

hotelfocus



Corporate hotel news from Christie + Co
Spring 2008

“Although the current economic climate has caused considerable apprehension in the hotel market, trading fundamentals are still strong, with reports of encouraging occupancy levels and growth in RevPAR. Christie + Co brokered a number of notable transactions in the first few weeks of the year, proving that buyers are still keen to complete deals — as long as the price is right,” says Director & Head of Hotels, Jeremy Hill.



Deals will continue despite market apprehension

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2007 was a story of two halves for the hotel property sector. The continued “wall of money” was the theme during the first half of the year, with many sources of equity and debt, and demand for hotel assets significantly outstripping supply. Prices boomed and yields fell to unprecedented levels as investors simply couldn’t get enough hotel sector assets.

During the final few months of the year, the effects of the crisis in the US sub-prime mortgage market started to become evident. As concerns about the cost and availability of debt prompted purchasers to seek more competitive prices for hotel assets, we started to see a smoothing of price levels.

Having witnessed impressive growth in average hotel property values at the beginning of 2007, values softened towards the end of the year as transactional activity slowed. Whilst this may sound disappointing, it is worth noting that we recorded a positive increase, not a fall in hotel values during 2007. Analysis of our own hotel sales showed that average prices moved forward by 6.1% across the year as a whole.

In our general discussions with hotel operators and investors, the recent sentiment that has come across is one of apprehension.

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Christie + Co
BUSINESS INTELLIGENCE



Deals will continue despite market apprehension

continued from front

A number of deals have been set in a holding pattern by the instability in the financial markets and are currently waiting to land/complete. New supply is also currently benign, with a current "wait and see" attitude preventing owners from presenting their assets to the market.

However, trading fundamentals in almost all major European hotel markets remain strong, with significantly above-inflation growth in RevPAR continuing unabated throughout 2007. The outlook for hotel trading across Europe remains good, with many markets enjoying RevPAR and profit growth well into double digits year-on-year for 2007, with the same expected for 2008.

There is still debt available to fund transactions and there is also plenty of private capital. While highly leveraged "mega-deals" are most likely to be affected by the credit crisis, single asset deals and smaller portfolio deals are still deliverable, albeit at potentially higher finance costs, and with less leverage being available.

The ongoing demand for quality assets will help ensure that we continue to witness significant deals during 2008. There will be fewer sales by the major hotel companies this year due to the fact that they have very little left to sell.

However, good quality, well located hotel property will still be highly sought-after by a variety of buyers, and this combined with possible solutions to the "credit crunch", will push prices forward during the latter half of the year.

We believe that further deals will follow as investors regain their confidence.



Market Intelligence

by Jeremy Jones,
Director of Corporate Hotels

Owners they are a changing for Amsterdam hotel

Acting on behalf of Apollo Real Estate Advisors, Christie + Co sold the stylish Dylan Hotel in Amsterdam for an undisclosed sum to a confidential buyer.

Apollo acquired the 41-room hotel in 2003. It was originally launched as a Blakes Hotel in 1999, before being renamed as the Dylan two years later.

The company appointed Hamilton Hotel Partners, the London-based advisory firm, in 2004 to asset manage its investment and then to directly manage the hotel in the middle of 2005.

The property, which is located in a 17th century building in the centre of the Dutch capital, recently had its ground floor refurbished and, since Hamilton took over direct management in 2005, has seen EBITDA improve substantially.

Frank Croston, consultant for Hamilton, said: "After taking over direct management of the Dylan in 2005, we improved trading significantly, adding substantially to profitability within the first 12 months.

"The initial improvements were subsequently consolidated leading to substantial improvements in EBITDA, allowing Apollo to optimise its sale price."

Hamilton also asset manages the Fairmont St Andrews Hotel in Scotland, and manages the Gran Hotel La Florida in Barcelona on behalf of Apollo.





Four Pillars Hotel, Tortworth Court

RREEF banks on Four Pillars deal for future growth

by Dan Griffiths, Director, Investment

Christie + Co sold the Four Pillars Hotel Group to RREEF Real Estate, the global investment management business of Deutsche Bank's asset management division, for an undisclosed sum in the region of £120 million.

We were originally instructed to sell the company's hotel portfolio, which is spread across Oxfordshire and Gloucestershire, on a sale and manage-back basis. However, we received interest from a number of private equity investors who were keen to acquire the entire Four Pillars Hotel Group, including its head office operations and development pipeline of two additional sites.

The company was ultimately acquired by RREEF Real Estate, marking Deutsche Bank's first investment in the UK hotel market.



Four Pillars Hotel

Under the terms of the deal Brian Murtagh, Four Pillars' founding director, and Charles Holmes, the group's chief executive, retained a holding in the group. In addition, a joint venture was established between RREEF and the four original founding shareholders of Four Pillars to identify and build further sites, which will be operated under the Four Pillars banner.

The joint venture has already been awarded planning permission to develop its first new hotel in Harwell, Oxfordshire and has a number of other sites in the pipeline.

Alistair Dixon, chief executive, real estate opportunity funds at RREEF, said the group intended to build a "substantial" portfolio through Four Pillars in the UK.

RREEF Real Estate has made an astute strategic purchase. They have cleverly chosen to enter an undersupplied section of the market, which will provide them with a platform for future growth.

Christie + Co brokers St Helens sale for Hilton

by Jeremy Jones, Director, Corporate Hotels



Christie + Co acted for Hilton Hotels in the sale of the purpose-built, 84-room Hilton St Helens in Lancashire to WG Mitchell, the Edinburgh-based property group.

A full and open marketing campaign generated high levels of interest and we received a number of offers for the hotel, which was available on an unencumbered basis.

The deal was agreed with WG Mitchell for a figure in excess of the original guide price. The sale of the property confirms that the market for well located hotels remains strong. We were particularly pleased that our marketing campaign generated substantial, well funded offers and that the eventual sale surpassed initial expectations.

WG Mitchell has granted Rezidor SAS a management contract for the hotel, which was purpose-built in 1992 and is located close to the North West motorway network. Rezidor plans to operate the hotel under its budget, full-service, Park Inn brand.

The property, which includes a wide range of conference, meeting and banqueting areas, as well as a fully equipped leisure club, has reported high occupancy levels for both mid-week corporate trade and weekend leisure guests.



Stratford Victoria sold to QHotels

by Dan Griffiths,
Director, Investment



Last year we were instructed by a long standing client to market the freehold interest in the Stratford Victoria Hotel in Stratford-upon-Avon, Warwickshire.

The 102-room property was marketed subject to an ongoing management contract with Marston Hotels.

Marston had indicated an interest in acquiring the freehold interest of the property but during the sale process the 12-strong group was acquired by QHotels for £180 million.

QHotels, which took its portfolio to 21 hotels with the purchase, decided to go forward with the acquisition of the freehold, and acquired the property for an undisclosed sum off an asking price of £16 million.

The hotel is situated close to its sister property, Stratford Manor.

The sale of Marston Hotels to QHotels came two years after a previous attempt to sell the business was cancelled in favour of a £150 million refinancing.



Market Intelligence
by Ken Simms, Director

Hotel du Vin acquires St Andrews property

We were confidentially instructed to market the 22-bedroom St Andrews Golf Hotel on behalf of Joe Headon, chairman of St Andrews Golf Hotel Ltd, at the end of October.

The hotel occupies a prominent position on The Scores in St Andrews, and overlooks St Andrews Bay.

It comprises two function rooms, the Number Forty restaurant, the Number Forty cocktail bar, and the Ma Bells bar.

Hotel du Vin, which currently operates a portfolio of 11 hotels, acquired the property for an undisclosed sum.



St Andrews Golf Hotel

The company had already acquired properties in Cheltenham and Glasgow through Christie + Co, so we knew that the St Andrews Golf Hotel might meet their requirements.

The group plans to refurbish the hotel and has already submitted a planning application to add a further 21 rooms to the existing site.

Robert Cook, chief executive of Hotel du Vin, said: "It was a particular aim of the business to move to St Andrews and the group is absolutely delighted to acquire such a fantastic building.

"Depending on receiving planning permission for the extra rooms, I hope the hotel will re-open in time for the 2008 British Open Golf Championship, which will be held in July at the nearby St Andrews Royal & Ancient Golf Club."

The group will open its next property in Poole, Dorset, at the end of May. It will be followed by further openings this year in Newcastle and Edinburgh. A Hotel du Vin is also scheduled to open in Chester in 2009.

Founded in Winchester in 1994, Hotel du Vin currently has properties located in Birmingham, Brighton, Bristol, Cambridge, Cheltenham, Glasgow, Harrogate, Henley-upon-Thames, Tunbridge Wells, Winchester and York.

Hotel du Vin Ltd was acquired by Marylebone Warwick Balfour in October 2004. MWB is a public company quoted on the London Stock Exchange, which also owns the Malmaison Group of hotels.

Each hotel boasts its own unique location, be it townhouse, brewery, warehouse or renovated hospital, complemented by the unmistakable Hotel du Vin essentials. French-style bistros with a modern edge; unsurpassed wine cellars; eclectic furnishings; Egyptian linen; monsoon-like showers and hand-sprung mattresses.

Christie + Co previously sold One Devonshire Gardens in the West End of Glasgow and the Carlton Hotel in Cheltenham to Hotel du Vin.



One Devonshire Gardens Hotel



Thistle Hotel in Irvine

Offers sought for interest in Isles of Glencoe Hotel

by Kerr Young, Investment

Menzies Hotels acquires Thistle package

by Sebastian Meredith, Associate Director

Acting on behalf of CIT Group, advisors to Curzon Hotels, we sold a portfolio of eight Thistle Hotels to Menzies Hotels for an undisclosed sum.

We were instructed to market the hotels on an unencumbered basis – free of branding and management.

Although the assets no longer fit Thistle's criteria and branding requirements, we received offers from a number of potential buyers who recognised the potential of the properties.

The eight properties were part of a portfolio of 28 Thistle Hotels acquired by Curzon Hotels last year for around £400 million.

The hotels, which comprise 978 rooms and 45 meeting rooms, include the Thistle Gatwick Airport, Thistle Manchester Airport, Thistle Birmingham Edgbaston and the Dyce Skean Dhu in Aberdeen.

Neil Palmer, director of CIT Group, advisors to Curzon, said: "We are delighted to have quickly completed the rationalisation of the portfolio of 28 Thistle Hotels acquired earlier this year, through the sale to Menzies Hotels and look forward to completing the capital investment programme for the remaining 20 assets."

Menzies has announced that it is to invest £12 million on refurbishing and rebranding the eight hotels in line with its existing estate over the next 18 months.

Tim Penter, chief executive of Menzies Hotels, said: "The acquisition of these eight hotels provided us with the ideal opportunity to continue to grow and develop our portfolio of hotels.

"All the hotels are in prime locations improving our geographical spread across the UK. Our existing hotels continue to enjoy buoyant trading and we are confident that these new hotels will provide the company with a significant return on investment".

The latest deal takes the company's estate to 23 hotels throughout England and Scotland, which includes nine health and fitness clubs.



Thistle Hotel in Stevenage

Christie + Co and Frazer Kidd & Partners have been jointly instructed by a private investor to sell the investment interest in the Isles of Glencoe Hotel and leisure club near Fort William.

Offers in excess of £6.15 million are being sought for the investment interest in the property, which is currently operated on a 25-year lease by Folio Hotels. With a portfolio of more than 30 hotels, Folio operates a collection of three and four star hotels across the UK.

The 59-room Isles of Glencoe property, which is set within over 14 acres of ground on the shores of Loch Leven, comprises the Macpherson Restaurant, a lounge bar and conservatory, and offers spectacular views of the Scottish highlands.

The Isles of Glencoe Hotel offers a unique investment opportunity, with a number of opportunities for further development.

Subject to planning permission, the adjacent peninsula would provide an excellent location for the development of holiday lodges and an adjoining building, which currently lies empty, would lend itself to additional leisure facilities.

At offers in excess of £6.15 million, representing a net initial yield of 6.7% and a reversionary yield of 7.6%, we are expecting to receive a high level of interest for this investment opportunity.



Greenwich Market boutique opportunity

by Kerr Young, Investment



The planned regeneration project

Situated on the River Thames, Maritime Greenwich is a World Heritage Site — famous for such historic landmarks as the Royal Observatory, the home of Greenwich Mean Time and the Meridian Line. Christie + Co has been instructed by the Crown charity, Greenwich Hospital, to secure a hotel operator for a boutique opportunity in the very heart of the town.

Greenwich Hospital is the owner of a large proportion of Greenwich town centre, including the Island Site, which is occupied by the historic market and has been earmarked for regeneration. The planned boutique hotel will form the centrepiece of an exciting redevelopment on King William Walk, which will replace post-war buildings with something more in keeping with the surrounding Grade II-listed buildings. With its main entrance on King William Walk, overlooking the Old Royal Naval College and the Dreadnought Library, the boutique hotel will also occupy the upper floors of other redeveloped buildings in and around the market.

Having previously carried out a feasibility study on the location, Christie + Co has been appointed to find a hotel company to partner the redevelopment planning application, which will be submitted later this year, and also to operate the completed hotel. In addition to the boutique hotel, the completed regeneration scheme will see the restoration of a number of historic buildings, the creation of a larger, more accessible market, and the provision of new shops and offices.

Situated in the heart of a thriving tourist area, the new hotel will also have easy access to a number of other high-profile trade generators including the O2 Arena and Canary Wharf.



The Island Site



Greenwich town centre



Christie + Co's accomplished Corporate Investment team has been further strengthened with the appointment of Jonathan Parrish and Simon Dodd.

Jonathan Parrish, who has more than 24 years' hospitality industry experience, has been appointed to head up the company's expanding Investment team. Jonathan has extensive experience in the investment and development disciplines and has completed a considerable number of successful site acquisitions, operator searches, planning projects, lease negotiations and investment deals for hotel sector clients.

Simon Dodd, who has more than 9 years' commercial property experience, has worked for Christie + Co since June 2006. He qualified as a Chartered Surveyor in 2005, having gained a First Class Honours degree in Estates Management, which he completed part-time, whilst working in general commercial practice.

Investing in the development of an even stronger team

by Jeremy Hill, Director & Head of Hotels



From left to right: Kerr Young, Jonathan Parrish, Simon Dodd, Daniel Griffiths

Moving from Christie + Co's Maidstone office to the London Corporate office in November 2007, Simon now focuses on providing professional consultancy services and brokerage advice to investor and developer clients.

Typical activities of Christie + Co's Corporate Investment team, which is completed by Daniel Griffiths and Kerr Young, include complex investment deal structuring, operator searches, brand franchise advice, and lease and management contract negotiation.

High profile projects have included the £417 million sale of the Hilton Metropoles in London and Birmingham; the acquisition of the 272-bedroom Radisson Portman Hotel in London; the £120 million sale of the Four Pillars Hotel Group; and Moorfield Group's £400 million acquisition of a portfolio of 24 Macdonald Hotels.

Demand for investment and development guidance has increased in recent months and, as a provider of specialist hotel sector advice, Christie + Co receives a large number of referrals from major clients. By investing in the expansion of our team, we are able to respond even more effectively to our clients' needs.



Upscale operators sought for new urban quarter

by Dan Griffiths,
Director, Investment

Christie + Co has been given the go-ahead to seek operators for two new hotel opportunities in a major mixed-use development scheme in Salford, Greater Manchester.

We have been instructed by developer BSC Group to seek upscale hotel operators for a 140-room property and a 90-room property, which will form part of the Canopus Greengate development that lies to the north-west of Manchester's city centre.

The project will include two stunning towers of 46 and 31 storeys, of which the former will become the second highest building in Manchester on completion in 2011.

Both towers will feature a pool and spa complex on the roof, while there are also plans for the city's first observation deck at the top of the 46-storey tower.

The scheme will also create 403 new homes, a new public square and urban park, plus around 8,000 square metres of retail space, which has been earmarked for cafes, bars, restaurants and shops. It will also include an underground car park, with approximately 400 spaces.

The Canopus development will become an important gateway site at the heart of the regeneration of the city and the whole of the Greengate area, which is being developed to open up the boundaries between Manchester and Salford with new walkways linking the two areas.



Canopus Greengate development

Christie + Co helps Dynamique Hotels to live up to its name

by Thomas Lamson,
Managing Director, France

Christie + Co's French team acted on behalf of Dynamique Hotels, the hotel investment fund created by CB Richard Ellis Investors, to acquire the 19-strong Bonsaï hotel chain for an undisclosed sum.

The budget hotels, which comprise around 1,000 rooms in total, currently operate under three brands — Bonsaï Escale, Bonsaï Etape, and Bonsaï Relais.

Dynamique Hotels was responsible for driving much of the hotel investment activity in France during 2007. The company made a number of key acquisitions to quickly become the fourth largest hotel chain in the country. Having previously acquired hotel portfolios from Akena, Groupe Soghest and Géo, Dynamique Hotels' recent acquisitions have included the 95-bedroom Royal Mirabeau hotel in Aix-en-Provence, and the RMH group, comprising Balladins hotels with its 32 subsidiaries and 125 franchisees.



Bonsaï Hotel



New opportunity on the French Riviera

by Thomas Lamson,
Managing Director, France

Retaining its glamour and charm, the French Riviera continues to attract a multitude of business and leisure travellers. Nice Cote d'Azur International Airport receives in excess of nine million visitors each year, of which 40% are business travellers, making it France's second busiest gateway airport after Charles de Gaulle in Paris.

Cannes and Nice both have thriving convention centres, which are being developed to accommodate an increasing number of international events. As well as being home to the famous film festival, the Palais des Festivals et des Congrès in Cannes hosts a variety of other international events including MIPIM, the property market event, which attracted more than 26,000 delegates in 2007, and MAPIC, the retail real estate event, which attracted more than 10,000.

The Acropolis Convention Centre in Nice has helped to establish the city as the second largest conference destination after Paris, providing a total surface area of 30,000 square metres and hosting 180 events each year, accommodating approximately 700,000 delegates in total.

The development of the French Riviera's conference and event facilities has enhanced the demand for high quality hotel accommodation, so it is perhaps unsurprising that hotel investors continue to target the area. Christie + Co opened an office in Marseilles during 2006 in order to respond to increasing demand for brokerage and advisory services within the region.

Having sold the 152-bedroom Sofitel in Nice to INVESCO Real Estate last year, Christie + Co has been instructed to market another prominent hotel on the French Riviera. The renowned 182-room Novotel Cannes Montfleury Hotel is offered for sale with the benefit of a sale and manage-back agreement with Accor. The four-star hotel is located in the peaceful surroundings of the Parc Montfleury, just 10 minutes walk from the centre of town and Le Croisette. We expect strong interest from both French and international investors.





by Yves de Bouttemont,
Location Manager, Rennes

Christie + Co increases presence in France

At the beginning of the year, we increased our international presence with the opening of our third French office, in Rennes, Brittany.

The addition of the Rennes office follows the opening of our first French office in Paris in 1998, and of our second in Marseilles, which opened in 2006.

Local demand in the Brittany region has increased at such an encouraging rate that we felt the time was right to establish a presence in the region.

Our French offices have enjoyed great success during 2007, with transactions including the sale of the 182-bedroom Sofitel Nice on the French Riviera, the acquisition of the Jardins de Paris portfolio in the capital and the acquisition of a package of 19 Bonsai-branded hotels on behalf of Dynamique Hotels.

The opening of our Rennes office will further improve Christie + Co's geographical coverage, providing a local presence to help ensure that our customers continue to receive the best possible service.

With almost 900 hotels, spread across an extensive area, Brittany is one of the most popular destinations for beach holidays in France and an increasingly popular destination for short-stay breaks.

The hotel stock in Brittany comprises 16% budget hotels, 57% two-star hotels and 27% three and four-star hotels. The mid-market and luxury sectors may only make up less than a third of the total offering, but these categories enjoy the highest average occupancy levels. At the end of 2006, occupancy reached 73%, compared with 71% recorded the previous year. Average occupancy levels in the budget hotel sector closely follow, at 72% during 2006.



The three-star Touring Hotel in Saint-Leonard-des-Bois, which Christie + Co sold within a few days of the Rennes office opening

Barceló instructs Christie + Co to sell five hotels

by Inmaculada Ranera,
Managing Director, Spain



Barceló Hamilton, Menorca

In November 2007, our Spanish office was instructed by Barceló Hotels & Resorts, to sell five purpose-built hotels located in the Balearic and Canary Islands.

The hotels, which comprise a combined total of 1,870 rooms, are located in Lanzarote, Menorca, Ibiza, Majorca and Gran Canaria, and are available for sale individually or as a group.

Barceló, which owns or manages around 160 hotels in 15 countries, including the US, Turkey and Bulgaria, has appointed us to lead a series of non-strategic disposals.

The disposal agreement is part of the company's plans to focus on the luxury hotel sector, with the aim of operating an entirely four and five-star estate by 2010. It is set to launch its brand into the UK through its management of Paramount Hotels.

The group took over the 20 hotels in September under a 45-year lease agreement with owner Dawnay Shore Hotels. The group plans to manage a total of 40 hotels in the UK within the next three years.

Last October the company announced it had acquired the remaining 83.5% stake in eight hotels it formally shared with property group Martinsa Fadesa for €148 million.

Starwood request puts International Advisory Group in its Element

by Carine Bonnejean,
Associate Director



We were recently commissioned by Starwood Hotels & Resorts to conduct a landmark research project into the extended stay market in Europe.

The purpose of the research was to enable Starwood to evaluate the potential for its new Element brand, which was announced in 2006.

The detailed research programme investigated existing and potential supply in key selected markets across the UK, France, Austria and Russia and evaluated the potential for extended stay properties in Europe as a whole.

Formerly known as Project ESW, the Element brand is an extension of Starwood's Westin brand. Its design features a multi-storey window-wall to flood lobbies with natural light and public spaces, which will include a water feature.

It also incorporates an outdoor area, with a courtyard and patio where guests are invited to socialise and relax by an outdoor fire pit and barbeque. Element hotels are also smoke-free.

Starwood opened its first hotel under the new brand in Lexington, Massachusetts late last year. It expects to have about 100 Element hotels developed by 2012 and plans to introduce the brand in major destinations in Asia, Europe, Africa, the Middle East, South America and North America.

JER Partners goes that little bit further with Christie + Co

by Simon Hudspeth, Director and Head of Hotel Consultancy

Christie + Co's consultancy team provided advice to JER Partners, the private equity arm of US real estate investor JE Robert Companies, in its acquisition of Morethanhotels. The hotel group was acquired for an undisclosed sum believed to be in the region of £115 million last October.

We completed a definitive study on the UK's branded budget hotel market to assist JER in preparing for the acquisition. The due diligence documentation we provided included a thorough review of the market as a whole, involving contact with all major players in the UK, and a property-by-property review of each of the trading Morethanhotels.

The quality and depth of research, analysis and reporting were greatly appreciated by the client.

JER said the acquisition of the privately owned Morethanhotels, which owns and manages 11 Express by Holiday Inn, would provide it with a platform for the creation of a larger portfolio of branded hotels in the UK over the next three to five years.

Morethanhotels also owns two sites near Birmingham NEC, both of which have planning permission for hotel development. Once completed, the group will comprise around 1,450 rooms.

Malcolm le May, president of JER Europe, said: "The UK limited service hotel market, which is currently fragmented and undersupplied, presents significant investment opportunities.

"The acquisition of Morethanhotels is a first step, providing JER with economies of scale, credibility with franchisers when expanding, and visibility to other potential vendors of multiple sites or individual hotels."

Acting on behalf of private clients, we also sold the Express by Holiday Inn Stevenage to Morethanhotels (see page 14).

JER Partners also owns a 50% stake in the six-strong Manotel Hotel chain in Switzerland.





by Inmaculada Ranera,
Managing Director, Spain

A tale of two cities

A recent study by Christie + Co and The Bench found that hotels in Barcelona outperformed hotels in Madrid during the first nine months of 2007.

Hotels in Barcelona experienced an 8.05% rise in RevPAR to €127.25, compared with a 4.1% increase in the Spanish capital to €88.22.

The research found that hoteliers in Barcelona had experienced a continued improvement in RevPAR compared with the same period in 2006.

This was driven by an increase in average room rate from €161 to €174, while occupancy remained stable at 73%.

Madrid reported a slower rate of increase in RevPAR, due primarily to growth in average room rate from €129 to €133, with occupancy of 66%.

The report showed that Barcelona benefited from a more balanced seasonality than Madrid, with leisure demand complementing business tourism, resulting in high year-round occupancy, average rate and RevPAR.

The city, which has become one of the top destinations in Europe for short breaks, saw strong RevPAR performance throughout most of the year. It also attracted strong midweek occupancy levels, due to several major commercial events.

Barcelona is expected to see annual traffic grow from 30 million to 55 million passengers, with the opening of a new terminal at its El Prat airport next year.

The study found that Madrid experienced higher average room rates during the week than at weekends, due to its perception as a business destination. This also meant it suffered from poor performance figures in the summer holiday months, due to the drop off in demand from business travellers.

However, the city is expected to benefit from the shortly to be completed International Convention Centre, as well as from the extension of the IFEMA exhibition centre, which will increase its capacity by 50,000 square metres.



Extension to the IFEMA exhibition centre, Madrid

Bench Reviews, coming soon to a city near you!

by Tom Grounds,
Research Analyst



A large number of Christie + Co's clients have now signed up to receive copies of our bi-monthly city reviews. The reviews are produced using desk-based research, content provided by experienced local industry specialists, and hotel trading data from The Bench. Previous and forthcoming city reviews include:

- + Edinburgh (*January 2007*)
- + Manchester (*March 2007*)
- + Bath and Bristol (*May 2007*)
- + Newcastle and Gateshead (*July 2007*)
- + Birmingham (*September 2007*)
- + Barcelona & Madrid (*September 2007*)
- + Leeds (*November 2007*)
- + Glasgow (*January 2008*)
- + Berlin (*March 2008*)
- + Liverpool (*March 2008*)
- + Cardiff (*May 2008*)

There's a doctor in the house!

by Markus Beike,
Managing Director, Germany



by Markus Beike,
Managing Director, Germany



Christie + Co's Berlin office has appointed the well known hotel finance specialist, Dr Dieter Hasse, as its Location Manager.

Managing a team of four, Dr Hasse will be responsible for hotel market activity in Berlin and in the new states in East Germany, as well as providing hotel funding advice to all of his colleagues in Germany. He holds a Masters degree in Business Administration and Economic Geography.

Prior to joining Christie + Co, he worked at Deutsche Kreditbank AG in Berlin, where he was responsible for corporate finance in the hotel and tourism markets. He was integral in developing an internal system for benchmarking the valuation of hotel properties, using comparative data gathered from previous assignments.

Dr Hasse previously spent 10 years with Deutsche Bank, with responsibility for specialist finance and tourism infrastructure. He is also co-author of the textbook "Finanzierungsleitfaden für die Mittelstandshotellerie" ("Financial Compendium for Medium-Sized Hotels"), which was published last November.

We employ some of the leading hotel property specialists in Europe and we are delighted that Dr Hasse has agreed to join us. His arrival further strengthens our hotel advisory and brokerage team.



Dr Dieter Hasse, Location Manager

German market set for interesting year



Despite many dire predictions, the German hotel investment market experienced robust growth in 2007. As witnessed in the record year of 2006, we experienced a deal churn of over two billion euros for 2007 — even against the background of the US credit crunch, which limited activity in the third and fourth quarters.

Demand for hotel property in Germany was high during 2007, particularly from international investors, who have been dominating the hotel investment scene since 2004 and continue to control the market. In nine out of ten portfolio transactions, investment capital comes from abroad and even some 70% of single asset transactions are driven by foreign investors.

The German economy is currently in upswing and although the credit crisis has slowed this growth, the outlook for the hotel market remains positive.

Hotel occupancy and RevPAR in Germany are currently lower than the European average, but they are both on the increase, ensuring that investor interest is maintained.

The major and often quite spectacular portfolio transactions of recent years are expected to have only a limited effect on the 2008 transaction volume total. As an immediate result of the US credit crunch, outside capital for those leveraged transactions might be more difficult to raise.

Even so, there is currently no reason for concern in the German market, which is still very dynamic. Another wave of hotel sales is conceivable for the not too distant future, when investors will review their portfolios.

Christie + Co makes star sale in Hamburg

by Torsten Scholl,
Director & Hamburg Office
Location Manager

At the end of 2007, Starman UK Services Company, the joint venture owned by Starwood Capital and Lehman Brothers, instructed us to sell Le Meridien hotel in Hamburg-Stillhorn.

The four-star, 150-room hotel was acquired by Fattal Hotels, the Israeli hotel company, for an undisclosed sum.

The company plans to operate the property as part of its European division entitled Leonardo. Fattal currently operates 12 hotels under the Leonardo brand in Germany.

Felicity Black-Roberts, director of property at Starman, said: "The Stillhorn property was not a good fit for the Starman portfolio and we were delighted to be able to restructure the ownership and sell the freehold to Fattal Hotels."

Starman acquired the former Le Meridien estate in 2005. The company said it was focused on driving the growth of the portfolio through further investment.

Last year, also acting on behalf of Starman UK Services Company, we brokered the sale of Le Méridien Phoenicia in Malta's capital city, Valletta, to Heuston Hospitality.



Le Meridien hotel, Hamburg-Stillhorn



The landscape of hotel properties in Germany is changing rapidly. Not only are there development projects for 250 new high-end hotels waiting in the pipeline. Also, more and more hotel corporations are surging onto the market to establish their brands in the most significant inbound and outbound market for tourism and business travel.

Currently, German hotel properties are still a bargain by European standards. The reason is the comparably low productivity of German hotels. In particular as far as room rates are concerned, Germany is clearly lagging behind other European countries. But it is indeed this potential generated by low room rates that fuels the creativity of international investors.



Travelodge checks into Chester development

by Jon Patrick, Director

Acting on behalf of Opus Land, Christie + Co successfully signed a lease agreement with Travelodge, the budget hotel chain, to operate a 60-room hotel in "The Exchange", a 72,750 sq ft, mixed-use scheme, which is currently under development in Chester.

Opus is developing the former BT exchange building, which is located immediately opposite the city's renowned Amphitheatre and Grosvenor Gardens, into a high quality mixed-use scheme incorporating a hotel, café bar, restaurant, offices and retail units.

The internal layout of the existing property lends itself perfectly to the creation of Travelodge's 60-room format.

The Chester opening will form part of the budget hotel chain's plans to add around 40 new hotels and 4,000 rooms every year. The company currently operates around 315 hotels in the UK and aims to achieve a target of approximately 1,000 hotels, providing 70,000 rooms by 2020.

Opus Land, which was founded in 1999, operates as a property developer and investor from its bases in the West Midlands and West Yorkshire. Since it was established, it has concluded numerous developments across the UK, including major projects in and around Birmingham, Bradford and Bristol.



Travelodge, Chester



Express by Holiday Inn

Christie + Co takes the Express route

by Sebastian Meredith, Associate Director

Christie + Co has strengthened its relationship with the leading Express by Holiday Inn hotel brand with the sale of properties in Strathclyde and Stevenage for a combined sum in the region of £18 million.

Acting on behalf of LRG Acquisition, we sold the long leasehold on the Express by Holiday Inn Strathclyde Park, which was the first property to open under the brand in Europe.

The lease on the 120-room property, which was extended in 1998, was acquired by Geminex Hotels & Leisure — the newly formed hotel arm of Festival Healthcare, which will manage the hotel on a franchise basis.

Located ten miles south-east of Glasgow, this high-profile hotel enjoys an excellent trading location at the centre of a thriving commercial area. Following lengthy negotiations, we were pleased to be able to assist Geminex in the growth of its hotel portfolio.

Acting on behalf of private clients, we also sold the Express by Holiday Inn Stevenage to Morethanhotels, the leading budget sector operators, who we advised JER partners to acquire in October last year (see page 10).

The 129-room purpose-built property was sold with the benefit of an existing brand franchise agreement under the Express by Holiday Inn brand.

The potential for further development of the business attracted a number of interested parties and several existing franchisees came forward before a deal was agreed with Morethanhotels.

We believe that the property will fit perfectly with Morethanhotels' growing portfolio of limited service hotels across the UK.

The Stevenage and Strathclyde transactions are just two of a number of exciting projects we have been working on involving the Express by Holiday Inn brand. As well as transacting sales and acquisitions, we have also been involved in development projects and operator searches over recent months.

Most notably, last year, we acted for the Lewis Group to identify Butterfly Management to operate a new 120-room Express by Holiday Inn at Stroud Park, near Banbury.





by Mark Stevens,
Managing Director,
Christie Corporate Finance

CCF assists Balbirnie House development

Acting for the hotel's private owners, Christie Corporate Finance assisted in the provision of project funding to enable the extension of the renowned Balbirnie House Hotel in Fife. The hotel is now able to significantly extend its facilities, by developing a £5 million Spa and additional bedrooms.

The 30-room hotel, which is set in 400 acres of parkland, is owned and operated by the Russell family, and is widely acknowledged as one of the finest privately-owned, luxury hotels in Scotland. The hotel has won many accolades including the hotelreviewscotland.com award for large classic wedding hotel of the year, which it picked up twice in a row.

Norman Cockburn, Director of Valuation Services for Christie + Co, who is based in Edinburgh, has had a long relationship with the family and the

hotel having undertaken several valuations of the business in recent years. Realising that Christie Corporate Finance could help secure the required level of funding to make the planned development a reality, he introduced us to the owners.

After discussions with a number of potential funders, we were able to introduce Clydesdale Bank to the Russell family and, once planning permission was obtained in late June 2007, they confirmed their commitment to the project.

The Spa development is scheduled to start in early 2008 and opens in late Spring 2009. It will cement the hotel's position as one of the finest privately-owned hotels in Scotland.

Former BBC HQ provides development opportunity

by Kerr Young, Investment



BBC Scotland's former headquarters, Glasgow

Christie + Co has been instructed to find a hotel operator for an 85-room boutique hotel at Queen Margaret Drive, in Glasgow, the prestigious former headquarters of the BBC in Scotland.

The development of the site in the city's West End is to be undertaken by a joint venture between Esk Properties and Blackrock International Land.

The BBC chose Esk and Blackrock from 18 contenders to develop the 5.3 acre site, which will comprise the boutique hotel and around 200 high quality, new-build residential units.

Esk is to sensitively convert the site's listed buildings into the boutique property, which has been described as the best hotel development opportunity to appear in Scotland for a number of years.

The current Broadcasting House complex is set within an established residential district immediately adjacent to the Botanic Gardens.

Two distinctly individual buildings, by two of Glasgow's greatest architects, form the centrepiece of BBC Scotland's former operation.

As with much of the city's West End, the site lies within the Glasgow West Conservation Area, which seeks to protect the general integrity and character of architectural significance in the area.



Successful portfolio transaction prompts Berlin instruction

Following the successful sale of a portfolio of eight hotels in Germany on behalf of Accor to Grand City Hotels & Resorts, Christie + Co was further instructed by the French hotel company to sell the Hotellerie Deutschland in Berlin.

The 116-room hotel was also acquired by Grand City Hotels & Resorts, the Berlin-based Israeli hotel management company, which currently operates over 30 hotels in Europe.

The property, which is situated in the Reinickendorf district of Berlin, will continue to be managed by a franchisee, under Accor's Ibis brand.

Our nationwide market presence, with five offices across the country in Berlin, Dusseldorf, Frankfurt, Hamburg and Munich, largely contributed to this successful transaction.

We conducted a comprehensive marketing campaign in high-circulation dailies and periodicals, which also enabled us to enhance brand awareness and strengthen our image as specialists.



Hotel Ibis, Berlin



by Jeremy Hill,
Director & Head of Hotels

Taking our intelligent approach onto the international stage

As a recognised specialist within the hotel sector, Christie + Co is invited to participate in an increasing number of international events. During 2007 we continued to increase our profile on the international stage, highlighting to global clients and hotel industry experts our approach to business property in Europe.



Christie + Co stand at MIPIM

Last October, we were one of 1,823 companies from 43 countries who exhibited at EXPO REAL 2007 in Munich. The commercial property event attracted an incredible 23,800 visitors.

Our prominent, purpose-built exhibition stand attracted large numbers of visitors and provided a venue for several useful meetings during the event. Christie + Co was well represented, with nine members of the German team in attendance, working alongside five people from the UK.

Markus Beiike, Managing Director in Germany for Christie + Co was invited to take to the stage as a panellist in the "Special Real Estate Forum", where he was asked to share his knowledge of the boutique and spa hotel sector.

Next month, Christie + Co will again be one of the patrons at the 11th annual International Hotel Investment Forum (IHIF) in Berlin, where 26 Christie + Co staff will be representing the company.

Our International Managing Director Chris Day is participating in one of the plenary sessions entitled "The Outlook for the European Hotel Industry — A look at the numbers, trends and where things are headed. Which gear are we in". I have been invited to participate as a panellist in one of the breakout sessions entitled "The Property Transactions Market — Time to Buy or Time to Sell?" The IHIF is a key event for members of the European hotel investment community, with more than 1,400 senior level executives attending last year's forum.

Christie + Co's international presence will be expanded even further this year, with Chris Day also scheduled to speak at the fourth Arabian Hotel Investment Conference (AHIC) in Dubai, which is being held from 3rd to 5th May 2008 at the Madinat Jumeirah conference centre.



Christie + Co stand at EXPO REAL

Christie + Co enters Scandinavia

by Kimmo Virtanen,
Director of Scandinavia,
the Baltics and Russia



Christie + Co is set to increase its presence in Northern and Eastern Europe, with the opening of its first Scandinavian office this spring in Helsinki, Finland — the 12th major European office for the company.

Our team of four will concentrate on opportunities across Denmark, Finland, Norway, and Sweden, and the growing hotel market in the Baltic States.

There is a significant amount of activity taking place across the whole region but both the Nordic and Baltic states are currently underdeveloped regarding the major hotel brands.

We will also be looking to tap into the potential opportunities that exist in Moscow and St Petersburg, which have populations of ten million and four million people respectively.

With cross-border deals in the Nordic states currently at a premium, there is also a gap for a service provider to broker deals between the respective countries, which we will be looking to fill.

More than 1,000 industry leaders are expected to attend the conference, which has been described as the most important event of the year for those who are thinking about the future of the hospitality industry in the Middle East.

Finally, our Investment team will again make sure that Christie + Co has a strong presence at MIPIM, the world's premier real estate summit, which is taking place next month in Cannes, France.

Details of all forthcoming events, together with contact details for the attendees, are available on our website — www.christiecorporate.com.



Avon calling for Swire Group

by Jon Patrick, Director

Christie + Co brokered a deal on behalf of Peel Hotels to sell the 76-room Avon Gorge Hotel to Swire Properties, the real estate arm of the Swire Group, the Hong-Kong based conglomerate, for £15.5 million.

The Avon Gorge Hotel occupies a superb location, in Bristol's trendy Clifton Village overlooking Brunel's famous Suspension Bridge, and this, together with the development potential afforded by the property's various planning consents, is no doubt what attracted Swire to the hotel.

The property also benefits from the recently refurbished Bridge Café and Bar, which features an all weather deck that provides al fresco eating with stunning views.

Swire is expected to pursue additional planning permission in order to further develop the hotel and its range of services, as part of plans to develop a 100-strong unbranded hotel group in Europe.

Acting on behalf of LMH we sold the three-strong Alias Hotels group, which includes properties in Brighton, Cheltenham and Exeter, to Swire for an undisclosed fee in October 2006.



The Avon Gorge Hotel, Clifton Village

Recent single asset transactions



The Averard Hotel, London

Acting on behalf of the vendors, Christie + Co sold the 60-room Averard Hotel in central London to a private international investor, by means of a share sale. This imposing hotel is centrally located opposite Hyde Park and within easy reach of Kensington Gardens, as well as Lancaster Gate underground station. Offering accommodation on a bed and breakfast basis, the hotel attracts strong leisure and mid-week corporate trade. The Averard attracted a considerable amount of interest. Following a competitive bidding process, we received six offers in excess of the guide price and contracts were exchanged within just five months of the hotel's introduction to the market. We had previously acted for the owners in their sale of the 112-bedroom New Ambassador Hotel in Bournemouth.



Beauport Park, East Sussex

Beauport Park, a historic Georgian country house hotel set in approximately 38 acres in East Sussex, was sold by Christie + Co to Bannatyne Hotels Ltd, which is owned by entrepreneur, Duncan Bannatyne of Lion's Den fame. The 25-room hotel was placed on the market on behalf of Ken Melsom, who acquired the business in 1983, and business partner, Stephen Bayes, at an asking price of £4 million for the freehold interest by share transfer. The property attracted strong interest from a variety of private and corporate operators resulting in a competitive bidding process and an ultimate sale price, which met our client's expectations. The Bannatyne Group plans to redevelop the hotel as a destination health spa.



Frederick's Hotel & Spa, Maidenhead

After 30 years of ownership Frederick Losel instructed Christie + Co to confidentially handle the sale of the 37-room Frederick's Hotel & Spa in Maidenhead. The hotel, which includes an award-winning restaurant and extensive conference/banqueting facilities, was acquired for an undisclosed sum by a private investor and will be operated under a new management contract by Bespoke Hotels. We received a good level of interest from a variety of potential bidders but the hotel was eventually bought by a special buyer who identified its unique quality and valued the benefits the property offered.



The Crab at Chieveley

Acting on behalf of owners David and Jackie Barnard we sold the Crab at Chieveley for an undisclosed sum to Heritage Hotels, which is owned and operated by the Hughes family. Offers of around £5 million were sought for the 14-room property, which includes private outdoor hot tubs and rooms named after exotic locations from around the globe, such as the South Pacific influenced "Bora Bora". Heritage Hotels also owns the nearby Newbury Manor Hotel, the 4 Star Park House Hotel in Shropshire, and the Churston Court Hotel in Brixham.

completed by Christie + Co



The Edgemoor Hotel, Devon

Christie + Co sold the Edgemoor Hotel in Bovey Tracey, Devon, for an undisclosed sum, with offers in excess of £2 million sought. The 16-room hotel, which is on the edge of Dartmoor National Park, includes a 30-cover restaurant, a 22-cover bar/bistro, a lounge, three conference rooms, a two-bedroom manager's flat, and a four-bedroom owner's house. The new owners are Andrew and Joanne Marshall, experienced operators, who sold their hotel in Filey, North Yorkshire through our Leeds Office.



The Draycott Hotel, London

Christie + Co negotiated the off-market sale of the 5 Star Draycott Hotel in Cadogan Gardens, close to Sloane Square, in the heart of the Royal Borough of Kensington & Chelsea. We were instructed to confidentially market the property on behalf of the majority shareholder, who owned a 73.33% LLP interest. We received numerous offers, before selling the majority share to the existing operator and minority interest holder – The Mantis Collection. Subsequently, we have been instructed by The Mantis Collection, to act in an advisory role, in relation to an imminent rent review.



The Derwentwater Hotel, the Lake District

The Derwentwater Hotel and Derwent Manor in Portinscale, in the Lake District, has been sold for an undisclosed sum. The 48-room hotel features a 60-cover bar, a residents' lounge, a 100-cover restaurant, and a conservatory. This was a particularly interesting deal, given that the hotel business was sold to an investment/real estate company, which in turn leased the property to a well known corporate hotel operator.



St Giles House Hotel, Norwich

Christie + Co recently secured new lessees for the renowned St Giles House Hotel in St Giles Street, Norwich. The 24-room boutique hotel, which has a 4 Star AA rating, occupies an imposing Grade II Listed property. The business had been operated, since the summer of 2007, by landlords Sutherland Walk Developments Ltd, who successfully stabilised the operation set up by their previous tenants. The St Giles House Hotel is a stunning building fronting St Giles Street, close to the centre of the city. Constructed as an insurance office in the 19th Century, the property has been carefully redeveloped and extended, retaining many original features. The new lessees are Pat and Rachel Roofe, who also own and operate the 11-bedroom Elderton Lodge Hotel in Thorpe Market.

Award-winning Cheshire property sold to Prima Hotels

Christie + Co sold the 18th Century Nunsmere Hall Hotel to Prima Hotel Group for an undisclosed sum on behalf of private owners, Malcolm and Julie McHardy.

This 36-room Victorian country mansion, which is located in the heart of the Cheshire countryside, adjacent to a 60-acre lake, features seven luxury suites as well as a two AA Rosette restaurant, three conference rooms and banqueting facilities for up to 300 people.

It attracted a considerable amount of interest from both individual and corporate operators.

With planning permission for a further 24 bedrooms, a leisure spa and additional conference facilities, the acquisition was ideally suited to an experienced operator who would recognise the development potential.

After receiving a number of offers, we agreed the deal as a share transfer to Prima Hotel Group, the luxury hotel company founded by Liam Walshe in 1998.

The company recently completed a £5.2 million refurbishment of its Royal Terrace Hotel in Edinburgh.

It also owns the Quorn Country Hotel in Leicestershire, Hellaby Hall Hotel in South Yorkshire and the Stanneylands Hotel in Cheshire.



Nunsmere Hall Hotel, Cheshire



Meet our European Corporate Hotels Team

Chris Day started his career in the property profession in 1975 and qualified as a Chartered Surveyor in 1980. He joined Christie + Co in 1985 and became Managing Director in 1993 – having worked in our Manchester, Birmingham and London offices. Chris has overall responsibility for Christie + Co – both agency and professional services, with particular responsibility for our international operations.



Jeremy Hill originally joined Christie + Co in 1984 and has 20 years' experience in the hotel and hospitality sectors. He previously worked in our Birmingham office in a corporate hotel role, as well as managing the office for 4 years. In 1998 Jeremy moved to London to help establish Christie + Co's European offices in Paris, Frankfurt and Barcelona. Over the past ten years he has worked with many of Christie + Co's corporate hotel clients and is now responsible for all the company's hotel sector activities.

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