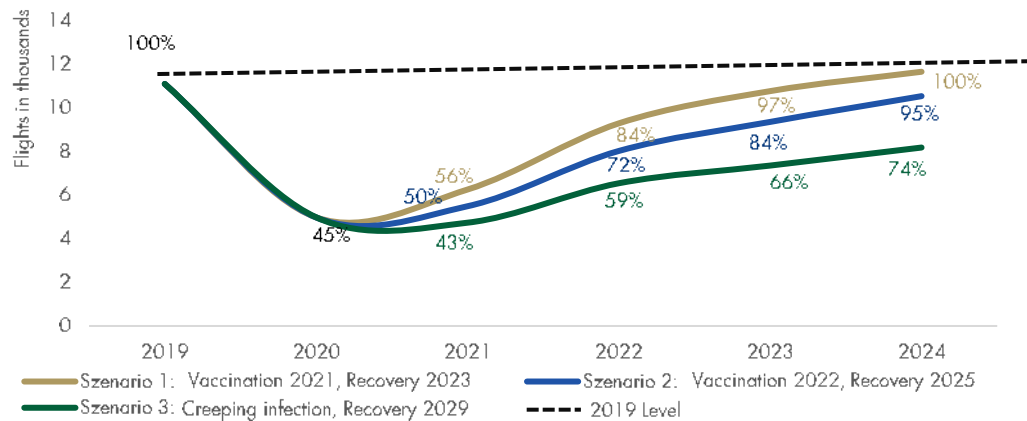
International tourism is taking more time

Re-bounce of air traffic still subject to great uncertainty

Eurocontrol Re-bounce international travel assessment

Air Traffic Forecast, STATFOR Forecast for Europe 2021-2024 (Source: Eurocontrol)

%-comparison to 2019



Influencing factors

Ongoing travel restrictions

Virus mutation

EU digital "green certificate,"

Impact of vaccines

Ensuring "safe travel"

Supplementary assessment mrp hotels



Intercontinental travel arrivals continue to stagnate, uncertainty is and remains too great; travel within Europe is on the rise



Ground-based travel or intra-European travel will be preferred by most travellers until the end of 2021, at least; products / destinations can benefit from the focus on leisure travellers



Major cities (especially strong in business / trade fair) will be affected by the international decline even longer and more severely; recovery strongly dependent on the progress of vaccination in Russia, Asia, etc.



Mallorca records rising infection figures, Portugal "locks down", in England the delta variant prevails; the infection incidence remains unpredictable, bookings at short notice



Optimistic forecasts predict a recovery of international tourism in 2024, in the worst case not until 2029; Lufthansa, on the other hand, predicts that tourism will not return to 2019 levels

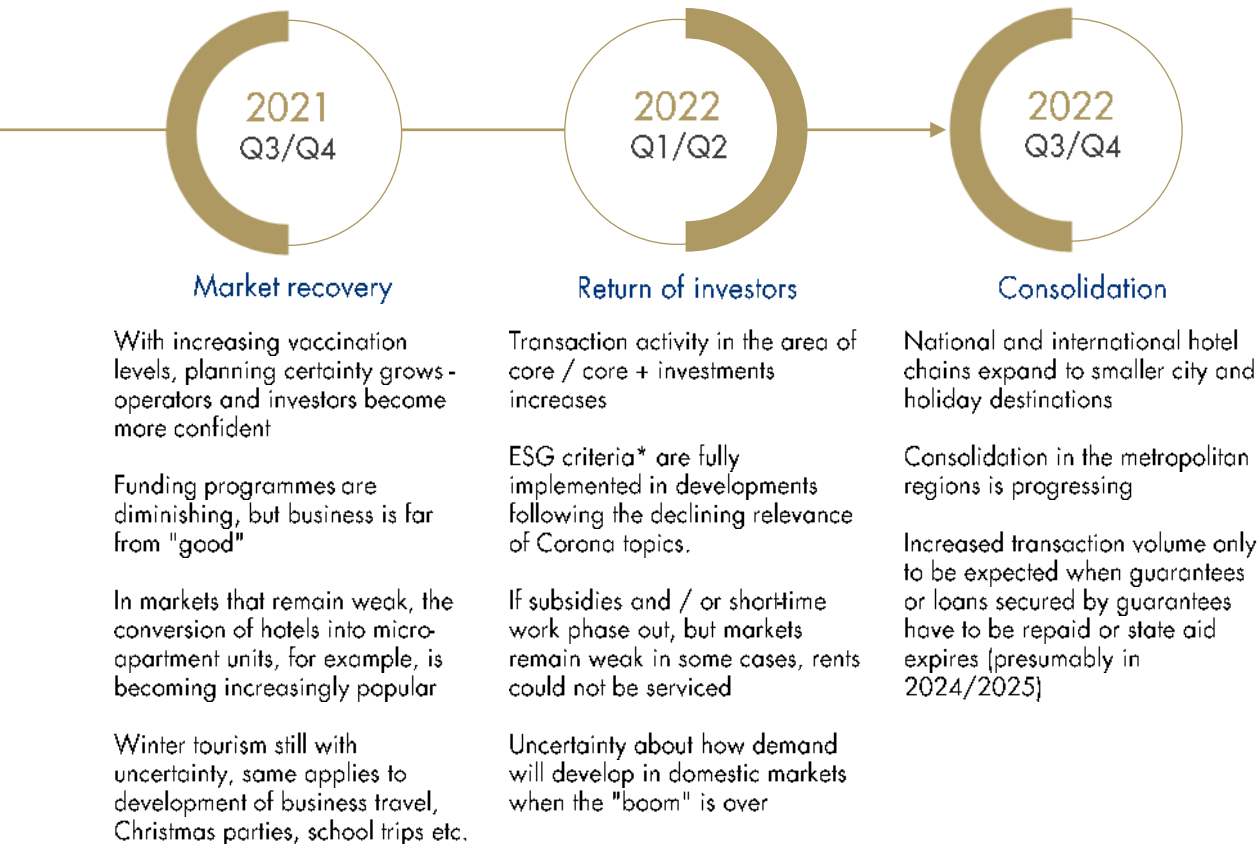
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Trends & Outlook

Covid-19 pandemic influences the hospitality market



*ESG criteria stand for the three sustainability-related areas of responsibility in the UN; „E“ = Environment; „S“ = Social, „G“ = Governance

Sustainable trends in the hotel real estate market that have been focused on for some time, but are being reinforced by Covid in particular in the operator, investor and real estate world:

Critical engagement

with available space: shared spaces, mixed use, "common areas" to make the best use of space

Away from the boom

to the critical examination of the product; does the market or the guest need a new hotel product or is it just another of many

Operator quality

(creditworthiness, guarantees, etc.) of even greater relevance; focus on individuality and professionalism

Resource employees

new focus on human resources; the topic of employees, their development and their needs will become a more important factor in the future.

Sustainability

of the property and the operation of increasing relevance to be future-oriented and crisis-resistant

Triangle Connection

operators, banks, real estates gain further relevance / coordination and need for higher transparency

New concepts

such as serviced apartments, mixed use, long & short stay are increasingly relevant; the holiday hotel industry in particular has also gained in importance - these are becoming more space-efficient.

Flexibility

not only in usage, but also in concept, to be able to serve different groups of guests



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