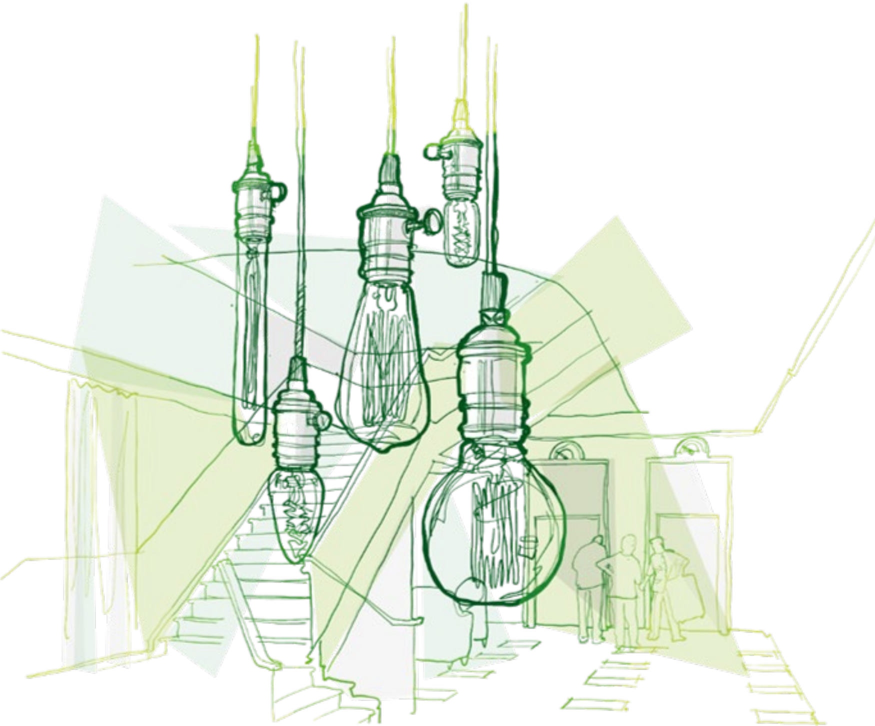
HOTELS PAN EMEA MARKET UPDATE

MARCH 2021



CBRE

Contents

Introduction

Hotel performance declined across all European countries in 2020 with recovery generally not expected until 2024 for the overall market.

The impact of the global pandemic on the hospitality industry continues to be severe.

In the following report we look at the performance of key European markets, considering the impact of the pandemic, the expected future recovery and investor sentiment.

Domestic leisure demand was the key driver of hotel performance across Europe during the region's partial reopening throughout the year. In general, provincial markets performed better than gateway and capital cities which typically rely more on international and business-related demand.

Serviced apartments and accommodation, targeting longer stays, also out performed the traditional hotel market in many locations, as their larger self-contained units, often complete with a kitchenette, allow guests to more effectively self isolate. Serviced apartments also have relatively low operational gearing.

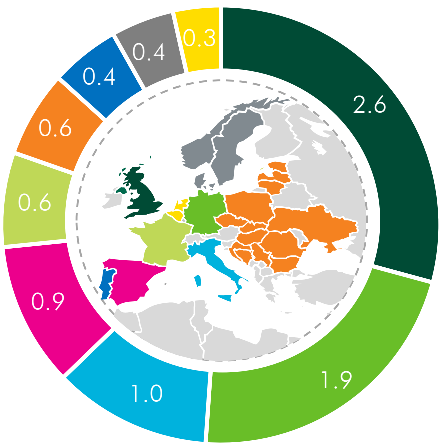
Assuming that an effective vaccine is widely administered by mid to late 2021 and accounting for the socio-economic consequences of the virus, we expect hotel revenues to broadly recover to pre-pandemic levels by 2024. The initial phase of recovery will be driven by domestic demand. Countries with typically strong domestic leisure demand and less exposure to inbound travel markets, particularly long-haul, are likely to see performance bounce back sooner.

Markets and hotels are unlikely to recover in a uniform manner and the speed of recovery will be influenced by many factors, including: location, business mix & segmentation, condition, technological innovation, management, market position and supply pipeline. We also expect owners to become more demanding of operators and this will expedite the evolution of operating structures.

The significant drop in hotel investment in 2020 resulted from a lack of stock on the market and a significant delta in buyer and seller pricing expectations. However, the sector remains of strong interest for a range of investors and significant additional capital was raised in 2020 to target hotel opportunities.

Owen Pritchard
Chief Operating Officer,
CBRE Hotels EMEA

European Hotel Transaction Volumes, 2020



The UK ▼
€2.60bn
-60% y/y

Germany ▼
€1.95bn
-60% y/y

Italy ▼
€1.04bn
-69% y/y

Spain ▼
€0.95bn
-60% y/y

France ▼
€0.62bn
-75% y/y

CEE ▼
€0.57bn
-65% y/y

Portugal ▼
€0.45bnbn
-41% y/y

Nordics ▼
€0.41bn
-56% y/y

Benelux ▼ | The Netherlands
€0.31bn | 0.14€bn
-89% y/y | -91% y/y

European Hotel Investment Volume ▼
€9.4bn
-66% y/y

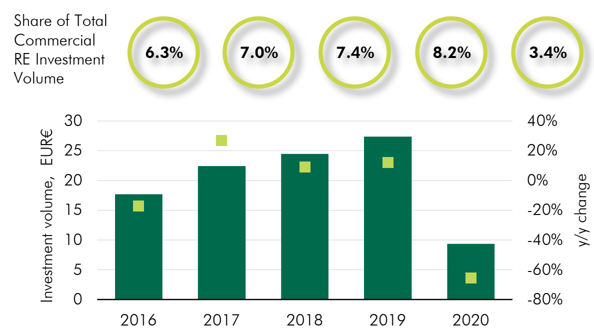
Source: CBRE 2021

The hotels share of total commercial real estate investment across EMEA has increased from 2016 to 2019, driven by the strong market performance and increasing popularity of the asset class among investors seeking to diversify their portfolios.

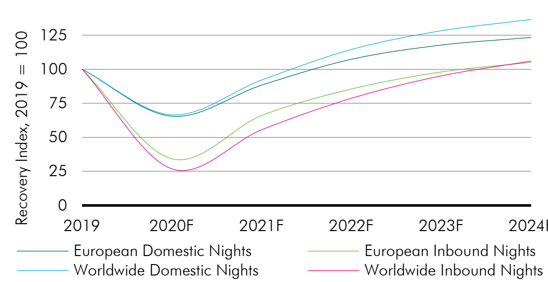
We expect deal flow to pick-up towards the second half of the year as the gap in pricing expectations narrows.

This is likely to be a result of sellers revising their position based on further pressure on working capital, funders taking a more aggressive position and greater clarity on recovery, which will support with underwriting.

European Hotel Investment Volume Evolution



Tourism Nights Recovery Index



With over 100,000 new rooms planned for 2021, many countries in Europe have a material development pipeline comprising hotels that are already in construction.

Given the challenging short-to-medium term performance outlook and the reduction and increased cost of debt, capital values are expected to remain lower in 2021 compared to 2019. However, the 'discount' will vary depending on the physical and operational characteristics of an asset – fit-for-purpose, limited-service hotels and aparthotels are predicted to be the least volatile, backed by a higher resilience in top line revenues and lower operational costs.

Additionally, it should be noted that in many countries government initiatives have provided a degree of support to the industry and as yet there has not been evidence of widespread distress.

Overall, in 2021 we expect uneven operational performance recovery; greater digitalisation and automation; operating structures adapting to the new environment and an increase in deal flow as a result of distress or managed exits.

"The hotel market is quite fragmented in the Czech Republic, with less activity in 2020. Domestic leisure demand has been the key driver behind hotel performance, especially in regional and mountain locations. Provincial destinations benefitted from higher occupancy levels compared to business and MICE oriented city hotels. Nevertheless, hotel performance was significantly behind 2019 levels. With respect to the Prague hotel performance, international demand is expected to return to pre-pandemic levels in 2024. However, this will be subject to the availability of the COVID-19 vaccine as it is expected to have a deep impact on hotel demand recovery. The pace of hotel recovery will fluctuate based on hotel location, state of hotel management, positioning, competitive mix and market position."

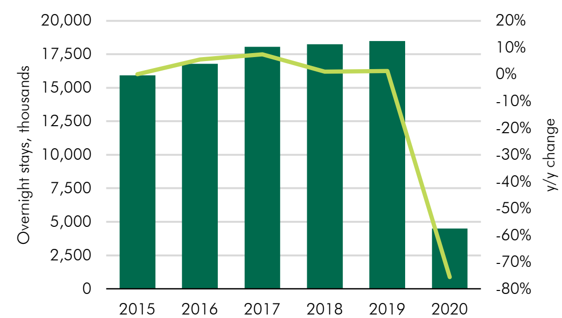
Jakub Stanislav
Director, Czech Republic & CEE

Key Hotel Transactions, 2020

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
NH Carlo IV (Former Carlo IV Boscolo)	Prague	152	€62,000,000 (part of hotel portfolio)	Hybrid Lease
Penta Hotel Prague	Prague	227	€43,000,000 (part of hotel portfolio)	Lease
Panorama Hotel Prague	Prague	441	€83,500,000	Lease
Ibis Prague Old Town	Prague	292	Confidential	Lease
InterContinental Hotel Prague	Prague	372	€225,000,000	Franchise Agreement

Source: CBRE, RCA, 2021

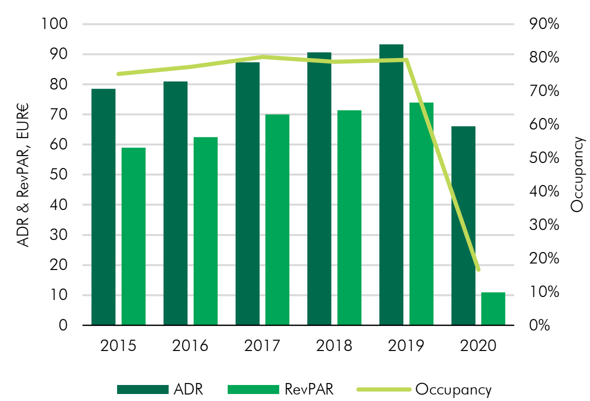
Tourism Demand, Prague



Source: Czech Statistical Office, 2021
Note: 2020 data to September

Prague's hotel market relies on a significant proportion of demand via international travellers. In 2020, the share of international arrivals dropped by 69% compared to 2019. Total overnight stays in Prague by both international and domestic travellers accounted for 18.5 million, however this decreased significantly in 2020 by 75%. Domestic travel is expected to recover at a faster pace than international demand, but will be unable to supplement the lack of guests from international source markets. The Prague hotel market is expected to bounce back to 2019 levels by 2024.

Hotel Key Performance Indicators, Prague



Source: STR, 2021

Prague hotel market benefitted from continuous growth between the period 2015 – 2019.

This is reflected in the annual RevPAR growth rates during the years 2015 – 2019 of 5.7% and ADR growth of 4.4%, which was driven by increasing occupancy levels. Prague, being heavily dependent on international arrivals, noted a -85,2% drop in RevPAR and a –79.1% drop in occupancy in 2020.

Hotel market recovery could be negatively affected by the development pipeline as projects that were already under construction or with scheduled opening in 2020 are planned to be delivered in the next two years. This will increase the current Prague supply, possibly decrease price levels in the short-term and create additional pressure on underperforming hotels. It is expected that by 2022 the Prague hotel supply will have increased by 1,643 rooms, as postponed development projects such as the Hyatt Andaz, W Hotel Prague, Novotel Geone Prague, and Marriott Celnice (extension) will be completed and open.

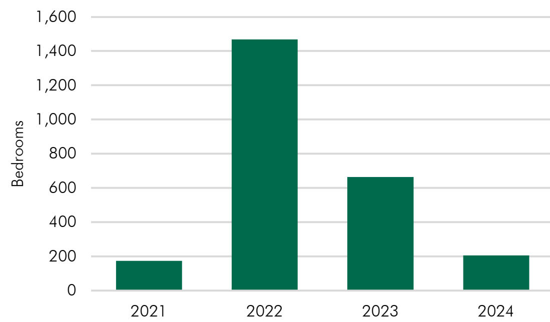
The Prague hotel investment market recorded a steep increase in investment volumes in 2019, accounting for almost EUR 600 million.

The increase was driven by the sale of the InterContinental Hotel Prague, Panorama Hotel and the sale of Hotel Don Giovanni. This trend was expected to continue with the sale of Corinthia Hotel Prague, which was stopped due to the pandemic.

There were 2 major transactions recorded within the Prague market with the sale of Carlo IV and Penta Hotel Prague, both transactions were a part of two separate portfolio sales and agreed before the pandemic.

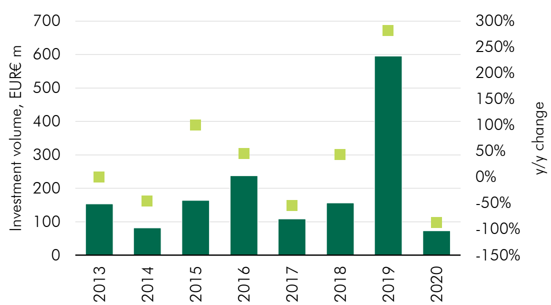
The Investment Volumes dropped by 88% in 2020

Hotel Development Pipeline, Prague



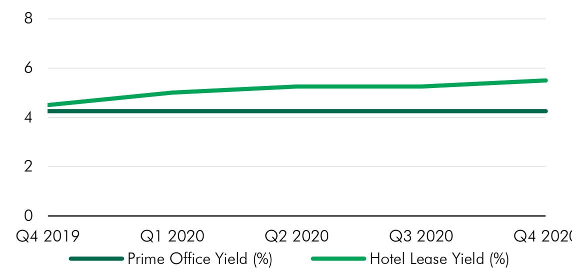
Source: CBRE, STR 2021

Hotel Investment Volumes, Prague

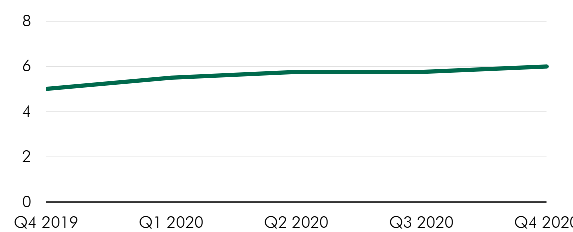


Source: CBRE, 2021

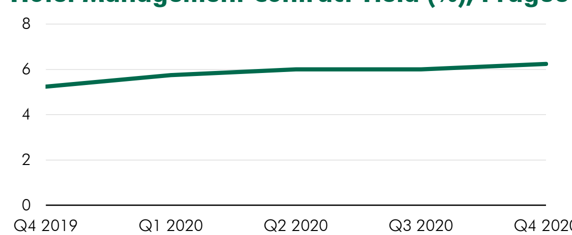
Hotel Operational Lease Yield, Prague



Hotel Vacant Possession Yield (%), Prague



Hotel Management Contract Yield (%), Prague



Source: CBRE 2021

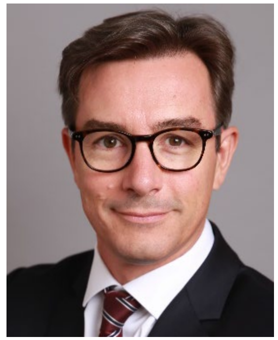
The Prague Pre-Covid hotel yields sat at record low in Q4 2019, particularly due to the high investment activity which was expected to attract further investor demand.

As for 2020, the yield for hotel management contracts and vacant possession increased. This was in part due to the limited market evidence and the lack of transactions on the market. The yield for hotel management contracts currently sits at 6.25% and increased by 100 bps compared to Q4 2019.

"Whilst statistics for 2019 show that France remained one of the top tourism destinations, the country has not been immune to the current international pandemic recession experienced since the first quarter of 2020. Indeed, the global economic downturn had a significant impact during 2020, with the French hotel industry showing no signs of rapid recovery from dramatic falls both recorded in Occupancy and ADR.

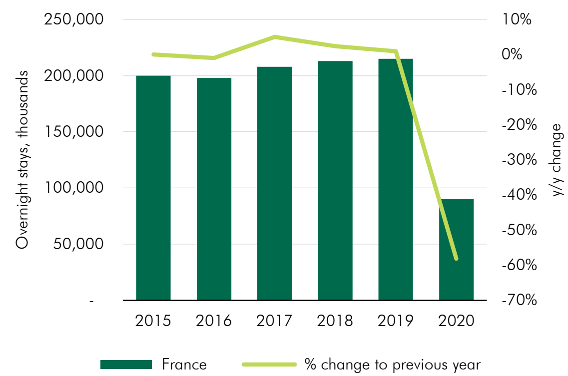
The slowdown in activity has gone hand in hand with a shift in France hotel investment trend versus 2019 investment figures. While this market outlook could have led to a steeper "wait-and-see" attitude, we were heartened to witness many positive instances of collaboration from cash-rich investor groups with little need for leverage. Similarly, the withdrawal of some foreign investors has been particularly beneficial to French investors, notably unlisted investment vehicles.

Key success factors for recent single asset sales in the French market have been identified as quality, location as well as asset performances over the longer term. Even though recording the most acute drop in the French market, the Paris region remains one of the most popular locations for hotel investors. This is a result of two factors: firstly, high barriers to entry relating to the price and availability of the underlying real estate and secondly, with Paris largely considered a less risky investment in terms of the hotel operating environment in the long term."



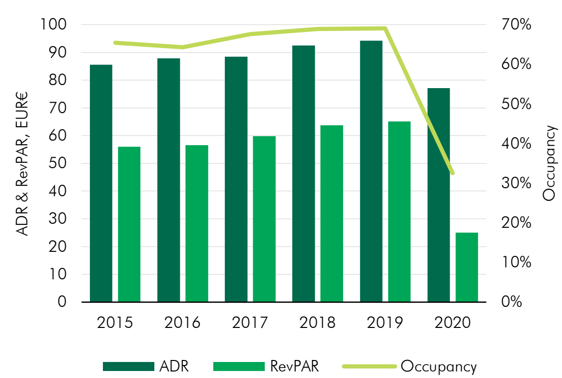
Bruno Juin
Head of Hotels,
France & Belgium

Tourism Demand, France



Source: INSEE

Hotel Key Performance Indicators, France



Source: MKG, 2021

France recorded an impressive 215 million overnight stays in 2019. This bounce back in 2016, after the terror attacks, illustrates the strong resilience as well as the very short recovery capability of the French market – which recorded a cumulated growth exceeding 8.5% over this period.

Overnight stays in 2020 declined to 90 million, representing a 58.1% decrease compared to the previous year. The decline in international visitors has had the greatest impact in the Paris and French Riviera regions, which are traditionally reliant on a large proportion of foreign arrivals.

2020 marked a turning point in the French hotel market; after years of growth.

Average occupancy in France over the course of the year shrank to a surprisingly low rate of 32.5%, showing a 36.6% decrease compared to 2019 figures. The Covid-19 outbreak triggered the sharpest industry contraction in recent history.

The upper upscale hotel market was the most affected, essentially because of its high dependency on foreign demand.

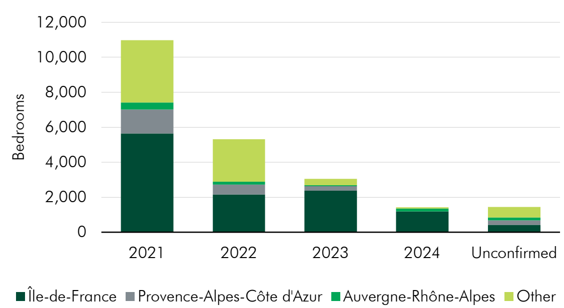
The drop in occupancy was less pronounced within the budget and midscale market segments, albeit these markets were also impacted. Coastline leisure destinations managed to partially avoid the demand crisis, while mountain destinations were and continue to be strongly affected due to the government's decision to keep ski resorts closed.

"Despite the strong governmental stimulus plans, the lending environment is unlikely to revert back to the favourable conditions of previous years.

Conversely, the fall in hotel performances and the expected impact on pricing has encouraged numerous investors who held back for a number of years from a market that they considered overpriced but where long-term fundamentals remain unchanged."

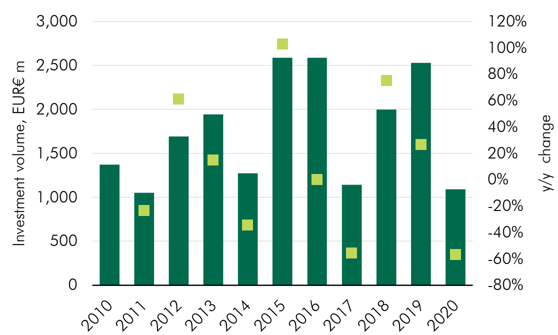
Sami Mendil, Director

Development Pipeline by Region, France



Source: CBRE 2021

Hotel Investment Volumes, France

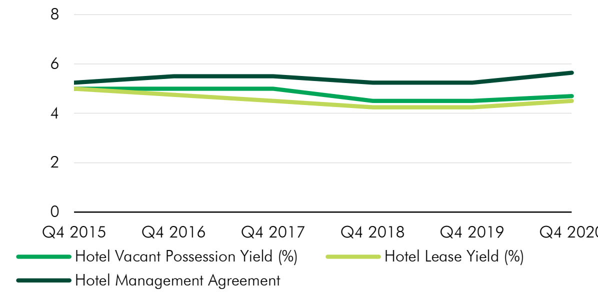


Source: CBRE RCA, 2021

Paris Focus

Whilst Paris recorded an astonishingly low level of hotel performance, the city still benefits from a diversified economy and remains one of the most attractive destinations in the world, as demonstrated by its strong historic resilience to downturns compared to other less established urban destinations.

Hotel Yields (%), Paris



Source: CBRE 2021

The French capital will not suffer from the condition of oversupply mainly thanks to major events taking place in future years.

The Hotel real estate market has experienced a notable spread between seller and buyer expectations resulting in a significant drop in the number of transactions during 2020.

Thus, most owners with a low pressure to sell have preferred to postpone placing assets on the market to avoid recording a potential decrease in value. The tighter lending conditions of banks, rising expectations in terms of yields and the "wait-and-see" attitude adopted by owners are only some reasons for the significant drop recorded in investment volume.

Hotel Investment in France dropped from approximately €2.5 billion in 2019 to €1.1 billion in 2020.

In 2021, the investment market in France is expected to benefit from the governmental stimulus, which is anticipated to help initiate a beneficial restructuring process of the industry before embarking upon an upward trend in the market cycle.

Pre-COVID, yields sat at a record low - particularly in Paris, which benefits from the destination's high-barriers to entry.

Unsurprisingly in this market, the yields observed in 2019 have significantly risen for all assets irrespective of the operational structures.

"The strong attractiveness of the French market coupled with its renowned resilience will certainly continue to stimulate investor interest for the months to come. The current sales processes prove that France remains on the top of investors' wish lists, notably through exceptional deals that are about to close. Undoubtfully investors will be looking for value-add opportunities, taking advantage of improving operating performances and higher yields."

Bruno Juin, Head of Hotels, France

"The COVID-19 crisis has had a dramatic effect on the German hotel market. Occupancies in some months last year dropped to levels below 10%. With most hotel operators running properties subject to fixed leases, the crisis hit them first. While owners agreed to rent deferrals last spring, they are now starting to reduce part of the rent in light of the continued severe crisis. This partnership is nice to see.

Once a large proportion of the population is vaccinated, we are certain people will start to quickly travel again.

Most domestic investors are waiting for cash flows to rise before they look to buy hotels again. Some, however, see the situation as a good opportunity to secure top assets in prime locations."

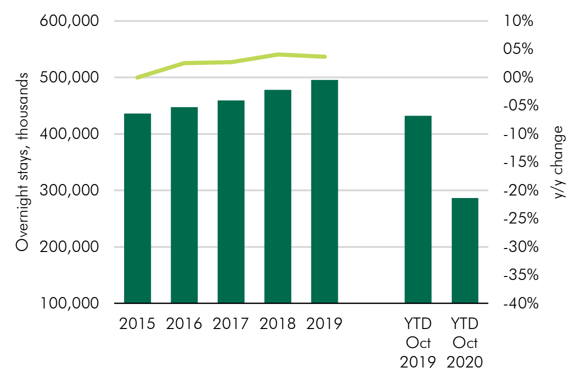
Olivia Kaussen
Head of Hotels Germany

Key Hotel Transactions, 2020

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
Nhow Hotel	Berlin	304	Confidential	Lease
Leonardo Royal Alexanderplatz	Berlin	346	Confidential	Lease
Innside	Dresden	180	Confidential	Lease
Motel One	Karlsruhe	323	Confidential	Lease
Renaissance Hotel	Dusseldorf	244	Confidential	Vacant Possession

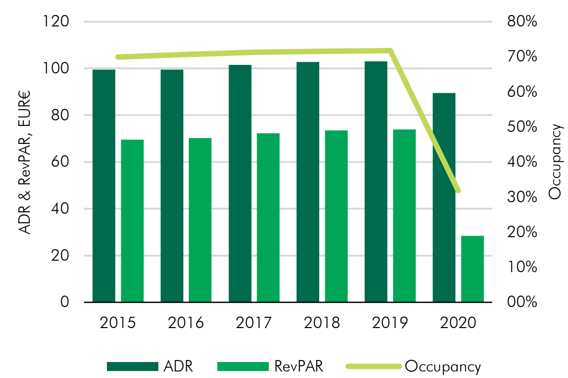
Source: CBRE 2021

Tourism Demand, Germany



Source: Destatis, 2021

Hotel Key Performance Indicators, Germany



Source: STR, 2021

In 2019, Germany saw overnight stays rising to 495.6m, an increase of 3.7% compared to 2018. Year-to-October 2020 figures however were severely impacted by the COVID-19 pandemic, which started hitting the market from March 2020. Overnight stays have dropped to 286.6m, representing a year-on-year decrease of 33.7%.

The German hotel market is dominated by domestic demand. In 2019, only 18% of overnight stays were generated by international guests.

As we expect domestic travel to recover much more quickly than international and especially overseas travel, the German hotel market is likely to recover more quickly compared to countries that heavily rely on foreign tourist arrivals.

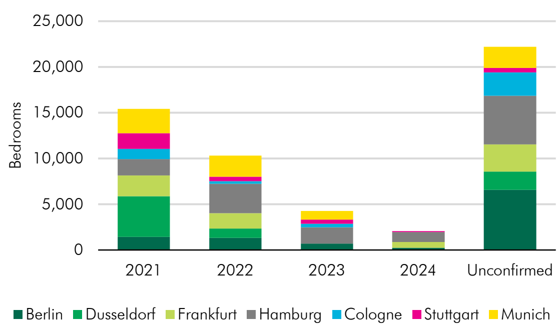
In 2020, occupancy levels saw a dramatic decline from more than 70.0% to around 32.0%, mainly caused by travel restrictions, "lockdowns" and temporary border closures. ADR decreased by around 13% to €89.43, down from €103.06 in 2019. This resulted in a RevPAR decrease of more than 60.0%.

The German Top seven cities will see a significant increase in hotel supply. In total, 32.0k rooms are scheduled to be added to these markets in the next three years, representing approximately 46.2% of total additional supply of hotel rooms to Germany overall. These rooms are partly under construction, and partly in the planning phase. Whether or not the latter will be built or if the developers might consider a change of use remains to be seen.

"The large share of domestic tourism, paired with a trend towards ground-based, eco-friendly and decelerated travelling will benefit a comparably quick recovery of the German hotel market once the accommodation ban is lifted. This will also entail a recovery of the hotel investment market. The strong fundamentals remain and will continue to attract national and international capital."

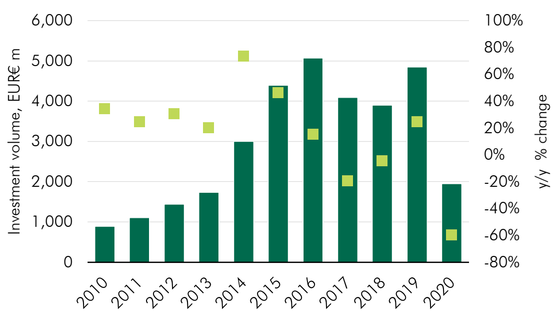
Helena Rickmers, Senior Consultant

Hotel Development Pipeline, German Cities



Source: STR, 2021

Hotel Investment Volumes, Germany

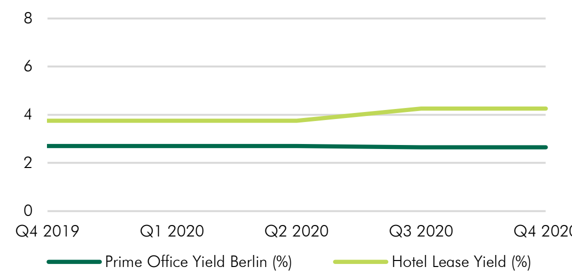


Source: CBRE, 2021

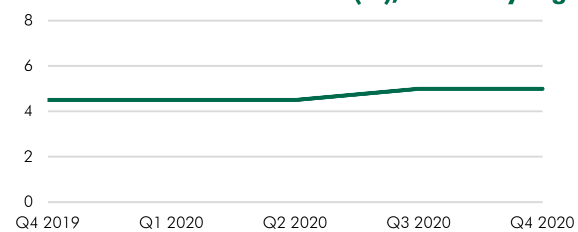
This year is likely to see a change in investor demand. A lot of international value add and opportunistic buyers are seeking to enter the market and are already looking for opportunities. At the same time, core assets in top locations will continue to attract conservative institutional investors.

The German hotel investment market dropped by a staggering 60% in 2020.

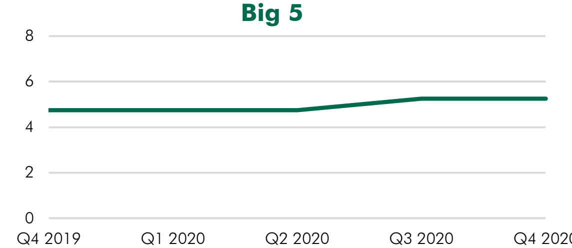
Hotel Operational Lease Yields, Germany Big 5



Hotel Vacant Possession Yields (%), Germany Big 5



Hotel Management Contract Yields (%), Germany Big 5



Source: CBRE 2021

The abundance of domestic and international capital put pressure on prime yields for hotel real estate up until Q2 2020. The gap between prime office and hotel yields narrowed to as low as 50 basis points. As a result of the COVID-19 crisis, this gap is now widening again with the prime yield for leased hotels having risen to 4.25%, an increase of 50 basis points.

Yields are expected to rise further in less attractive locations but will likely remain low in the core sector.

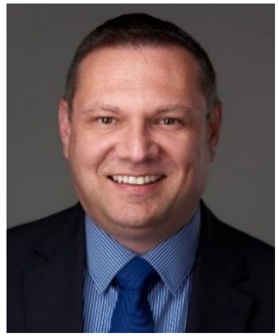
Tenants struggled to pay rent last year and 2021 will remain tough, especially during the first half of the year. This is putting pressure on the affected operators' covenant strength. Some tenants will not survive without a capital injection. We also expect to see more M&A activity, a trend which already started in 2020.

Depending on the cost and viability, we expect to see some conversions to residential, student/senior living, care homes or even office use.

"2020 has certainly been a tough year for the Hungarian Hotel Market with a Yearly RevPAR below €20. Transaction volumes fell by 40% vs 2019, however, due to the travel restrictions, the domestic market exceeded 2019 levels during the summer months.

Nonetheless, the Hungarian market has strong resilience due to the balanced mix of corporate and leisure guests, as well as demand from individuals and groups. We expect to experience a fast recovery and Budapest in particular should be one of the cities in the CEE region to see an early recovery.

The leisure segment will rebound quicker than corporate demand, which is not expected to pick up until September. Moving forward, we estimate that one third of corporate travellers will prefer digital solutions over travelling abroad."



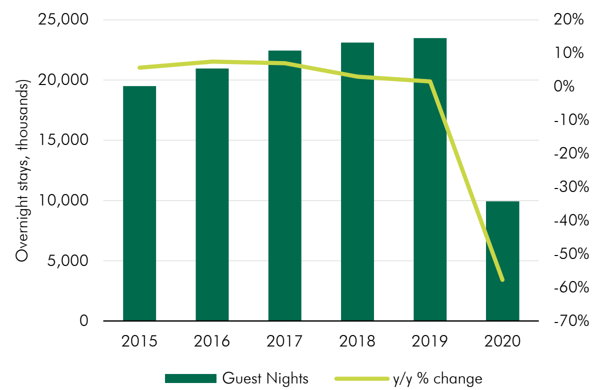
Laurent Lassier
Head of Hotels Hungary

Key Hotel Transactions, 2020

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
D.A. portfolio (NY Palace & Residences)	Budapest	323	€90M	
Barceló Hotel	Budapest	179	€45M	Lease
M-Square Hotel	Budapest	71	€17M	
Palatinus Hotel	Pécs	100	€4M	
Development Site	Budapest	TBA	€20M	

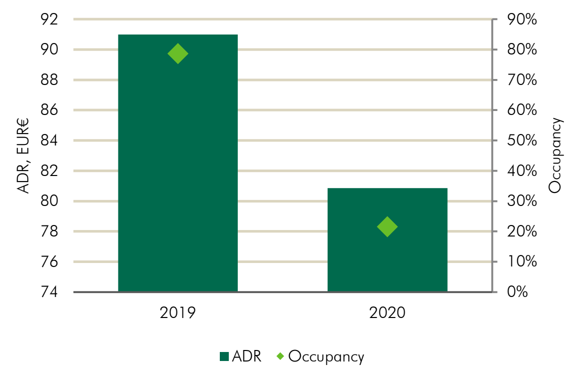
Source: CBRE 2021

Tourism Demand, Hungary



Source: Hungarian Central Statistics Office, 2021

Hotel Performance KPIs, Budapest



Source: STR, 2021

Tourism demand saw a sharp decline in 2020 due to reduced international mobility and the strict travel restrictions that were in place for a large part of the year, particularly in Hungary. Overnight stays in hotels fell by ca. 57% y/y.

Naturally, the main KPIs reflected the weaker guest volumes. Hotel occupancy fell to an average of 21% in 2020, from 79% in 2019. Despite the pandemic headwinds, pricing was not revised drastically as ADR corrected from EUR 91 to EUR 81 in a year. However, RevPAR also saw a sharp drop from EUR 72 to EUR 17.

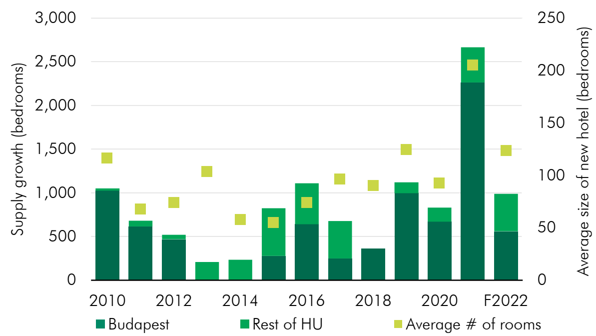
The hotel sector has historically attracted a relatively small portion of CRE investment in Hungary, but 2019 and early 2020 saw a clear uptick that raised hope for further improvement. However, only one major hotel deal closed after the pandemic outbreak (Varde portfolio) and institutional sentiment remains cautious.

"During this challenging period, hoteliers are striving to develop and transform their business models, becoming more flexible in their offers, using even more new digital technologies in order to definitely attract a local clientele."

Laurent Lassier, Head of Hotels Hungary

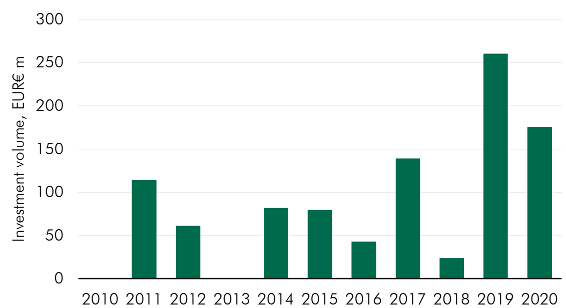
Several hotel developments have been put on hold in light of the recent uncertainty. Some that were scheduled to open in 2020 decided to pause fit-out works, resulting in the annual completion volume remaining well below our earlier forecast. The pipeline for 2021 appears high and unlikely to materialise – a significant portion of this year's volume is again expected to be delayed into 2022, but exact development dynamics are near impossible to predict at this stage.

Hotel Supply Evolution, Hungary



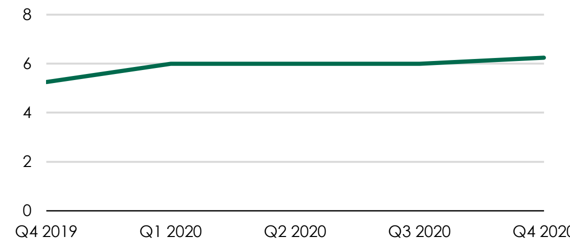
Source: CBRE 2021

Hotel Investment Volumes, Hungary

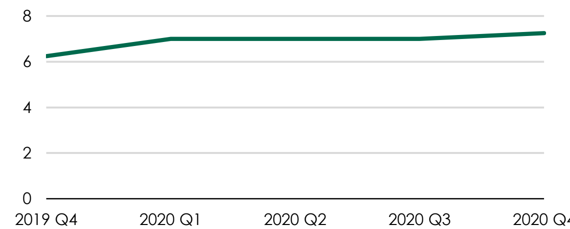


Source: CBRE 2021

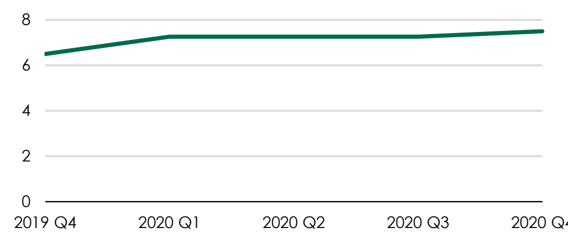
Hotel Operational Lease Yield (%), Budapest



Hotel Vacant Possession Yield (%), Budapest



Hotel Management Contract Yield (%), Budapest



Source: CBRE 2021

Hotel yields remain well above the levels registered before the COVID-19 outbreak.

Initially, yield levels were raised by 75bps in Q1 2020, reflecting the severe and immediate impact on the sector. Then, amidst the second local travel and mobility restriction wave in Q4 2020, another 25bps increase was noted.

The prime yield for assets with lease contracts stands at ca. 6.25%, one percentage point above its pre-COVID-19 level. Meanwhile, prime vacant possessions can be priced at an assumption of ca. 7.25% and management contracts at ca. 7.50%.

Any recovery in hotel performance and investment is likely to be slow and gradual from Q2 2021. The market in Hungary, and Budapest in particular, is expected to see one of the quickest occupancy rebounds on the back of a healthy leisure/corporate travel mix and relative value for money.

"We are hopeful for a strong recovery in the second half of 2021 and beyond. The certainty around Brexit, the roll out of vaccinations and a new pro Irish US President are all factors to be positive about. We will continue to see appetite from international hotel groups looking for representation in Dublin, including from some investors who heretofore ruled the city out on the basis that it was too expensive.

We expect to see several alternative deal structures being used in hotel transactions going forward. In addition to an increase in sale and leaseback transactions, which will prove popular considering that they enable hotel owners to release capital and focus on their core business, we are likely to see increased incidence of vendor financing, deferred payments, lease purchase arrangements and possibly ground lease transactions in this sector."

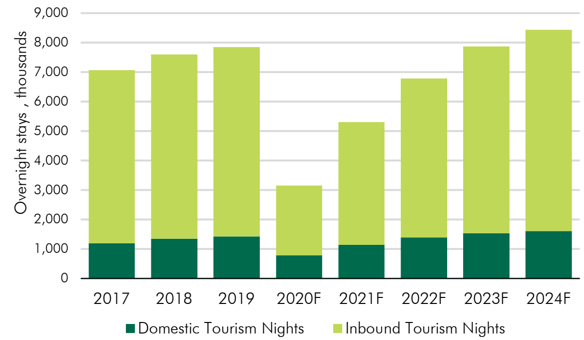
Paul Collins
Head of Hotels Ireland

Key Hotel Transactions, 2020

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
Clayton Hotel Charlemont Dublin	Dublin	187	€65,000,000	Sale & Leaseback
The K Club	Straffan	134	€60,000,000	Vacant Possession
Conrad Dublin	Dublin	192	€116,400,000	Management Agreement
Hilton Dublin Kilmainham	Dublin	120	€45,500,000	Vacant Possession, with Franchise
The Marker	Dublin	187	€134,000,000	Vacant Possession

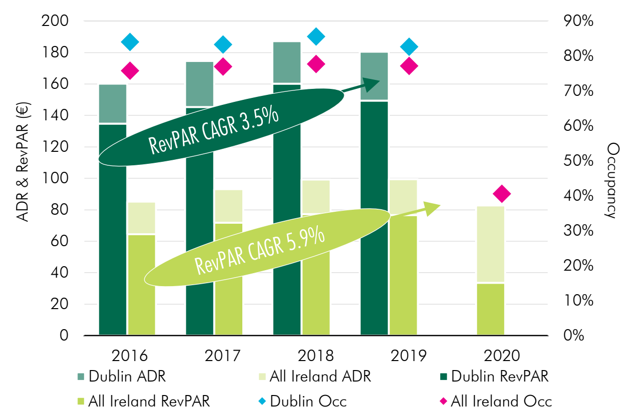
Source: CBRE 2021

Domestic and Inbound Tourism Demand, Dublin



Source: Tourism Economics, 2021

Hotel Key Performance Indicators, Ireland



Source: HotStats (Dublin); Treding.ie (All Ireland excl. Dublin), 2021

2020 had begun with real hope of consolidating Ireland's strong tourism performance of recent years. However, from the cancellation of St. Patrick's Day Parade and festivities in March, it quickly became apparent that COVID-19 would have a devastating economic impact on the tourism and hospitality industry.

Tourism Economics Forecast 2020 for Dublin:

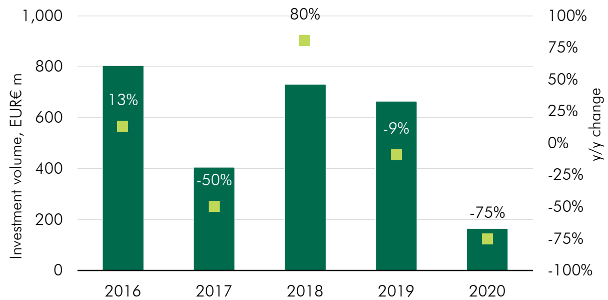
- Domestic Nights decline -45% - (CAGR 2020-24 +58%)
- Inbound Nights decline -63% - (CAGR 2020-24 +45%)

Regional areas of Ireland experienced a rebound of sorts in July and August from pent up demand for domestic leisure. In 2019 over 5.5m trips were made by Irish people overseas for leisure reasons and in 2020, once hotels reopened, they experienced demand for staycations as overseas travel was not permitted. We expect this demand to continue in 2021. Although the domestic market normally spends less when holidaying in Ireland, we expect to see a spike in domestic spend as a result of people taking fewer holidays abroad and spending more on their domestic trips.

"Encouragingly, both domestic and international operators and investors remain confident in the Dublin market given the strong economic fundamentals, demographic make up and office occupier activity which will drive demand for the hotel sector into the long term."

Dave Murray, Director

Hotel Investment Volumes, Ireland



Source: CBRE 2021

Following a very active year in 2019, during which a number of prime Dublin hotel properties changed hands for strong pricing, we expected some of the underbidders on these opportunities to bid again on prime assets in 2020. However, instead of expected strong trading conditions and healthy volumes of sales activity from a property perspective, the hotel industry faced what was probably its worst year on record from a trading perspective.

Against this backdrop, transactional activity in the hotel property market was severely curtailed, with most sales campaigns deferred, resulting in very few hotels traded in the Irish market during 2020. We did however begin to witness increased appetite from investors from the Autumn of last year onwards.

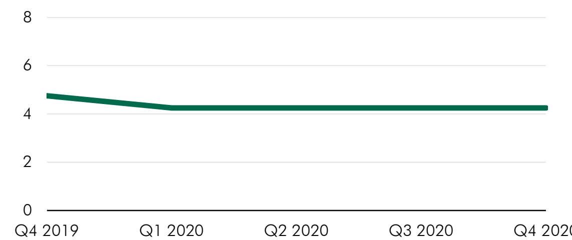
We are hopeful of an increase in transactional activity in the hotel sector in 2021 with some carryover of activity from last year and several new campaigns due to be launched over the coming months. For the most part, transactional activity in 2021 will comprise single asset trades.

2021 will be all about recovery, with momentum hopefully continuing to build from the second half of the year onwards.

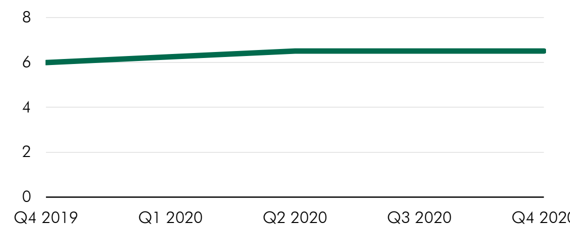
The pace of growth will, however, be dictated by the success of the COVID-19 vaccine rollout and the implications of Brexit. Recovery will be at different speeds. We expect that leisure and short-haul business will bounce back first, whereas it is likely to be 2022 before there is a meaningful recovery in US and long-haul business. Prospects for regional hotels are somewhat better than city hotels for the foreseeable future due to strong domestic demand.

A number of hotel projects in Dublin at various stages of the planning process (particularly those at pre-planning stage) may now not proceed. The viability of hotel developments will certainly be reviewed in schemes where works have not yet commenced, while other schemes with planning may struggle to secure development funding in the current climate. According to our research, just over 4,000 hotel rooms are currently on site in Dublin and due to open by Q1 2023.

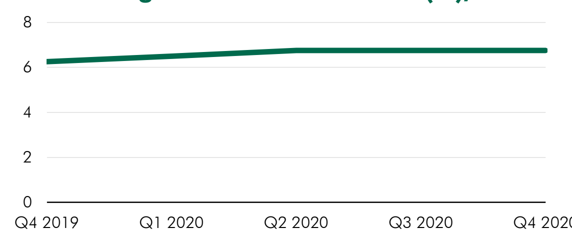
Hotel Operational Lease Yields (%), Dublin



Hotel Vacant Possession Yields (%), Dublin



Hotel Management Contract Yields (%), Dublin



Source: CBRE 2021

Prime Yields in Dublin improved throughout 2019, with vacant possession and management contract yields sharpening by 25 bps in Q3 2019 and remaining stable into Q1 2020. Occupational lease yields remained stable in 2019 prior to sharpening by 50 bps in Q1 2020.

As a result of the pandemic, sentiment towards hotel investment weakened, and as a result vacant possession and management contract yields moved out by 50 bps during 2020. However, occupational lease yields have remained stable throughout 2020. This has been supported by the sale & leaseback deal of the Clayton Charlemont in April 2020, in the midst of the pandemic, at a net initial yield of 4.25%.

It should be noted that these yields are largely based on market sentiment given the limited transactional evidence.

Demand for Dublin hotels remains encouraging with particularly strong appetite for hotel development projects where the properties will not be completing until 2022 or later, demonstrating confidence in the medium-term prospects for the sector.

"Investor sentiment in Italy, for 2021, is for an expected discount on pricing due to the lack of liquidity and limited financing from lenders.

The hotel sector remains of strong interest to investors, given its size, high fragmentation and low brand penetration. This favours opportunities for repositioning and rebranding, therefore strong potential upside for hotel properties.

Hotel investment volumes in Italy for 2021 are therefore expected to grow compared to the previous year, driven by flight to quality and value add investments."

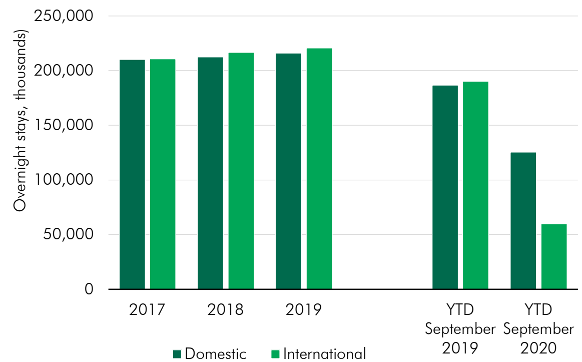
Francesco Calia
Head of Hotels Italy

Key Hotel Transactions, 2020

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
Dedica Anthology (Italian Perimeter)	Florence, Venice, Rome	485	Confidential	Planned Lease
The Bauer & Palazzo	Venice	210	255 M	Vacant Possession
Autograph Pantheon Iconic	Rome	79	62 M	Lease
Citizen M Rome	Rome	162	29 M	Planned Lease

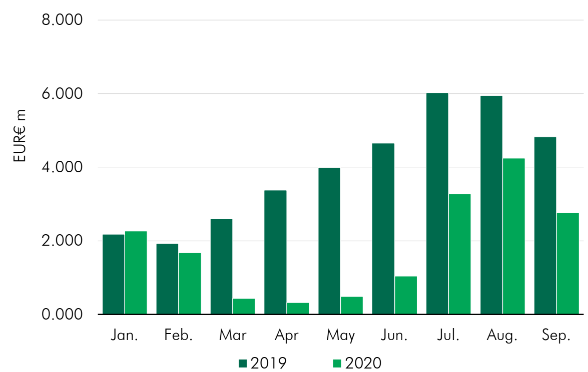
Source: CBRE 2021

Domestic and Inbound Tourism Demand, Italy



Source: ISTAT 2021

International Tourism Spending, Italy



Source: Bank of Italy 2021

In 2020 demand volumes decreased considerably as the COVID-19 pandemic spread throughout the country. September YTD figures showed this decrease to be at -70% for international and -33% for domestic bed nights respectively. It is important to note that the data is still provisional but remains representative of the disruption caused by the travel restrictions imposed by the pandemic.

Domestic demand proved more resilient during the summer months with bed nights dropping by just 14% between June and September compared to the same period in 2019. International bed nights decreased by 59% compared to the same period in 2019.

Together with the strong contraction in international tourism volumes there has been an associated reduction on international spending of -57% between January and September 2020, largely caused by the absence of American and Russian tourists (source: Bank of Italy).

In terms of key transactions, the Dedica Anthology portfolio was the largest registered in 2020, with four out of the eight properties based in Italy.

"The volume of hotel investments achieved in 2020 is not far from the typical levels achieved between 2006 to 2018. Pipeline remains robust and openings have generally just been postponed."

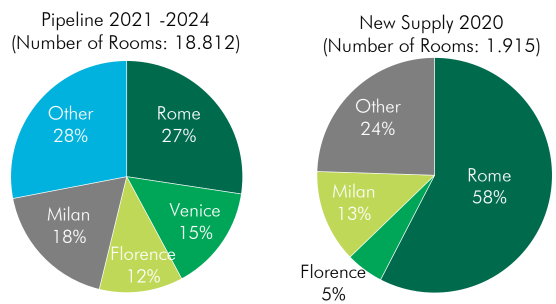
Raffaella Peloso, Director VAS

The volume of hotel investments in Italy in 2020 recorded a sharp slowdown, by almost 70%, compared to 2019. This was not only attributable to the profound climate of uncertainty caused by the pandemic, but also due to the concentration of large portfolio deals completed in 2019, which remains an exceptional year for this asset class.

Moreover, the transactions observed in 2020 confirm investor confidence in trophy assets, with transactions originating in the pre-COVID period which were closed almost without repricing.

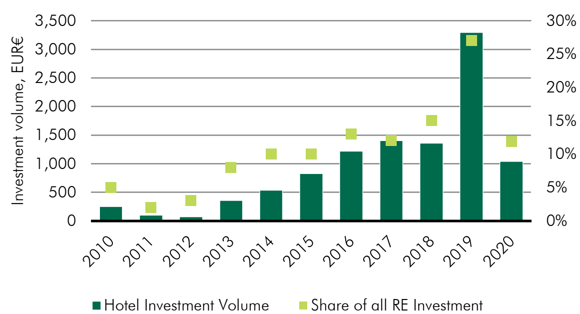
Most of the recent new supply and pipeline is located in Rome.

Hotel Development Pipeline and Existing Supply, Italian Cities



Source: CBRE 2021

Hotel Investment, Italy

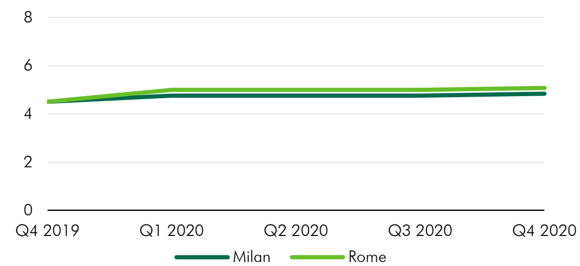


Source: CBRE 2021

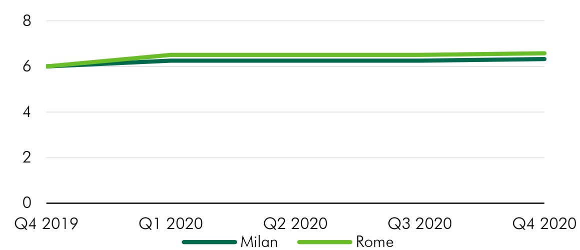
Many new hotels which were expected to open in 2020 shifted opening by 12-18 months as a result of the delay in the supply of materials and a more limited workforce caused by COVID-19.

Nonetheless the interest of international and domestic operators remains high for both prime and secondary locations.

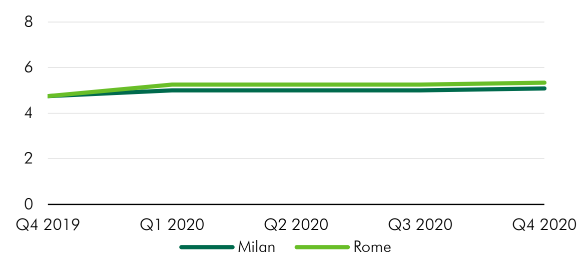
Hotel Operational Lease Yields (%)



Hotel Vacant Possession Yields (%)



Hotel Management Contract Yields (%)



Source: CBRE 2021

In terms of future supply, the pipeline predominantly includes international brands, who are looking at opportunities to enter the Italian market, which still features limited brand penetration (10% of the total rooms in 2019).

Yields are generally returning to early 2019 levels for all types of operating structures (Leases, VP & HMA).

The sudden and very strong contraction in hotel demand has impacted trading performance and therefore rent sustainability. This has led to an increase of the risk associated with this asset class given the volatility during COVID-19.

"2020 was shaping up to be another positive year for hotels in Poland, with early KPI performances in January and February indicating improved demand.

In 2021, we expect slow recovery of occupancy to commence in Q2 driven by domestic demand. We believe domestic tourism will be a key factor for recovery, with Polish tourists responsible for 70% of overnight stays in 2019. Due to the strong summer months experienced last year, resort destinations are likely to be some of the best performers in Poland in terms of occupancies in 2021."

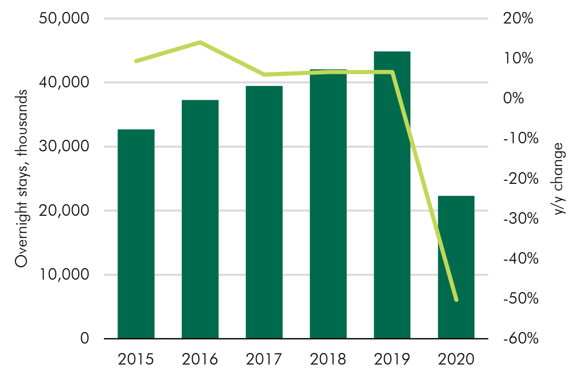
Rafał Florczyk
Consultant Hotels Poland

Key Hotel Transactions, 2019-20

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
Regent Warsaw Hotel (2020)	Warsaw	250	€29m	Owner Operator
Ibis Styles Mogilska (2019)	Krakow	259	€40.0m	Vacant Possession
Mercure Mlynska (2019)	Katowice	268	€46.0m	Lease
B&B Portfolio (2019)	Various	433	€23.9m	Planned Lease
Radisson Collection (2019)	Wawsaw	311	€82.5m	Management

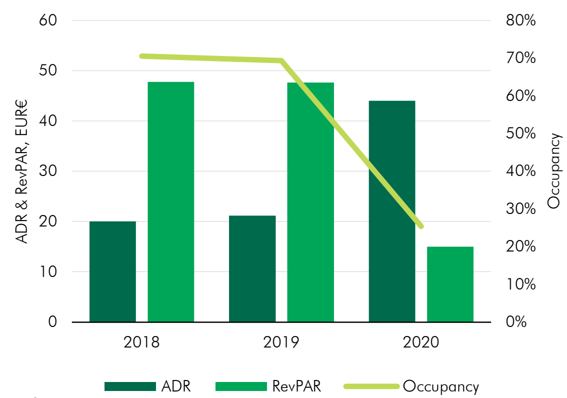
Source: CBRE 2021

Tourism Demand, Poland



Source: Central Statistical Office, 2021

Hotel Key Performance Indicators, Poland



Source: STR, 2021

Hotel demand in Poland pre-COVID-19 showed a growth trajectory. In 2019, the hotel market saw over 23.5m arrivals and almost 45m overnight stays, reflecting growth in overnights of 5.5% and 6.6% in 2018 and 2019 respectively.

The average length of stay was 1.91 days per one arrival in 2019.

According to available year-to-date November data in 2020, accumulated tourism nights decreased by 46.5%, while the inbound decreased by 67.1%.

Domestic demand proved robust and helped absorb some new supply development.

Poland's market absorbed an average of over 3,500 new bedrooms annually over the last three years, which put pressure on the key performance indicators. Since 2017, the country's average occupancy has stabilised ca. 70% and RevPAR at EUR 48.

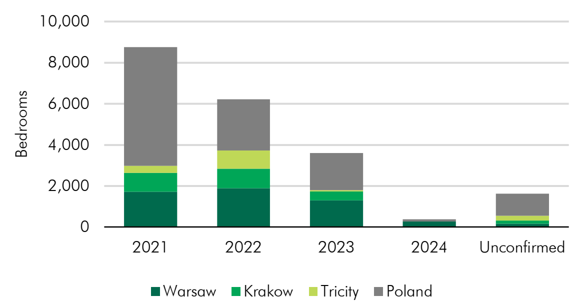
Despite a good beginning of the year, in 2020 revenues dropped significantly, with RevPAR decline varying between the key markets from -55% and -80%, reflecting the country index -69%.

"Poland started 2021 with a further closure of most hotel operations with, as yet, no date for reopening. Questions on how the vaccination program will affect demand recovery remain. It is unlikely we will see the majority of pipeline projects materialise in 2021. Looking further ahead, when there is greater clarity on recovery, we expect an increase in investment activity and repositioning of existing assets."

Rafal Florczyk, Consultant

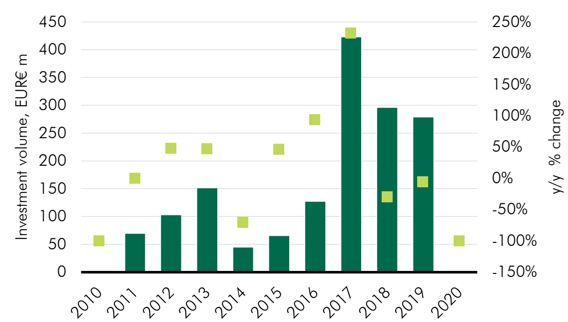
The market presents a positive investor sentiment in Poland with multiple new hotel developments in the pipeline. Warsaw will remain the investor's first choice. However, due to bank financing issues with new developments in 2021 and the uncertain post-COVID-19 recovery, we expect to see rescheduled openings and a greater level of deferred projects. However, the upcoming supply will probably lag the recovery of market key performance indicators.

Hotel Development Pipeline, Polish Cities



Source: CBRE 2021

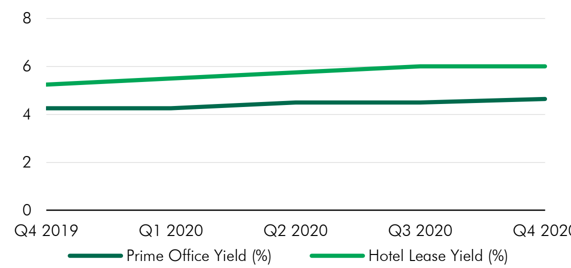
Hotel Investment Volumes, Poland



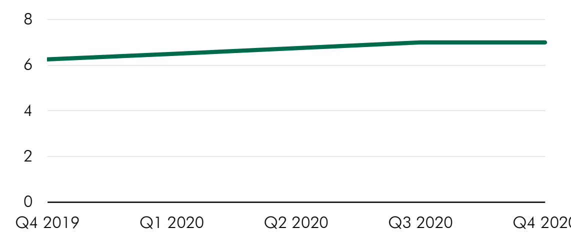
Source: CBRE, 2021

The investment market remains in a wait and see mode. New funds are being established focused on Hotel assets. Experienced funds with significant shares of hotels within their portfolio are open to considering new opportunities. New acquisitions will be more deeply analysed, and only prime locations will be considered.

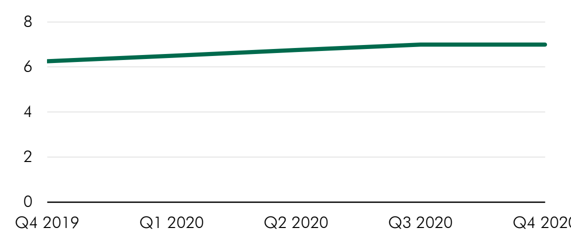
Hotel Operational Lease Yields, Warsaw



Hotel Vacant Possession Yields (%), Warsaw



Hotel Management Contract Yields (%), Warsaw



Source: CBRE 2021

The Polish market noted increased investment volumes from 2017 onwards. Institutional investors entering the market compressed yields to new lows. Operators and developers responded and groups of investors introduced more lease structures.

CBRE expects the restriction for hotels may last longer than expected, and a cumulative desire for travel may not be strong enough to generate demand for operational break-even in 2021 for some of the markets.

Since the COVID-19 outbreak, yields have increased, with yields being at 6.0%, 7.0%, and 7.0% for Lease, Management Contracts, and Vacant Possession structures respectively.

"2019 was marked as the strongest period of Portuguese transactional activity within the hotel investment sector, and this trend continued into the Q1 of 2020, with an investment of over 300M€ deployed in this period alone. The remainder of the year was strongly affected by the market downturn and the strong risk perception of the sector.
Nevertheless, Portugal still remains a very attractive market for investors, a view supported by the increased demand for prime located assets.
Going forward, we expect different transaction structures in the investment market, with investors open to acquire single assets, portfolio deals and debt positions. "

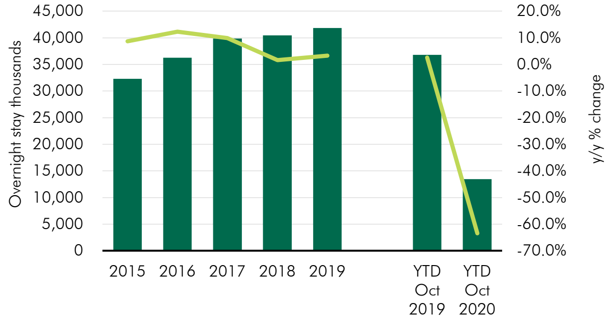
DUARTE MORAIS SANTOS
Director, Hotels Portugal

Key Hotel Transactions, 2020

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
Group Hotéis Real	Portugal	1059	€300,000,000	Vacant Possession
Aqualuz Lagos	Algarve	179	€20,650,000	Lease
Stay Hotel Lisbon	Lisbon	84	€9,000,000	Lease

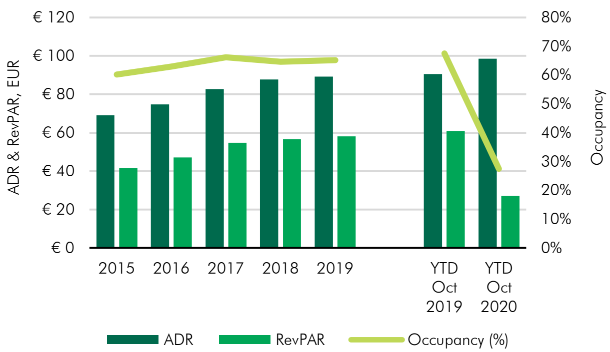
Source: CBRE 2021

Tourism Demand, Portugal



Source: INE, 2021

Hotel Key Performance Indicators, Portugal



Source: Travel BI, 2021
2020 KPIs based on open hotels only

During the last five years (2015-2019) we have observed robust performances in Hotel demand. Portugal, has recorded 41m overnight stays in 2019, representing +3.3% increase compared to 2018.

As expected, due to Covid-19 YTD October 2020 (latest data available) the country has observed a -63.4% decrease in the number of overnight stays compared to 2019.

In the five year period Portugal experienced overall positive KPI trends, with a RevPAR's CAGR for the period of +8.8%

The hotel industry was one of the most impacted sectors by the Covid-19 pandemic. YTD October 2020 (latest data available) the country observed a decrease in RevPAR to €27.2 (-55.4% when comparing with 2019 same period figure). This change was driven by Occupancy levels with ADR actually recording a +8.9% growth over the period, illustrating a strong touristic appetite for the country, despite the pandemic.

“Investors continue to demonstrate a strong interest in the local hotel market, looking mostly to acquire in prime city or leisure locations with strong covenants. We expect to witness in the next months an alignment between sellers and buyers' expectations, with a strong transactional activity in the second half of the year”

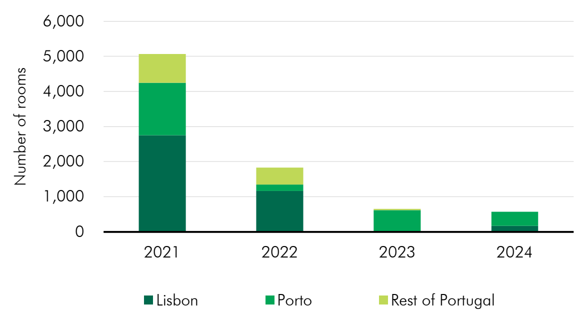
Duarte Morais Santos
Director, Hotels Portugal

Most of the hotels that were planned to open in 2020 have been postponed to 2021/2022, mainly due to delays in construction caused by the pandemic. In the next few years, it is expected that some of the hotel pipeline will be transformed to other uses.

In 2019, hotel investment reached record levels of over €800M, with the most notable portfolio deal being the Tivoli Portfolio, thereby illustrating investor confidence on the market. As expected, in 2020 the investment decreased by 57% due to the Covid-19 sanitary crisis.

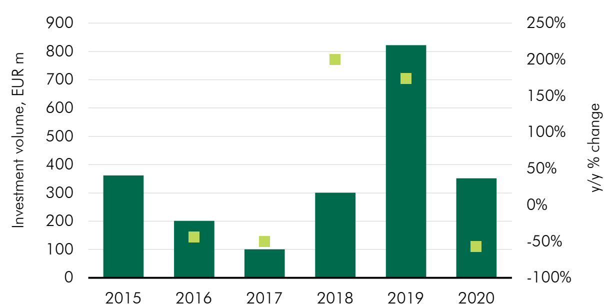
Nevertheless, in 2020 **large transactions were recorded such as the Hoteis Real Group and for leased hotels in locations with mainly leisure demand.** The origin of investment has changed significantly from the previous cycle of the market, with a considerable weight of foreign capital versus domestic representing 85% of the total in 2019.

Hotel Development Pipeline, Portugal



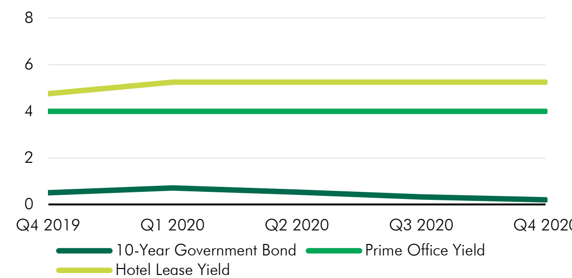
Source: CBRE 2021

Hotel Investment Volumes, Portugal

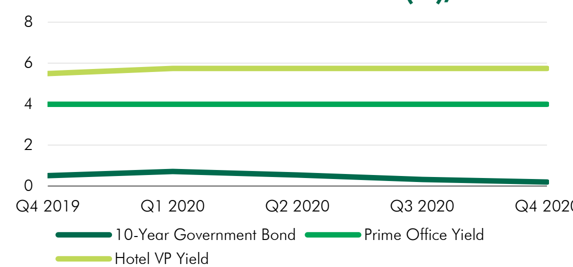


Source: CBRE 2021

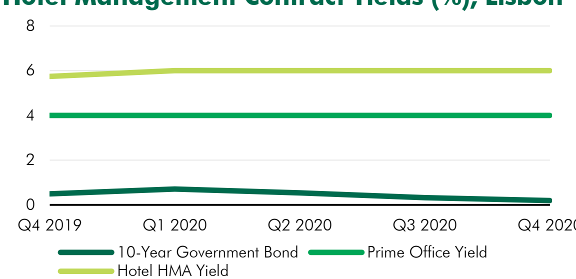
Hotel Operational Lease Yields (%), Lisbon



Hotel Vacant Possession Yields (%), Lisbon



Hotel Management Contract Yields (%), Lisbon

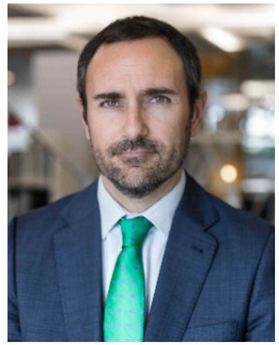


Source: CBRE 2021

As a consequence of the strong investor demand for hotel assets and the growth in liquidity, hotel yields in Portugal reached their lowest point in 2019. The risk perception in hotel investment decreased in the past years caused by the improvement in the touristic sector (large increases in RevPAR) associated with the security in operators able to commit to larger leases instead of only management fees. Lease yields remain the lowest of all operating structures

The pandemic, as at Q2 2020, has realised an increase in yields by 50 bps in the lease structures and 25bps for other operating structures.

"Although in 2019 we were already anticipating the beginning of a new tourism and hotel cycle, nothing foretold that in 2020 we would experience one of the most challenging years for the Spanish hotel market.
After solid transactional activity at the beginning of 2020, with investment volume being 14% above Q1 2019, transactional activity in Spain has been severely impacted due to the market uncertainty, scarcity of bank financing and slowdown in operating activity prompted by the COVID-19 outbreak.
However, the Spanish hotel market continues to be very attractive for investors, with some notable transactions that have taken place during Q4 2020. Looking ahead, as for 2021, a further alignment between buyer and seller expectations is foreseen."



JORGE RUIZ
Head of Hotels Iberia

Key Hotel Transactions, 2020

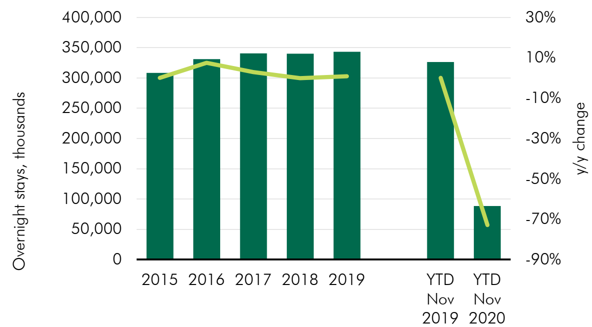
PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
Hotel Formentor	Pollença (Mallorca)	123	€165,000,000	Management Agreement
Nobu Hotel Barcelona	Barcelona	259	€80,000,000	Franchise
Project Jewel*	Various (Tenerife)	1,216	Confidential	Management Agreement
Project Margaux**	Mallorca, Menorca and Roses	485	Confidential	Lease Agreement

*Note: Portfolio of 6 hotels located in the Canary Islands

**Note: Swiss Life acquired a portfolio of 4 hotels located in beachfront destinations across the Balearic Islands and Catalonia

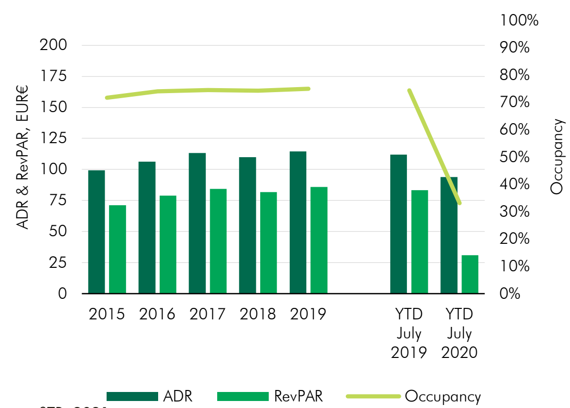
Source: CBRE 2021

Tourism Demand, Spain



Source: INE, 2021

Hotel Key Performance Indicators, Spain



Source: STR, 2021

Hotel demand in Spain has displayed good performance during the last five years (2015-2019), achieving a record number of 342.9m overnight stays in 2019 (+0.9% increase compared to 2018).

However, due to the COVID-19 outbreak, as at YTD November 2020 (latest data available) the country has witnessed a -72.9% decrease in the number of overnight stays over the 2019 equivalent figure.

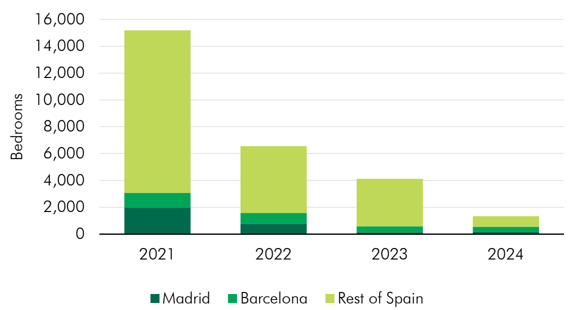
In terms of KPIs, Spain exhibited an overall positive trading performance between 2015 and 2019, resulting in a RevPAR's CAGR for the period of +4.8%

Hotel trading performance has been sharply impacted by the COVID-19 pandemic. In numbers, as at YTD July 2020 (latest data available) the country has seen a decrease in RevPAR, to €31.1 (-62.7% compared with the same period in 2019). This downturn has been driven by year on year decreases in both Occupancy and ADR of -55.5% and -16.1% respectively.

"Hotel investors continue to exhibit strong interest in the Spanish hotel market, accentuated by a low-interest rate environment, high stock market volatility and the possibility to acquire prime and strategic assets at more attractive prices. In the coming months, we anticipate a higher transactional activity, especially from Q2 onwards."

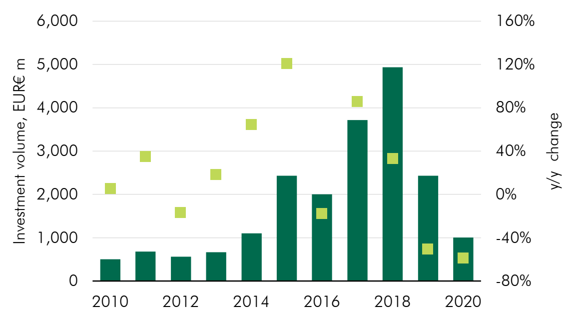
Miguel Casas Albandor,
Head of Investment Properties Continental Europe

Hotel Development Pipeline, Spain



Source: CBRE 2021

Hotel Investment Volumes, Spain



Source: CBRE 2021

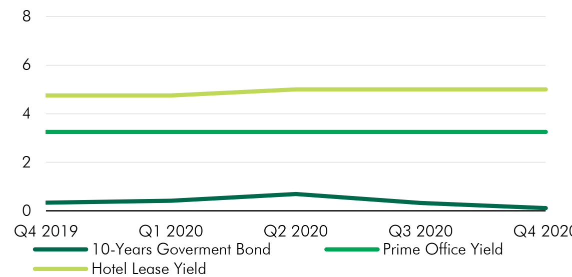
Most of the new hotel supply expected to open in 2020 was either postponed or moved to 2021. In terms of pipeline, there are a total of 198 hotels (27,182 rooms) that are expected to open in Spain up to 2024.

With regards to Investment, the excellent trading performance of the Spanish hotel sector along with the major presence of Spanish REITS (SOCIMIs) and international institutional investors has caused the Spanish hotel transaction volume to increase significantly in recent years, peaking in 2018 at circa €5,000 million.

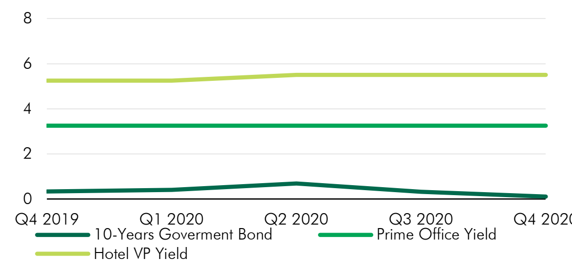
After a strong Q1 2020, transactional activity in Spain has been severely affected by the COVID-19 outbreak and traditional lender's current wait-and-see approach.

In 2020, Spanish hotel investment volumes reached €1,005 million (a y-o-y drop of -58.7%).

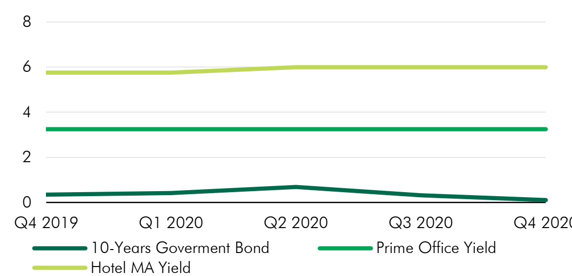
Hotel Operational Lease Yields (%), Madrid



Hotel Vacant Possession Yields (%), Madrid



Hotel Management Contract Yields (%), Madrid



Source: CBRE 2021

Since 2016, Prime Yields in Spain have experienced an overall compression resulting from strengthening investor demand and the growth in operating performance.

From Q2 2020 onwards we have seen exit yields move out 25bps across all key operating structures due to the COVID-19 outbreak.

This has led to market uncertainty, strain in liquidity of hotel assets and limited leverage available from traditional lenders.

Going forward and due to the market downturn, further movements in hotel yields will be tied to recovery conditions, together with the government's measures in response to the pandemic.

In addition, following the COVID-19 crisis, investors will be required to take higher financial risk on transactions, driving higher risk preference purchasers to become the market's key players. Therefore, higher returns will be asked.

"2020 was undoubtedly a gruesome year for the Dutch hotel market, with performance dipping to unprecedented levels across the country (RevPAR averaging below €30.00). Investment volumes reached a historic low in 2020, with transaction volumes cumulating between €300 and €350 million, which is a fragment of 2019 when the volume exceeded €2 billion.

We expect the market to recover in 2021. Slowly but gradually. The Dutch market is agile due to the healthy mix of corporate and leisure as well as domestic and foreign demand. Expectations are that The Netherlands will be one of the countries that will show the strongest recovery in terms of occupancies."

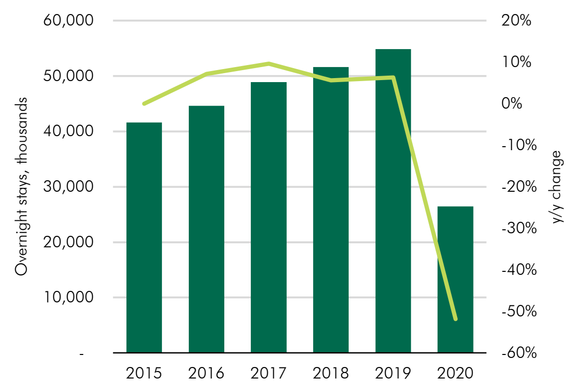
Jan Steinebach
Head of Hotels,
The Netherlands

Key Hotel Transactions, 2020

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
Hilton The Hague	The Hague	195	€70,250,000	Management Agreement
Hotel Pullman Cocagne	Eindhoven	320	€59,200,000	Lease
The Bridge Hotel	Amsterdam	53	Confidential	Owner Operated
Holiday Inn Leiden & ECC Leiden	Leiden	200	€19,375,000	Vacant Possession
Urban Residences Rotterdam	Rotterdam	78	€29,500,000	N/A
Leonardo The Hague	The Hague	178	Confidential	Owner Operated

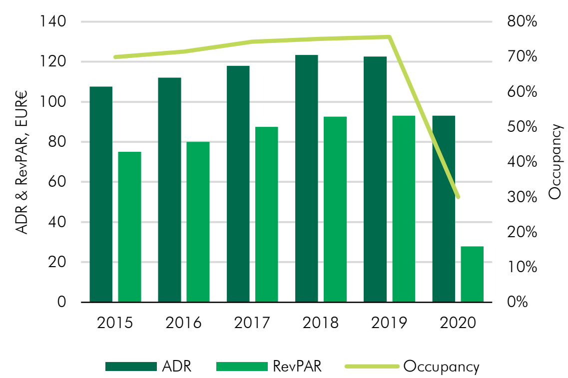
Source: CBRE, RCA, 2021

Tourism Demand, Netherlands



Source: CBS, 2021

Hotel Key Performance Indicators, Netherlands



Source: STR, 2021

Statistics for 2019 indicate that the Netherlands welcomed 30.8m arrivals, who together accumulated 54.8m overnight stays – reflecting annual increases of 3.9% and 6.3% on 2018 levels. Following the outbreak of the pandemic, overnight stays declined to 26.5m, which is 51.8% down compared to the previous year. This decline is partially due to the fact that Amsterdam, Rotterdam and The Hague hotel markets rely on a significant proportion of demand via international source markets.

The pre-COVID-19 period from 2015 to 2019 has marked very positive development in the Dutch hotel market, with strong growth figures recorded for all KPI's.

This is reflected in the RevPAR growth rate from 2015 to 2019 of 23.9%, with KPIs in 2019 being extremely strong (ADR of €122.60, Occupancy of 75.6% and RevPAR of €93.07).

We note that 2020 was a weaker year in terms of hotel performance as RevPAR declined significantly to €27.9 compared to €93.07 (-70.0%) in 2019, this representing the largest drop encountered in the last 10 years.

“Looking ahead, 2021 is clearly set to be a challenging year, however investment activity is slowly beginning to gather pace as evidenced by a number of off-market deals and the consolidation of operating platforms. What remains unchanged is the long-term fundamentals of the local hotel market which benefits from robust demand drivers, a strong economy and a relatively stable political climate.”

Reza Mokarram, Director

Whilst hotel supply in Amsterdam will continue to increase significantly up until 2022, there is limited development pipeline beyond that point.

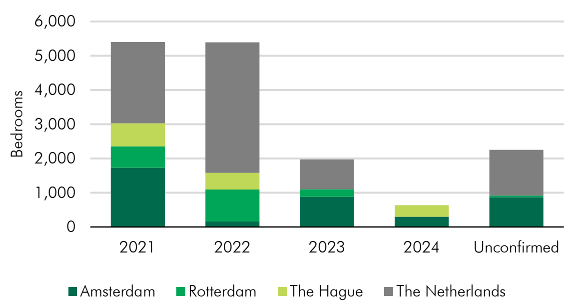
This feature will be a benefit to the pace of Post-COVID-19 recovery. In general terms, hotel markets with high levels of recent and future pipeline supply are likely to take longer to recover in terms of KPI bounce-back.

What remains unchanged is the long-term fundamentals of the local hotel market which benefits from robust demand drivers, a strong economy and a relatively stable political climate.

Meanwhile, the volume of international capital remains vast with opportunities for deployment remaining scarce.

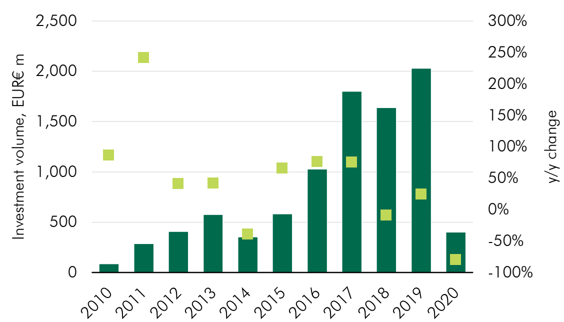
As such, we are confident that Dutch hotels will continue to attract high levels of demand

Hotel Development Pipeline, Netherlands



Source: CBRE 2021

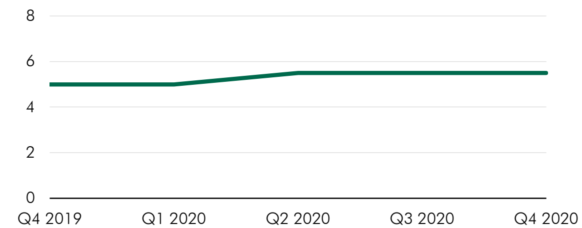
Hotel Investment Volumes, Netherlands



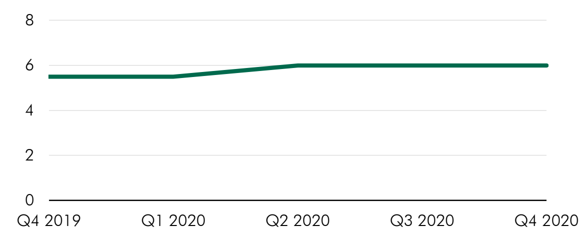
Source: CBRE, 2021

Hotel Operational Lease Yields (%), Amsterdam

Hotel Vacant Possession Yields (%), Amsterdam



Hotel Management Contract Yields (%), Amsterdam



Source: CBRE, 2021

from both an occupational and investment perspective.

Pre-COVID-19, yields sat at a record low - particularly in Amsterdam, which has continuously enjoyed unprecedented levels of investor demand. In 2020, there was a limited variance in yields across the three operational structures, particularly given the limited market evidence.

We expect a recession in the global economy after the sharp downturn in 2020 and the start of a bounce back in Q1 2021.

Over the period, pent up demand from consumer and businesses have developed alongside very substantial economic stimulus. This gives the basis for an upswing from Q2 2021, which could be stronger than expected.

Since 2017, prime hotel yields in Amsterdam have experienced continuous compression, which is attributable to improving conditions in the operational market and marked increases in investor demand. Q4 2020 recorded significant variance due to the pandemic’s impact on hotels, with yields being at 4.75%, 6.00% and 5.50% for Lease, Management Contract and Vacant Possession structures respectively.

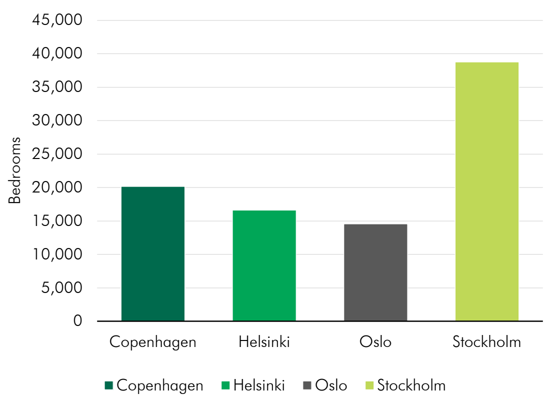
"The Nordic hotel market benefits from a high degree of intra-region travel. Local hotel chains have loyal customers and foreign entrants have found it hard to break into the market.
In the wake of the COVID-19 pandemic, it is likely that more international hotel operators will enter the market, and the branding landscape will change. This is a good development for hotel guests and investors, but perhaps not for some of the local, dominant players.
It is hard to predict how the behaviour of travellers will change in the coming years. We expect that business travel and conference traffic will take many years to recover and that patterns will change permanently. It remains to be seen how much these changes will impact on hotel values and financing terms."

Erik Myklebust
Senior Director, Norway

Hotel performance amongst the Nordic capital cities has shown significant improvement between 2015 and 2019, especially Copenhagen and Helsinki. These two cities with relatively limited hotel supply have enjoyed higher performance levels compared to Stockholm and Oslo, where greater supply results in performances of minimal increases or even slight decreases.

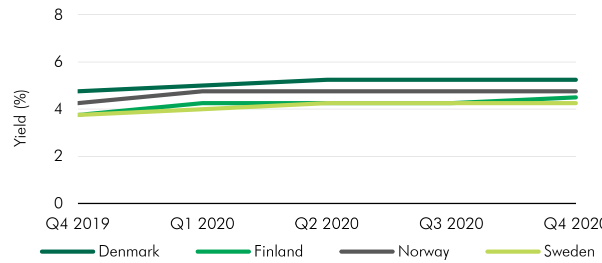
Leases are the most common hotel operating structure in the region, and the markets are dominated by a handful of strong local operators. The Nordics have seen increasingly strong interest from international operators and brands that have

Hotel Supply in Nordic Capitals



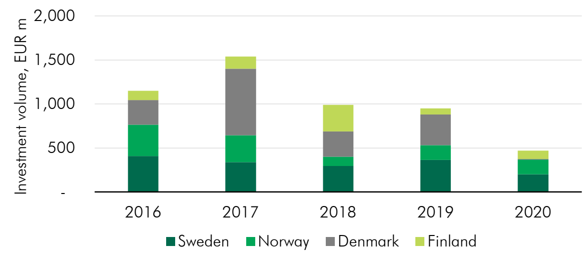
Source: CBRE, Statistics Norway, Statistics Sweden, Statistics Denmark, 2021

Nordic Prime Hotel Operational Lease Yields



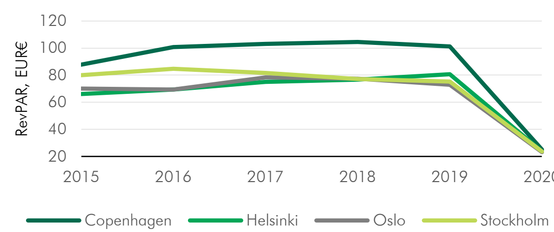
Source: CBRE 2021

Hotel Investment Volumes, Nordics



Source: CBRE 2021

Hotel RevPAR, Nordic Capitals



Source: Benchmarking Alliance, 2021

entered the region in recent years. It is likely that the brand landscape and other operating structures are expected to become more common in the coming years.

Hotel investment activity has traditionally been highest in Denmark and Sweden, with Denmark benefitting as the most international market and Sweden as the country with an active local investor base.

Nordic hotel investment volumes reached €471 million in 2020, down by 50% from the previous year. Sweden accounted for 43% of this total followed by Norway at 35%.

Notable hotel transactions in 2020 included the sale of Clarion Hotel Amaranten in Stockholm, acquired by NREP, and the sale of Scandic Helsfyr in Oslo, acquired by Storebrand.

Current investor sentiment is cautious and Nordic hotel prime yields have increased by 50bp during the pandemic. Nordic prime hotel yields range from 4.25% o 5.25% in the capital cities, being only slightly above levels for prime office investments. This reflects strong pre-Pandemic investor demand for the long-dated index-linked operational leases offered in the hotel market.

"2020 started strongly in the hotel and hospitality sector within the Helsinki region, with 15 hotels and 4,000 rooms in the confirmed pipeline for 2021-2023. The pandemic has resulted in some projects being postponed or cancelled, but the short-term pipeline remains strong.

Looking ahead at 2021, the year will undoubtedly remain challenging for the whole industry. Investor and lender sentiment is cautious and will impact transactions and financing of new developments. Investors have become even more cautious on tenant financials, lease guarantees and rent sustainability. What remains positive is the operator faith in the recovery, as witnessed for prime properties in ongoing operator selection processes in Helsinki."

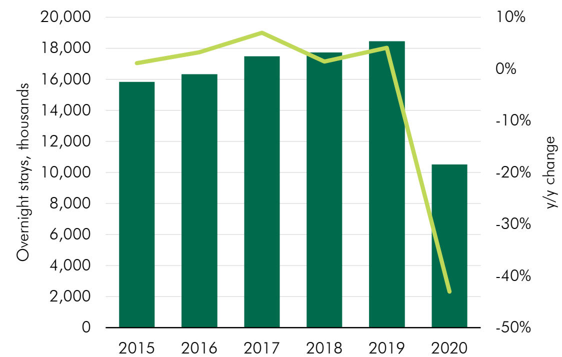
Elina Purmonen
Associate Director, Finland

Key Hotel Transactions, 2018-20

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
Sokos Hotel Vaakuna (2020)	Hämeenlinna	123	Confidential	Lease
Scandic Kallio (2019)	Helsinki	121	Confidential	Lease
Hotel Katajanokka (2018)	Helsinki	106	Confidential	Lease
Scandic & Holiday Inn 6 Hotels Portfolio (2018)	Several	870	€72,400,000	Lease
Scandic City Hakaniemi (2018)	Helsinki	152	Confidential	Lease

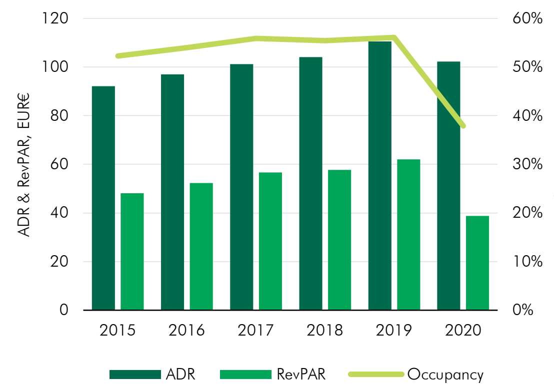
Source: CBRE 2021

Tourism Demand, Finland



Source: Statistics Finland, 2021

Hotel Key Performance Indicators, Finland



Source: Statistics Finland, 2021

ADR growth in the Helsinki region has driven higher RevPAR levels in the capital. Strong development in the Asian source market has further improved the hotel performance in southern Finland and Lapland.

2019 was a record year for arrivals in Finland with a total of 23.1 million overnight stays – reflecting a 3.9% increase from the previous year. Due to the outbreak of the pandemic, overnight stays declined by 43% from 2019 with a total of 10.5 million stays in Finland. International hotel stays have significantly decreased and domestic travel has also been at a lower level, especially in the Capital area.

RevPAR growth has been strong from 2015 to 2019, reaching €62.0 in 2019, a record year. In 2020, RevPAR was at €38.8 a decline of 37% from the previous year. Recovery is expected to begin in 2021 associated with the COVID-19 vaccine and to return to 2019 levels by 2024.

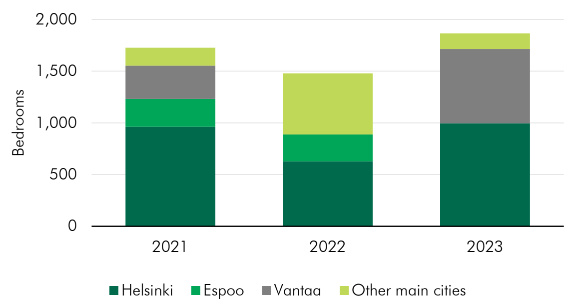
"Hotel supply in Helsinki will extend in terms of positioning and brand offering in the coming years as Helsinki remains attractive to operators.

Lease agreements are expected to remain the prevailing operational structure; however, we expect turnover based leases to become more common as well as other structures for dividing risk and return for hotel operations."

Elina Purmonen

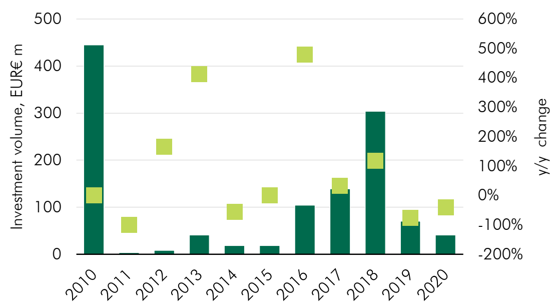
Associate Director,

Hotel Development Pipeline, Key Finnish Cities



Source: CBRE 2021

Hotel Investment Volumes, Finland



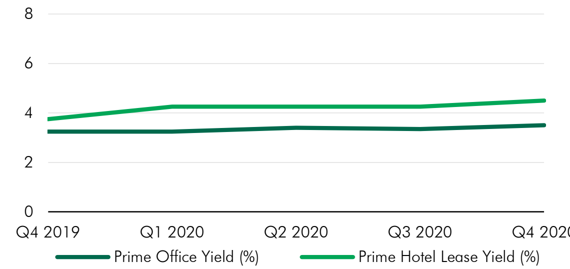
Source: CBRE 2021

Hotel supply in Finland is expected to increase steadily from 2021 to 2023. Some hotel projects may have been postponed due to the current challenges in the hotel market. However, many hotel operators are confident on the market recovery. Increasing hotel supply will have an influence on the recovery, especially in the areas that have suffered the most, such as airports.

The Finnish hotel market has proven its strength recording increased performance figures which supports our opinion that the hotel industry will recovery once the pandemic is contained.

Attractiveness of hotels within the investment market is expected to pick up from the sluggish investment activity of 2020.

Hotel Prime Operational Lease Yields, Finland



Source: CBRE 2021

Low pre-pandemic hotel transaction volume reflects limited supply in hotels. Demand for hotel investments has been high but limited with the offered hotel products. This had resulted in compressed yields, but as a result of unappealing market conditions in 2020 yields returned to 2018 levels.

Prime hotel yield had compressed close to prime office yield in 2019. There is limited market evidence on hotel yields, but according to our estimation, at the end of 2020 prime hotel yield was at 4.50%.

Operational leases are the only operating structure present in the Finnish market, mainly due to the majority of hotel investors being institutional, seeking long-dated index-linked leases.

Looking forward, it is our opinion that the long-term lease agreements will continue to appeal to local investors and hotel operators.

The Finnish economy faced a downturn in 2020 due to the restrictions placed by the government. However, the economy should experience growth in H2 2021 and bounce back to pre-pandemic figures latest in 2022. Unemployment is expected to peak in 2022 but should improve once we start to see the market recover.

To say 2020 was a stormy year for the UK Hotel Sector would be an understatement. A year already anticipated to be filled with uncertainty due to Brexit, a late-cycle market and the US Presidential election, but few had foreseen the COVID-19 pandemic and its devastating impact. RevPAR across the UK, both in the regions and in London, fell to historic lows, with the lockdown measures and restrictions on cross-border travel. As a result, investment activity all but dried up and the deal volume for the year fell by almost 70% compared to 2019.

Despite this, there were some positives to be taken from 2020, which have shielded many hotel businesses from collapse, including increased flexibility from both lenders and landlords, government support measures and the ingenuity of operators. The strong staycation market witnessed in the summer clearly demonstrated the strong and increasingly pent up demand for travel and accommodation, and coupled with the underlying growth fundamentals that supported record top-line hotel revenues in the period preceding the pandemic, we are confident the sector will continue to be resilient and return to its long-term growth trajectory that has rewarded many an investor.

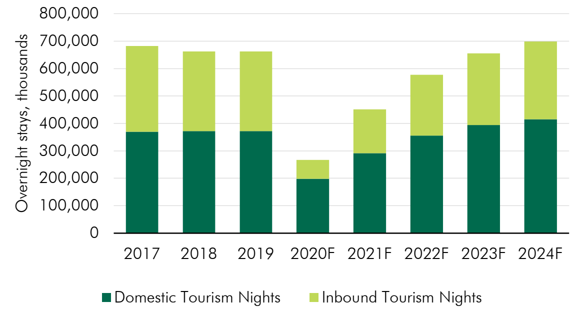
JULIAN KEMP
Head of UK Hotel Advisory Services, EMEA

Key Hotel Transactions, 2020

PROJECT NAME	CITY	KEYS	PRICE	CONTRACT
Premier Inn Exchange Square Birmingham	Birmingham	235	£38,000,000	Fixed Lease
Grosvenor House Suites by Jumeirah Living	London	133	£325,000,000	Management Agreement
The Wellington	London	146	£76,500,000	Site Sale
The Ritz London	London	136	£747,500,000	Vacant Possession
Hampton by Hilton Bristol Airport	Bristol Airport	201	£20,000,000	Management Agreement

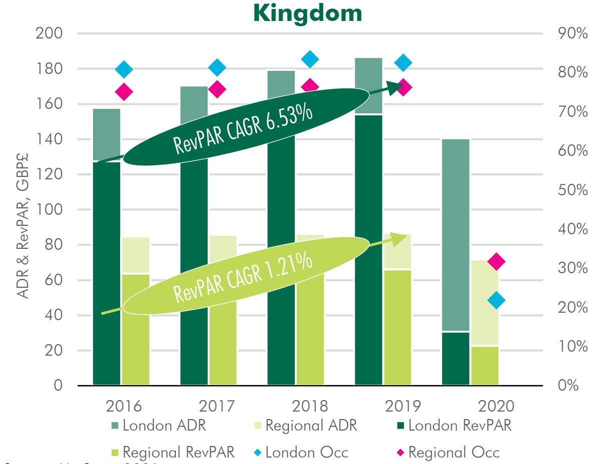
Source: CBRE 2021

Tourism Demand, United Kingdom



Source: Visit Britain & Tourism Economics, 2021

Hotel Key Performance Indicators, United Kingdom



Source: HotStats, 2021

The UK market has, historically, attracted strong and sustained levels of tourism demand. Following the outbreak of the pandemic, tourism demand declined sharply for most urban markets following the implementation of international travel restrictions and lockdown measures.

Tourism Economics Forecast 2020:

- Domestic Nights decline -47% - (CAGR 2020-24 +57%)
- Inbound Nights decline -76% - (CAGR 2020-24 +35%)

Domestic leisure tourism has and will continue to drive UK hotel performance in the short-to-medium term.

We currently expect an overall recovery of UK tourism demand by 2024, subject to the implementation of an extensive vaccination programme through 2021, both in the UK and its key inbound source markets.

Key factors that will impact the trajectory of demand recovery for hotels and hotel markets:

- Location;
- Market positioning;
- Business mix;
- Exposure to international demand.

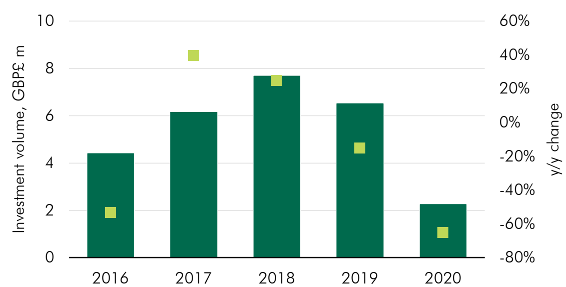
We expect that those hotels and hotel markets with material exposure to meetings, events, group and international business may take longer to recover.

It is the leisure focused regional properties and the limited-service hotels that have proved most resilient, in terms of top-line revenues and profitability, since the onset of the pandemic.

Despite a buoyant start to the year with hotel transaction volumes totalling £1.4 billion in Q1 2020, including the sale of the Ritz Hotel London, investment activity slowed considerably in Q2 and remained subdued throughout the remainder of the year, notwithstanding some relatively small provincial deals.

Since the onset of the pandemic, we have observed a shift in the types of capital seeking hotel investments, with a material increase in interest from opportunistic funds and family offices. However, there are some hurdles facing buyers, including vendor pricing expectations, the availability and cost of finance and the challenge of inspecting and underwriting opportunities. Generally, we expect the bid-ask spread to narrow and a material uptick in deal flow towards the middle of the year.

Hotel Investment Volumes, United Kingdom



Source: CBRE 2021

No significant distress…yet.

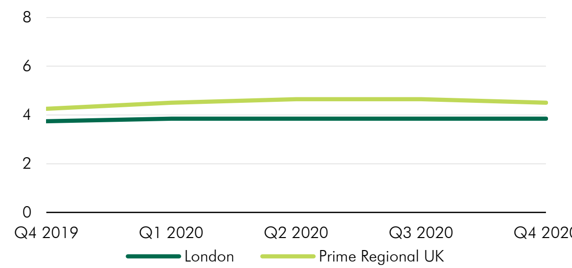
The pressure on owners' working capital continues to grow, yet we have so far observed little distress aside from assets that were challenged prior to the onset of the pandemic.

Government support initiatives, such as property tax relief and the employee retention scheme, have partly shielded hotel owners and operators from the full impact of the pandemic so far. Furthermore, many lenders appear eager to support their borrowers, especially those that can demonstrate a strong business plan to mitigate losses and capitalise on the forthcoming recovery.

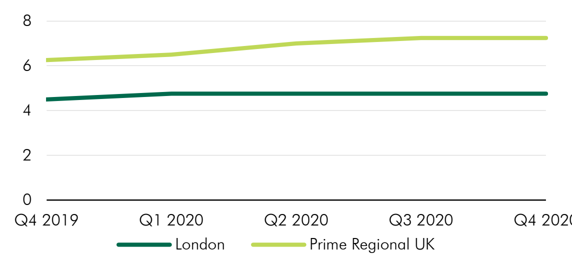
In terms of the hotel construction pipeline, an increasing number of developers are deferring or considering alternative uses for projects with a planned completion date in the short term. The sentiment regarding the delivery of hotel developments post 2023 remains positive.

Those markets with a material number of rooms in construction, and expected to be delivered, include Manchester, Liverpool and Glasgow. This will put pressure on the speed of performance recovery, particularly for underinvested, peripheral properties.

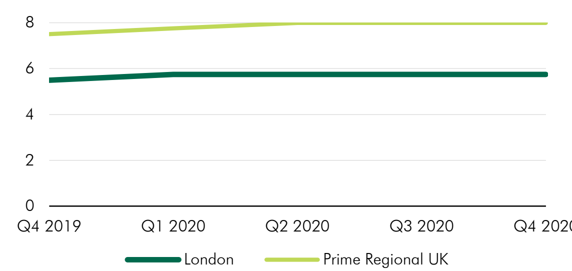
Hotel Prime Operational Lease Yields (%)



Hotel Prime Vacant Possession Yields (%)



Hotel Management Contract Yields (%)



Source: CBRE 2021

Prime Yields in London and Regional UK were generally stable in 2019 but have increased during 2020 as a result of the pandemic, the uncertainty it has caused and the impact on the debt market.

London remains in demand, despite the decline in hotel performance, with prime yields increasing by 25 bps in 2020 for hotels operated subject to vacant possession or management contract. Pricing is supported by investors taking a longer-term view and the strong underlying real estate values.

The Prime Regional UK yield movement has been more material, with yields increasing by 100bps for hotels subject to vacant possession.

It should be noted that these yields are largely based on market sentiment given the limited transactional evidence. The impact of increasing yields on capital values has also been compounded by lower expectations of operating performance in the short-term.

We expect that any further movement in yields will be impacted by the timing of the recovery and government support for the sector, for example.

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