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Elana Bader and Karen Smith

Introduction

In 2005 the European hotel industry continued its strong recovery, which had begun the previous year. Events such as the war in Iraq and the London bombings failed to have a negative impact on either the volume or value of hotels transacted; on the contrary, the industry saw the greatest number and value of transactions recorded annually in the last seven years. The hotel real estate transactions that took place demonstrated that the sector is now truly established as a mainstream asset class following the proven strength of the European hotel investment market over the last four years, and positive leverage resulting from improved profitability continued to create a very attractive environment both for investors and lenders.

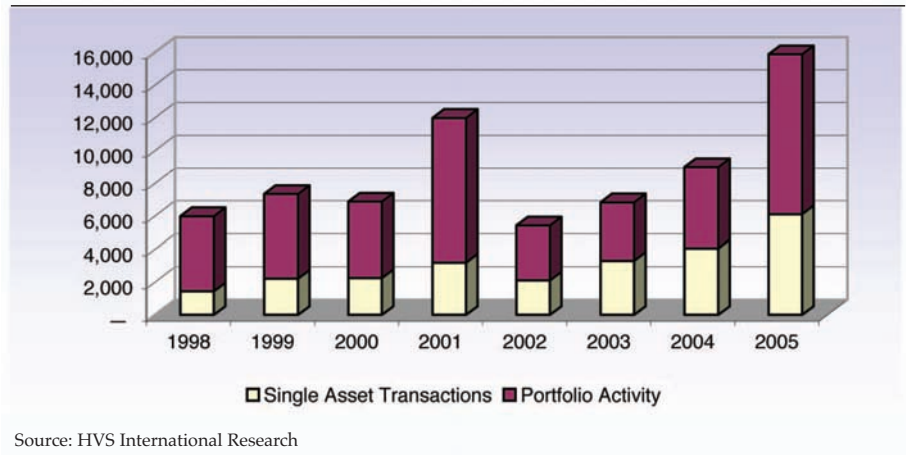
The European hotel investment market in 2005 shifted from the top gear experienced in 2004 into overdrive in terms of both single asset and portfolio transactions. HVS International recorded a spectacular 77% increase in total investment activity in 2005 to the record level of approximately €15.9 billion, the highest annual volume of hotel investment made in the last seven years. Investment was primarily driven by real estate investors, followed closely by hotel investment companies as well as private equity investors. The weight of money targeted at hotel real estate, in particular assets with good covenants, continued and increased from last year with an exceptional level of private equity and institutional capital available.

European Single Asset Transaction Activity

In 2005 there were only two events major that may have had an adverse effect on European single asset transaction activity. However, the bombings in Madrid in March and those in London in July failed to force the market down. In fact, Spain and the UK were the two strongest markets for hotel transactions in Europe in 2005. Additionally, a majority of European markets enjoyed RevPAR growth in 2005, indicating that on average most cities are on the upswing of the hotel investment cycle. This was marked by the fact that, while fewer hotels were sold by owners, more capital was expended by buyers.

During 2005, HVS International recorded a total of 133 single asset hotel transactions of more than €7.5 million, the minimum amount set for a transaction to qualify for inclusion in

Figure 1 Total Hotel Investment Volumes 1998-05 (€ millions)



Source: HVS International Research

our survey. Once again, the total volume of single asset transactions was particularly impressive, resulting in another record level of investment despite the actual number of such transactions decreasing from last year (140); investment, at just over €6.1 billion, was 51% higher than in 2004. Single asset transactions accounted for approximately 39% of the total investment activity, a decrease on the proportion recorded in 2004; the strong increase in portfolio activity in 2004, following the subdued level of activity the year before, continued into 2005, representing 61% of total transaction activity.

We must emphasise that 37% of all qualifying single assets transacted in 2005 had no publicly disclosed sales price; these transactions has been estimated to equate to just over €1.5 billion.

In 2005, Spain continued to be the most active market for hotel transactions for the third year in a row. A total of 43 qualifying transactions were recorded in Spain, representing over 9,500 rooms and totalling over €1.15 billion, some 19% of the total single asset transaction activity in terms of investment volume. However, only 19 of the transactions in Spain had a disclosed sales price. Our estimates place the value of undisclosed hotel transactions at around €730 million.

The UK also demonstrated strong liquidity, again settling behind Spain for the second year running with 34 qualifying transactions totalling approximately €1.75 billion and accounting for 29% of total single asset transaction activity in terms of investment volume. Our estimates show a value of approximately €150 million in undisclosed single asset transactions.

Meanwhile, five other European countries accounted for nearly half of the total investment activity. For the first time Russia was also one of the leaders in total investment value, totalling almost €555 million and representing 9% of total transaction activity.

Turkey enjoyed a buoyant hotel investment market in 2005, totalling almost €440 million and accounting for 7% of total transaction activity. Of the other main European countries, France, Ireland and Germany were also among the most active markets. Germany totalled almost €485 million, or 8% of total transaction activity. Ireland totalled approximately €440 million in transaction activity, or 7% of total transaction activity. France totalled almost €450 million in transaction activity, also 7% of total transaction activity.

In 2005, Central and Eastern Europe experienced growth in investment activity, representing around 19% of total European investment volume, with Turkey and Russia comprising the majority. A total of 14 qualifying transactions took place, up from 11 transactions in 2004. As values in Central and Eastern Europe are yet to achieve the levels seen in Western Europe, especially outside the capital cities, there were several single asset transactions not included in our survey as they did not break the €7.5 million threshold. Nevertheless, they, along with the 14 transactions recorded in our survey, demonstrate increasing liquidity in these markets, albeit that there is a long way to go yet.

In 2005, the largest single asset to transact in terms of both investment and value per room was in the UK, where the 263-room Savoy €332 million, or €1,262,000 per room. The iconic London hotel was acquired from Quinlan Private by a joint venture between Prince Alwaleed Bin Talal's Kingdom Hotel Investments and Bank of Scotland Corporate. The following were among other notable single asset transactions in 2005.

- The 324-room De Vere Belfry in North Warwickshire, sold to the Quinn Group for €271 million (€837,000 per room), was the largest regional single asset hotel transaction in the UK;

- The 233-room Hotel Danieli in Venice was sold to the Statuto Group for €177 million (€760,000 per room);
- The 438-room InterContinental Hotel in Paris was sold to DABICAM SAS for €315 million (€719,000 per room);
- The 56-room St James' Club in London was sold to Leverguide (a company set up by the Landesberg and Rosenberg families) for €30.1 million (€538,000 per room);
- The 46-room Hempel Hotel in London was sold to Michael McBride and investors for €24 million (€515,000 per room);
- The 403-room Jurys Ballsbridge & Towers Hotel and the 186-room Berkeley Court Hotel in Dublin were sold to Padholme Property Developers for a total of €260 million (€441,000 per room).

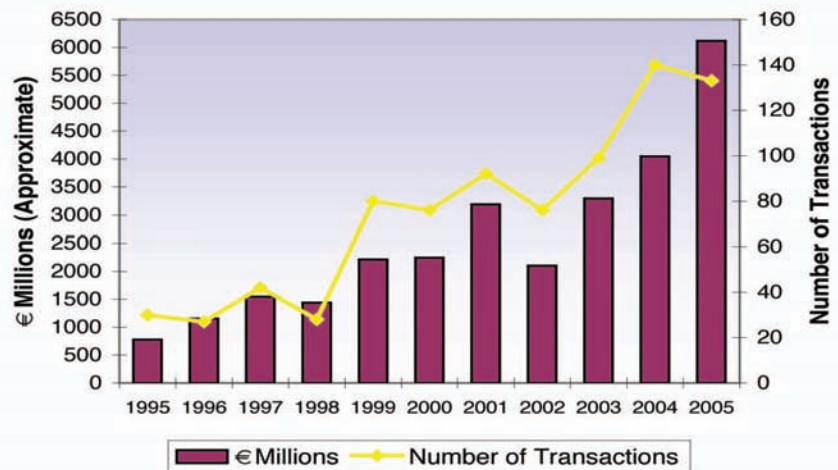
One significant difference in transactions activity compared to 2004 was that several trophy assets, such as the Savoy Hotel in London and the Danieli in Venice, found their way onto the market. As a consequence, the average price per room increased markedly on last year's figure, when there was a near absence of such assets. Our survey shows a 32% increase in the average price per room to approximately €208,000. We would stress that the average price per room recorded in 2005 is now more in line with the hotel asset values in 2005, as illustrated in the HVS publication *European Hotel Valuation Index 2006 (HVI)*. The average transaction price per room of hotels included in this survey is only approximately 11% lower than the European average value per room recorded in the HVI of approximately €234,000 per room, compared to a 29% difference recorded last year. Within the HVI survey the sample of hotels is limited to typical four-star and five-star branded hotels only, whereas the HVS *European Hotel Transactions* review includes all publicly quoted hotel sales above €7.5 million and encompasses assets positioned in the budget, mid-market and luxury hotel sectors. From this we can infer that either the number of high-value versus low-value hotels transacted has increased on last year's number, or the price per room for budget and mid-market hotels is on the increase, effectively narrowing the gap between average sales prices per room recorded in each of the surveys.

Portfolio Transaction Activity

Following the steady increase in portfolio investment activity over the last three years, 2005 experienced a jump in activity to a level similar to the one recorded in 2001. This increase was driven primarily by the desire of hotel operators to become asset light and dispose of properties primarily through sale-and-manageback deals, a trend that has greatly increased from 2004, and the widespread acceptance of hotels as a mainstream asset class and therefore a more established investment medium.

HVS International recorded 29 portfolio transactions in 2005, compared to 22 in the previous year. In 2005, portfolio activity

Figure 2 European Single Asset Hotel Transactions 1995-05



Source: HVS International Research

amounted to almost €9.8 billion, a near doubling in sales volume on the previous year. Portfolio transaction activity in 2005 also surpassed the current record of activity recorded in 2001 at €8.8 billion. A summary of these transactions in 2005 is shown in Table 1.

In 2005, portfolio transactions were dominated by the UK market, accounting for nearly half of the total investment volume. Hotel investment companies were the most prevalent buyers of hotel portfolios in 2005, and were involved in several of the high-profile and high-value transactions. Hotel portfolios in Scandinavia emerged as popular acquisitions by hotel investment companies in the Nordic region. Following are some examples.

- Starwood Capital LLC acquired Société du Louvre for nearly €1.7 billion from the Taittinger family, part of a €2.5 billion acquisition of the Taittinger Group. The portfolio includes the Envergure Group, composed of the Première Classe, Campanile and Kyriad chains with more than 51,000 rooms (when including the managed and franchised hotels), and the luxury Concorde Hotel Group, which includes the Crillon and Lutétia in Paris and the Martinez in Cannes;
- The second-largest portfolio transaction this year was the purchase of Le Meridien by Starman, a joint venture between Starwood Capital LLC and Lehman Brothers Holding, for €1.2 billion. The portfolio included 135 hotels located worldwide, although the majority were held under management agreements. The owned/leased hotels were almost all located in Europe and included the Eden Hotel, Rome; Le Meridien Piccadilly, London; the Excelsior Gallia, Milan; the Dona Filipe and Penina, Algarve; and the Etoile and Montparnasse hotels in Paris. The Le Meridien brand is to be retained and hotels will be operated by Starwood Hotels;
- Stardon UK Limited (a joint venture between Starwood Capital and Chardon Hotels Limited) acquired 11 Hilton properties for €160 million (€114,000 per room), from Hilton Group plc, forming part of Hilton's ongoing strategy to dispose of non-core mid-market hotels in order to concentrate on its portfolio of four- and

five-star properties. Some hotels will be re-branded as Holiday Inns;

- Tritac acquired 13 Accor hotels from London & Regional Properties for €105 million, or €88,000 per room. The portfolio is made up of 12 Ibis hotels and one Etap, a total of 1,190 rooms;
 - NorGani Hotels ASA, the largest hotel property company in Scandinavia, acquired hotel property company Hotelleiendom AS, comprised of 16 Scandic hotels in Sweden with 2,909 rooms, for €189 million, or €65,000 per room. Following this transaction, which is the largest made by NorGani Hotels ASA to date, the company will own 25% of all Scandic hotels in the Nordic region and will considerably strengthen the company's position in the Swedish market. These hotels were acquired only five months earlier by Hotelleiendom AS for €143 million, or €49,000, from Norwegian company Capona AB. NorGani Hotels ASA also acquired three hotels from Wenaas Gruppen for a total of €94 million, or €132,000 per room. The hotels include the SAS Radisson Bodø, SAS Radisson Lillehammer and Clarion Copenhagen. Furthermore, five additional hotels were bought by NorGani Hotels ASA from Capona AB for €70 million, or €88,000 per room. The hotels were the 327-room Scandic Hotel Malmen, Best Western Hotel Jägersro, Scandic Hotel Växjö, Scandic Hotel Bollnäs and Royal Corner Hotel & Konferens, all with a rent guarantee period of five years. The hotels have a total of 800 rooms. NorGani Hotels ASA also acquired 12 Swedish hotel properties from Pandox in a deal worth €120 million, or €67,000 per room. The hotels had been acquired by Pandox in the late 1990s and most had been upgraded and rebranded. In total, NorGani Hotels ASA was thus responsible for a number of the portfolio transactions recorded in 2005, representing 5% of total transaction volume at €473 million.
- Sale-and-manageback as well as sale-and-leaseback deals also featured prominently in portfolio transactions during 2005; following are some examples.
- The second-largest portfolio transaction in 2005 occurred when LRG Acquisition Limited (a consortium of investors

Table 1 Portfolio Transactions 2005

Portfolio	Country	Number of Properties	Number of Rooms	Total Sales Price (€)	Price per Room (€)	Buyer
Société du Louvre	France	227 ⁽¹⁾	19,559	1,691,000,000	86,000	Starwood Capital LLC
InterContinental	UK	73	12,841	1,436,700,000	112,000	LRG Acquisition Limited
Le Meridien	Various	135	—	1,230,300,000	—	Starman
Whitbread	UK	46	8,102	1,041,000,000	128,000	Condor Overseas Holdings
128 Accor Hotels	France	128	16,700	1,000,000,000	60,000	Foncière des Murs
15 Hilton UK Hotels	UK	15	2,974	562,950,000	189,000	Managed Hotels Unit Trust
B&B Hotels	France & Germany	119	8,015	380,000,000	47,000	Eurazeo Private Equity Group
Thistle	UK	6	1,209	271,000,000	224,000	Topland
Club Med	France	4	1,569	225,000,000	143,000	Gecina Group
Hotelleiendom AS	Scandinavia	16	2,909	188,700,000	65,000	NorGani Hotels ASA
Menzies Hotels	UK	14	1,200	174,500,000	145,000	Nikko Principal Investments
Hilton UK	UK	11	1,405	159,500,000	114,000	Stardon UK Ltd
Queens Moat Houses	UK	9	1,196	146,300,000	122,000	Jefferson Hotels LLP
Scandic	Sweden	16	2,909	143,100,000	49,000	Hotelleiendom AS
14 Capona Hotels	Scandinavia	14	2,164	139,300,000	64,000	ESO Invest i AS
Holiday Club Finland Oy	Finland	15	—	120,000,000	—	Dividum
Pandox	Sweden	12	1,794	119,600,000	67,000	NorGani Hotels ASA
North British Trust Group Hotels	UK	20	1,662	108,600,000	65,000	Swallow Hotels
13 Accor Hotels	UK	13	1,190	105,100,000	88,000	Tritax
3 Scandinavian Hotels	Scandinavia	3	708	93,800,000	132,000	NorGani Hotels ASA
Elmville Limited	UK	5	352	72,000,000	205,000	Leverguide
5 Capona Hotels	Sweden	5	800	70,400,000	88,000	Norgani Hotels ASA
Furlong Hotel Group	UK	3	182	60,700,000	334,000	Dawnay Shore Hotels
Choice Hotels Scandinavia ASA (42% stake)	Scandinavia	140	—	54,200,000	—	Capona AB
2 UK Hotels	UK	2	256	50,300,000	196,000	Macdonald Hotels & Resorts Ltd
Corus	UK	8	477	49,400,000	104,000	Swallow Hotels
Nordic Hotelliinteistöt	Finland	2	704	41,600,000	59,000	Kapiteeli
Ramada	UK	4	239	25,000,000	105,000	WG Mitchell Group
Foremost Hotels	UK	3	378	—	—	morethanhotels

(1) Owned hotels. Total including managed and franchised - 823

Source: HVS International Research

including Lehman Brothers Real Estate Partners, Realstar Asset Management and GIC Real Estate) purchased 73 hotels in a €1.5 billion deal from InterContinental Hotels Group (IHG), part of a larger disposal programme outlined by IHG. The price paid for the 73 UK hotels, all but 3 of the total UK portfolio and made up of one Express Holiday Inn, four Crowne Plazas and 68 Holiday Inns comprising 12,841 rooms, averages €112,000 per room. IHG will retain 20-year management contracts for 63 of the hotels, with a ten-year renewal option. For the remaining ten hotels, LRG Acquisition Limited must invest in those assets in order to retain the management contracts. These agreements will allow IHG to focus on branding, franchising and managing hotels while at the same time maintaining its strong UK market position. IHG will use the sale proceeds to fund investment in the business and pay down debt;

- Managed Hotels Unit Trust (MHUT, a property fund led by lawyer Egal Ahouvi, which handles funds for Israeli investors and pension interests) acquired 15 Hilton properties in the UK for €563 million cash from Hilton Group plc. The deal provides for the hotels to retain the Hilton brand for an initial term of 30 years under long-term management agreements. The deal was highly leveraged by the Royal Bank of Scotland, with MHUT providing only about €3 million of equity;

- Condor Overseas Holdings (a joint venture between Marriott and Whitbread) acquired 46 UK four- and five-star Marriott-branded properties for just over €1 billion, or €128,000 per room, from Whitbread. Whitbread thus exits from ownership and operation of its Marriott hotels business,

with Marriott now operating the hotels under long-term management contracts. Sale proceeds will partly be returned to shareholders and will also go towards reducing Whitbread's pension deficit and overall debt;

- Topland (a private property group owned by London-based Israeli brothers Eddie and Sol Zakay) bought six hotels from Thistle Hotels Limited for €271 million, or €224,000 per room. The purchase includes the Thistle Hyde Park, Euston, Barbican, Bloomsbury Park, Piccadilly and Edinburgh hotels. The hotels will be leased back by Thistle for 30 years. Financing was arranged by the Royal Bank of Scotland;
- WG Mitchell Group acquired four UK Ramada hotels in a sale-and-leaseback deal from Butterfly Hotels for €25 million, or €105,000 per room. The hotels, totalling 239 rooms, are located in Bury St Edmunds, Colchester, King's Lynn and Peterborough in East Anglia, and represent an initial yield of 6.6%.

In 2005, other portfolio transactions included the following.

- Foncière des Murs (a consortium of investors comprising Foncière des Régions, Generali, Assurance du Crédit Mutuel and Predica, a member of the Crédit Agricole Group) acquired 128 hotels in France from Accor for €1 billion, or €60,000 per room, from Accor Hotels. The mid-scale portfolio, a mixture of Mercure, Novotel and Ibis hotels, consisted of 16,700 rooms, a quarter of which are located in Paris. Accor will continue operating all of the hotels and will lease the properties back from Foncière des Murs;

- Leverguide acquired Elmville Limited, the owner of five UK hotels, and in turn owned by Corus and Intermediate Capital Group, for €72 million, or €205,000 per room. The portfolio is made up of the 138-room Richmond Hill Hotel, the 68-room Richmond Gate Hotel, the 53-room Buckerell Lodge Hotel, the 45-room Makeney Hall Hotel and the 48-room Castle Inn Hotel;

- Jefferson Hotels LLP (a vehicle of the Landsberg and Rosenberg families) acquired nine hotels from Queens Moat House Limited for €146 million, or €122,000 per room. The hotels are leased in an agreement with Rezidor SAS, which operates the brand under their Park Inn brand. The transaction gives Park Inn greater exposure in the UK and become a significant hotel brand in the UK mid-market hotel sector;

- Eurazeo Private Equity Group (a French investment firm) acquired B&B Hotels, the third-largest operator in France's budget sector, for €380 million from Duke Street Capital. The portfolio consists of 111 hotels in France and eight in Germany, at a total of 8,015 rooms. Duke Street Capital was said to have paid some ?200 million when it acquired the chain in 2003;
- Gecina Group (real estate group) acquired four Club Med holiday villages in the southeast of France for €225 million in a sale-and-leaseback deal with Accor's Club Méditerranée. The properties include La Plagne 2100, Optio, Val d'Isère and Peisey-Vallandry. Under the agreement, Club Med will continue to run the businesses for 12 years;

- Nikko Principal Investments (the European merchant banking arm of Tokyo

based Nikko Cordial) acquired Menzies Hotels for €175 million, or €145,000 per room. The portfolio of 14 four-star hotels in the UK comprises 1,200 rooms. Nikko now holds 79% of the equity in the hotel chain, with Nick Menzies, founder of the chain, holding 16%. The remaining 5% are held by the management;

- ESO Invest i AS acquired 14 hotels from Capona AB for €140 million, or €64,000 per room. The hotels include five Scandic and four Quality Hotels in Norway, Sweden, Finland and Denmark;
- Dividum (the hotel property investment company acquired by London & Regional Properties in 2004) acquired Holiday Club Finland Oy for €120 million. The company includes six spa hotels in Finland and nine other holiday resorts.
- Swallow Hotels acquired 20 of North British Trust Group's 24 hotels in the UK for €109 million. 17 of the hotels are located in Scotland with the remaining three in northern England. The acquisition of these 20 hotels follows the earlier acquisition of eight hotels from Corus Hotels plc for €49 million, or €104,000 per room. The purchase of these 28 hotels makes Swallow Hotels the largest hotel brand in Scotland;
- Dawney Shore Hotels acquired the Furlong Hotel Group for €61 million, or €334,000 per room. The country house hotels, all in central England, comprise the Lygon Arms, in the Cotswolds; Billesley Manor, near Stratford-upon-Avon; and Combe Grove Manor, near Bath. The 182 rooms that these three properties offer between them will enter the portfolio of the Paramount Group of Hotels, which is operated by DSH. The new owners will spend around ?2.2 million on the refurbishment of all three hotels, each of which could also find itself engaged in a project to add extra rooms;
- Swedish real estate company Capona AB acquired a 42% stake in Choice Hotels Scandinavia ASA for €54 million. The acquisition means that Capona AB must make a bid for the entire Choice Hotels Scandinavia ASA in the near future. Included in the transaction are 140 hotels located in the Nordic area, with two hotels in the Eastern Baltic states. The Board of Capona AB consider that changing Capona AB from a refined hotel property company to a company with exposure to the entire hotel market is a correct and important strategic step. Capona AB will become a company with a substantial stock of hotel property and considerable hotel operating business through the acquisition of the remaining stock of Choice Hotels Scandinavia ASA;
- Macdonald Hotels & Resorts acquired two hotel properties in Scotland for €50 million, or €196,000 per room. The hotels are the Holyrood Hotel, Edinburgh and Cardrona Hotel Golf & Country Club, Peebles, totalling 256 rooms;
- Finnish state-owned property investment company Kapiteeli bought a 40% stake in Nordic Hotelliinteistöt, owner of the Hilton Helsinki Strand and Scandic Continental, for €42 million, or €59,000 per room, from Finnair's pension fund. The

deal included approximately 100,000 m2 of land which is likely to be used to build an additional 100-120 hotel rooms. Following this deal, Kapiteeli will own all of Nordic Hotelliinteistöt;

- Foremost Hotels Limited, made up of three Express by Holiday Inns, was acquired by morethanhotels for an undisclosed sum. The hotels are located in Bristol City Centre, Birmingham NEC and Stafford, a total of 378 rooms.

In 2006, we consider that the abundance of portfolio activity will continue, given the completion of several portfolio transactions already this year, as well as the volume and value of scheduled transactions due to take place.

Profile of Investors

Significant changes in terms of investor profile occurred once again during 2005, in both single asset and portfolio activity. When considering total transaction activity, three principal types of buyers stood out in 2005: real estate investors accounted for 25% of activity, with hotel investment companies accounting for 22% and private equity investors accounting for 15%. Incredibly, total investment by hotel investment companies in 2005 increased tenfold on 2004 levels, with investment by real estate investors increasing by around 230%.

- Private equity remains a major source of capital, increasing 5% on the previous year's levels; it is important to appreciate that the share of the capital placed by private equity investors arose from the deal involving the InterContinental Hotels Group's owned assets in the UK and the purchase of B&B Hotels in France.
- Hotel operators accounted for 11% of total investment activity, a decline of almost 25% over last year and further enforcing the trend of hotel operators disposing of their physical assets rather than acquiring them. Hotel operators that did purchase hotels were mostly smaller hotel companies in the UK and Spain in the process of establishing greater market presence.
- High-net-worth individuals accounted for only 6% of total investment activity in 2005,

a 58% decline on the previous year. Such buyers have historically not followed a significant trend.

We envisage that both real estate investors and hotel investment companies will continue to be dominant players in the hotel investment arena, particularly as the industry's structure is changing. Hotel operators are becoming further detached from hotel ownership and hotels have become acceptable investments, the latter exemplified by the capital invested in hotels by hotel investment companies and real estate investors last year.

In respect of single asset transactions, there was a major shift in the investor profile with the emergence of a greater number of real estate investors interested in single assets. Acquisitions made by real estate investors included the Hilton Hotel Frankfurt by London & Regional Properties, the Hotel Danieli in Venice by the Statuto Group, and a number of transactions in Scandinavia by Thon Gruppen and Wenaas Gruppen AS. Overall, real estate investors represented some 38% of total single asset activity, at just over €2 billion, compared to only 20% in 2004 (€780 million).

- Hotel operators were more active than the previous year, with investment totalling €1.5 billion, a major increase on the previous year. Hotel operators accounted for 29% of activity, compared to 24% the previous year, and like portfolios were concentrated in the UK and Spain.
- On the other hand, all other buyer groups proportionately declined by various degrees in 2005. High-net-worth individuals also curbed their spending over the previous year, accounting for 17% of total single asset activity, with approximately €921 million, a decline from 24% and €932 million in 2004.
- Institutional investors proportionately decreased investment in 2005. They accounted for 5% of total single asset activity, with approximately €250 million. Private equity investors were not prominent in 2005, representing 2% of the total single asset activity, with approximately €108 million, compared to 13% and €514 million in 2004.

Figure 3 Single Asset and Portfolio Investment Activity by Buyer Category 2005

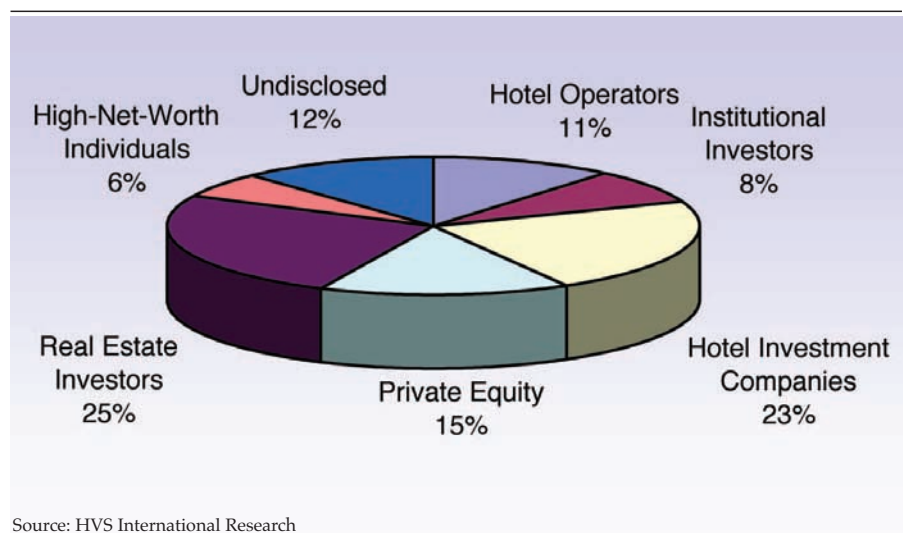
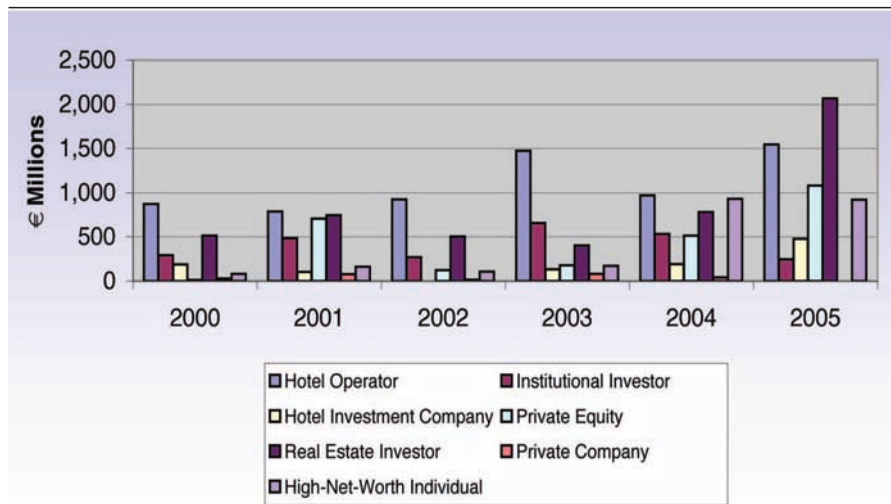


Figure 4 Single Asset Investment Activity by Buyer Category 2000-05



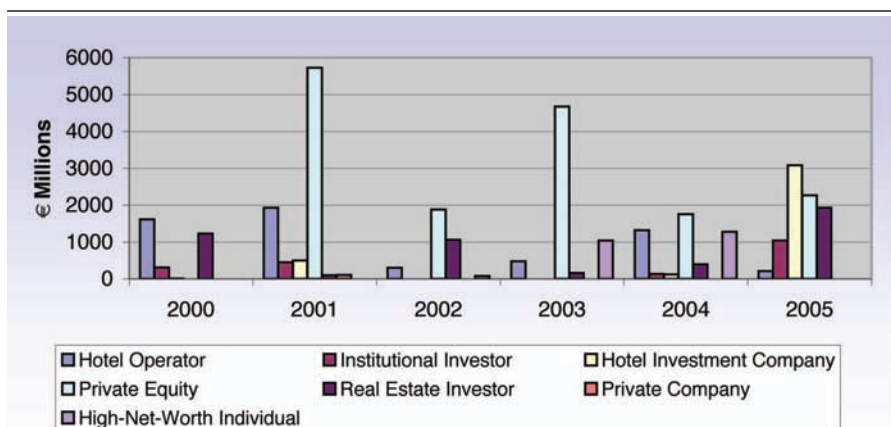
Source: HVS International Research

In respect of portfolio transactions, three principal types of buyers dominated the portfolio transactions activity in 2005.

- Hotel investment companies, which until 2005 had been behind a very low number of transactions, accounted for approximately €3 billion, or 36% of total portfolio activity. Portfolios bought by hotel investment companies include the purchase of Le Meridien by Starman, 11 Hiltons by Stardor UK Ltd, Société du Louvre by Starwood Capital LLC, 13 UK Accor hotels by Tritax and many portfolio transactions in Scandinavia.
- Private equity continued to represent a significant portion of portfolio activity. Private equity investments totalled approximately €2.3 billion, which accounted for 27% of the total portfolio activity. Transactions purchased by private equity investors included the 73 UK InterContinental hotels by LRG Acquisition Limited, the 119 B&B Hotels in France and Germany by Eurazeo Private Equity Group and the nine Queens Moat Houses in the UK by Jefferson Hotels LLP.
- Capital sourced by real estate investors also dominated portfolio activity. Investments made by real estate investors also totalled approximately €2 billion, accounting for 23% of the total portfolio activity. The large increase on last year,

- during which real estate investors accounted for only 8% of the total portfolio activity, marks a return of the hotel investment cycle to the same level experienced in 2002, when real estate investors accounted for 32% of total portfolio activity. Deals included Condor Overseas Holdings' acquisition of 46 Whitbread hotels and Hotelleiendom AS's acquisition of 16 Scandic hotels in Sweden.
- Institutional investors accounted for 12% of portfolio transactions, with activity including Foncière des Murs' acquisition of 128 Accor hotels in France and Kapiteeli's acquisition of Hotelliikiinteistöt.
- A significant decline in the proportionate value of portfolio deals made by hotel operators was experienced in 2005, underlying the trend of hotel operators becoming asset light in order to focus on the branding, franchising and management of hotels instead. As with single asset hotel transactions, hotel operators involved in portfolio transactions were small-scale hotel companies in the UK. Acquisitions were limited in size and included three hotels by morethanhotels, eight Corus hotels by Swallow Hotels and two hotels by Macdonald Hotels & Resorts.
- Meanwhile, high-net-worth individuals all but disappeared from portfolio-related activity, with no portfolio transactions taking place. However, it should be noted that some high-net-worth individuals are

Figure 5 Portfolio Investment Activity by Buyer Category 2000-05



Source: HVS International Research

now to be found among the real estate investment companies and hotel investment companies.

Cross-Border Activity

European hotel investment remains a global affair. Cross-border deals continue to be facilitated by the euro, as it has allowed greater transparency and increased the pool of potential lenders and investors seeking to invest in European markets. Additionally, investors are looking to new markets abroad in which to invest an increasing amount of capital.

In 2005, acquisitions made by buyers in their home countries totalled €5.5 billion, or 42%, with acquisitions abroad totalling €7.6 billion (58%). Of the domestic transactions, 63% were single asset transactions. Of the transactions abroad, 73% were portfolios. In 2002, buyer interest remained largely concentrated on portfolio transactions 'at home', with any investment abroad primarily geared towards single assets. Over the last three years there has been a steady change in these preferences, which activity in 2005 underlines; investors are increasingly buying hotel portfolios abroad, while activity at home remains primarily concentrated on single assets.

2005 witnessed a relatively small number of US, Middle East and Asian buyers compared to the number of European buyers. This was due to the relative weakness of the US dollar compared to the euro throughout 2005, as well as the increasing capital investments being made by such buyers in new markets in the Middle East and Asia.

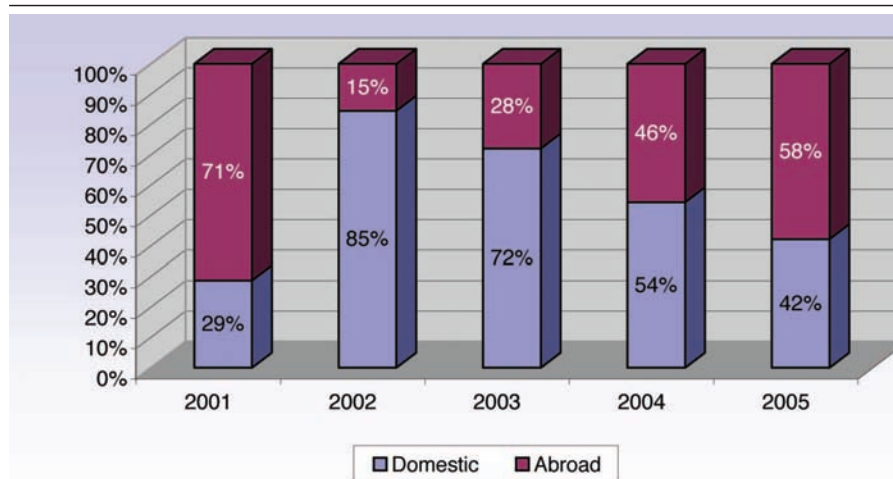
The Trend of Sale-and-Managed Transactions

Reducing asset intensity has become a key reason for hotel operators divesting property in today's market. With most of the major hotel operators publicly listed, hotel asset values are important drivers in the sector's share price. There are two main reasons for this. First, the return on capital is extremely low and one primary means of creating shareholder value is through asset disposals, which are considered to be earnings enhancing, provided that book value is achieved. Second, asset prices remain robust with strong demand from a wide source of investment capital.

The emergence of property, institutional and private equity investors, as proven by the weight of capital invested in the sector this year, confirms the acceptance of hotels as a mainstream asset class. In recent years, sale-and-leaseback deals have contributed to a change in the shape of the industry. Hotel operators, by divesting themselves of ownership of hotel assets, especially portfolios, in return for leases or management contracts, have gained a considerable sum of capital that can be put towards refurbishment and used to fund acquisition and development activity in new markets and brands, or which can be returned to shareholders.

In 2005, management contracts proved

Figure 6 Cross-Border Activity – Single Asset and Portfolio Transactions 2001-05



Source: HVS International Research

noticeably popular in a number of both single asset and portfolio transactions. Hotel operators have been more successful in persuading owners to management contracts as opposed to leases when structuring deals. Management contracts also do not typically appear as contingent liabilities on a company's balance sheet as lease contracts do. Many hotel owners are increasingly prepared to forego their previously inflexible positions for requiring operators to take leases as they discover the additional financial benefits which can be obtained in strong trading conditions.

Property investors have become interested in hotel properties as an alternative asset class because of falling commercial property yields. Several high-profile transactions completed as sale-and-manageback deals are indicative of this trend. Examples of portfolio transactions include the sale of 73 UK Holiday Inns to LRG Acquisition Limited, 15 Hilton properties to Managed Hotels Unit Trust, 46 Whitbread properties to Condor Overseas Holdings, six Thistle hotels to Topland and the Jurys Ballsbridge & Towers Hotel and Berkeley Court Hotel to Padholme Property Developers. Single asset transactions include the sale of the Hotel Danieli in Venice to the Statuto Group and the De Vere Belfry to the Quinn Group.

While some investors will continue to prefer leases, it is clear that management contracts have greatly increased in popularity, particularly as hotel operators are actively separating the 'bricks and mortar' aspect of their business from their actual operation ('the brains'). We envisage that sale-and-manageback deals will continue to be popular among both hotel owners and property investors, provided that we do not see any legal disputes involving tenant or licensee issues between operators and property owners that could rock the boat.

UK Real Estate Investment Trusts – The Story Continues

In March 2004 the UK government expressed its commitment to a UK equivalent of a Real Estate Investment

Trust (REIT). A REIT is a listed or listable portfolio real estate investment vehicle that is required to distribute 95% of its income by way of dividend in return for exemption from corporation and capital gains tax, after an initial payment called a conversion charge. The UK government published draft legislation for the introduction of REITs in December 2005 following a period of consultation since March 2004, with the aim that the legislation be finalised in this year's Finance Act.

The initial UK consultation paper stated that proposed REITs should only be available for investment in property types where the rental returns reflect the underlying property assets, effectively restricting them to commercial, office and residential property, and excluding real estate that forms part of a leisure or hospitality trading company, such as hotels. The current draft legislation has changed in that REIT status has been redefined. Accordingly, at least 75% of a REIT's activities must relate to a 'qualifying property letting business', which effectively includes hotels. However, according to the current draft legislation, a REIT must include a minimum of three properties, in which a single property may not exceed 40% of the value of the whole.

Issues that remain include the current stipulation that no more than 10% of the share capital or voting rights of a REIT may be controlled by one shareholder; that REITs will not be allowed to sell developments less than three years after their completion; and the non-specification of a conversion charge calculation.

One of the main reasons to establish UK REITs is that the existing financial structures do not provide sufficient incentive for companies to retain property ownership in the UK, due to tax leakage. As a result, many firms have set up offshore structures, with almost €50 billion in value exiting the UK. A second main driver to establishing REITs is their growing prevalence and success in other countries, for instance the USA, Australia and, more recently, France.

The hotel investment market, which has been undergoing a period of profound change already, is set for further change now that REITs have been extended to include hotels. What remains to be seen is whether the level of resistance that continues to face the current REIT proposal will continue, or whether more changes will be made in order to satisfy the commercial property and hospitality

industries.

Conclusions and Outlook

In 2005, with an upturn in trading evident across the majority of European markets, the sector witnessed a colossal amount of investment capital from two primary sources. Many investors are keen to invest in hotel real estate due to the cyclical nature of the hotel business, allowing them to diversify their portfolios.

The signs in late 2004 that investor confidence in the hotel sector was high proved correct, with 2005 witnessing a 77% increase in the level of hotel investment, driven by a 51% increase in single asset transactions to over €6 billion, and an astounding 98% increase in the level of portfolio activity to almost €10 billion. While private equity investors have continued to invest strongly within the sector, 2005 has seen the substantial increase of both real estate investment and hotel investment companies, accounting for 60% of total hotel investment in 2005.

In 2006, the structure of hotel ownership is likely to see a continuing reduction in the number of hotel operators owning hotels, while hotel investment companies, real estate and private equity investors are likely to extend their standing further. The future of REITs in the UK and their inclusion of hotels has been confirmed, which is likely to have a considerable impact on the UK hotel investment market, influencing once more the profile of investors.

In 2006, we envisage the strong level of investment activity to continue, driven by the continued weight of money targeted at hotel real estate. 2006 has already witnessed the sale of Luxury Family Hotels, the Scotsman Hotel Group and the Airport Hotels Unit Trust portfolios. Portfolio deals currently in the market include the €1.5 billion sale of a package of Marriott hotels, the €657 million sale of Hilton Group assets, the €511 million sale-and-leaseback of the UK and European Park Plaza assets, two InterContinental Hotels Group portfolios reportedly worth €876 million, the €292 million sale-and-manageback of about 20 Macdonald hotels, and the sale of the Hospitality Europe portfolio.

Single asset investment seems poised to witness a greater number of quality assets coming to the market as trading performance improves, with the Four Seasons Canary Wharf and Marriott Park Lane in London already on the market, and likely to be sold in sale-and-manageback transactions. In addition, we have already seen the sale of the Great Eastern Hotel in London to JER Partners, which will be operated by Hyatt.

Table 2 European Single Asset Hotel Transactions 2005 (€)

Property	Location	Country	Rooms	Sales Price	Room	Sales Price per Room	Buyer	Seller
Schloss Mönchstein Hotel	Salzburg	Austria	23	10,100,000	439,000	Hans-Peter Wild	Insolvency	
Crowne Plaza Brussels Europa	Brussels	Belgium	240	21,038,000	88,000	Atenor Group	InterContinental Hotels Group plc	
Mercure Royal Crown Hotel	Brussels	Belgium	315	18,300,000	58,000	Pandox	Logan Hotels	
Mayfair Hotel (formerly Hyatt Regency Barsej)	Brussels	Belgium	100	Confidential	—	Warwick International Hotels	Undisclosed	
Hilton Hotel Sofia (49% Stake)	Sofia	Bulgaria	246	40,000,000	162,602	Quinn Group	Sibex (France)	
Hotel Opatija	Opatija	Croatia	349	Confidential	—	Vienna International Hotelmanagement (VI)	Undisclosed	
Hotel Astoria	Opatija	Croatia	Included in Hotel Opatija transaction above	—	—	Vienna International Hotelmanagement (VI)	Undisclosed	
Hotel Palme (Bristol)	Opatija	Croatia	Included in Hotel Opatija transaction above	—	—	Vienna International Hotelmanagement (VI)	Undisclosed	
Marriott Hotel	Prague	Czech Republic	293	Confidential	—	Walton Street Capital & Merrill Lynch	IDAG	
Borupgaard Hotel & Conference Centre	Snekkersten	Denmark	158	10,754,000	68,000	ProArk ApS	K/S Borupgaard	
Paris Plaza Vendome	Paris	France	97	48,000,000	495,000	Marriott International	Tuleries Finances SAS	
InterContinental Paris	Paris	France	438	315,000,000	719,000	DABICAM SAS	InterContinental Hotels Group plc	
Hotel Castille	Paris	France	107	31,400,000	293,000	Starhotels	Blackstone/Colony Capital	
Hotel Montalembert	Paris	France	56	Confidential	—	Grupo Majestic	Westmont & Whitehall	
Lavoisier Hotel	Paris	France	30	Confidential	—	ARTEH Hotels & Resorts	Undisclosed	
Cour des Loges Hotel	Lyon	France	62	Confidential	—	ARTEH Hotels & Resorts	Undisclosed	
Hotel de Saxe	Dresden	Germany	185	33,000,000	178,000	TLG Immobilien Berlin	Baywobau	
Hilton Hotel Frankfurt	Frankfurt	Germany	342	96,000,000	281,000	London & Regional Properties	DB Real Estate	
Mercure Hotel an der Messe	Hamburg	Germany	180	Confidential	—	Westinvest	NPC (Developer)	
Lindner Hotelprojekt Hamburg	Hamburg	Germany	260	Confidential	—	Lloyd Fonds	GBI	
Radisson SAS Blue Heaven Hotel	Frankfurt	Germany	436	130,000,000	298,000	KEOPS Denmark	Hochtief Projektentwicklung GmbH	
Wald- und Schlosshotel Friedrichsruhe	Friedrichsruhe	Germany	43	Confidential	—	Reinhold Wuerth	Fürst zu Hohenlohe-Oehringen	
Fuerstenhof Celle	Celle	Germany	63	Confidential	—	Althoff & Investoren	Undisclosed	
Hotel Vier Jahreszeiten Casino Travemuende	Travemuende	Germany	73	Confidential	—	10 Investors	Primarc	
Dorint Sofitel am Alten Wall	Hamburg	Germany	241	Confidential	—	Private Investor	Undisclosed	
Marriott Munich	Munich	Germany	348	Confidential	—	Marriott International	Blackstone	
Shelbourne Hotel	Dublin	Ireland	276	130,000,000	471,000	Kantaka Enterprises	Royal Bank of Scotland	
Holiday Inn Dublin Airport	Dublin	Ireland	248	33,500,000	135,000	Adelphi Way Developments & Investments Ltd	InterContinental Hotels	

Table 3 European Single Asset Hotel Transactions 2005 (€) - continued

Property	Location	Country	Rooms	Sales Price	Room	Sales Price per Room	Buyer	Seller
Jurys Ballsbridge & Towers Hotel	Dublin	Ireland	589	260,000,000	441,000	Padholme Property Developers	Jurys Doyle Hotels	
Berkeley Court Hotel	Dublin	Ireland	Included in Jurys Ballsbridge transaction above	Padholme Property Developers	Jurys Doyle Hotels			
Clarence Hotel (50% Stake)	Dublin	Ireland	49	Confidential	—	Derek Quinlan & Paddy McKillen	U2 & Harry Crosbie	
Jolly Hotel de la Gare	Bologna	Italy	156	24,500,000	157,000	Comest Italiana	Jolly Hotels	
Hotel Danieli	Venice	Italy	233	177,000,000	760,000	Statuto Group	Starwood Hotels & Resorts	
Brunelleschi Hotel	Florence	Italy	96	Confidential	—	Corolla Hotels & Resorts	Ina Assitalia/Assicurazioni Generali	
Crowne Plaza American Hotel	Amsterdam	Netherlands	174	37,000,000	213,000	The Eden Hotel Group	InterContinental Hotels Group plc	
Hotel Arnhem-Velp	Arnhem	Netherlands	74	Confidential	—	Sjak van der Rijgt & Gerrit Gerrits	Bilderberg Hotels & Restaurants	
Radisson SAS Lillehammer Turisthotell	Lillehammer	Norway	303	12,216,000	40,000	Wenaas Gruppen AS	The Koppervik Family	
Holmenkollen Park Hotel Rica	Oslo	Norway	111	48,300,000	435,000	RICA Eiendom & Eiendomsspar	Hoegh Eiendom	
Scandic Hotel Triaden	Lorenskog	Norway	155	Confidential	—	Thon Gruppen	Undisclosed	
Jardim Atlantico Hotel	Madeira Island	Portugal	90	7,500,000	83,000	Spanish Investors	Undisclosed	
Sheraton Lisboa Hotel & Towers	Lisbon	Portugal	376	Confidential	—	Sociedade de Construcoes Marope SA	Starwood Hotels & Resorts	
Grand Hotel Europe (93.5% stake)	St Petersburg	Russia	301	Confidential	—	Orient Express Hotels	Group of International Investors	
Hotel Moscow (74.42% Stake)	St Petersburg	Russia	734	30,512,000	42,000	The Investment Center	The Fund of Property of St. Petersburg	
Oktyabrskaya Hotel (60% Stake)	St Petersburg	Russia	669	37,838,880	56,560	Russia's Northern Capital Tourist & Education Corp.	St Petersburg Administration	
Hotel Ukraina	Moscow	Russia	1,017	233,327,000	229,000	Biskvit	Local authorities	
Astoria & Angleterre hotels (23% Stake)	St Petersburg	Russia	416	Confidential	—	Rocco Forte Hotels	St Petersburg City government	
Radisson SAS Royal Hotel	St Petersburg	Russia	164	Confidential	—	Wenaas Gruppen AS	Delta Private Equity Partners/SAS Inv.	
Royal Park	Costa del Sol	Spain	412	13,200,000	32,000	Undisclosed	Undisclosed	
La Galea	Tenerife	Spain	575	45,000,000	78,000	Hospederias del Mundo SL	Barceló Hotels & Resorts	
Varadero	Canarias	Spain	Included in La Galea transaction above	Hospederias del Mundo SL	Barceló Hotels & Resorts			
Royal Park	Málaga	Spain	412	13,200,000	32,000	Hotel Natali Torremolinos	Fundacion Andres Rivera	
Tryp Macarena	Sevilla	Spain	331	42,000,000	127,000	HORCONA	Sol Meliá	
Meliá Torremolinos	Málaga	Spain	289	23,000,000	80,000	Undisclosed	Sol Meliá	
Iberostar Carolina	Mallorca	Spain	198	9,500,000	48,000	Roc Hotels Balear	Iberostar Hoteles	
Four Ibis hotels	Various	Spain	—	20,000,000	—	Investors	Heron Hoteles España SL	
Meliá Las Palmas	Canarias	Spain	312	34,000,000	109,000	Undisclosed	Sol Meliá	

Table 4 European Single Asset Hotel Transactions 2005 (€) - continued

Property	Location	Country	Rooms	Sales Price	Sales Price per Room	Buyer	Seller
Marina Mar	Almería	Spain	338	30,000,000	89,000	Arenamar Hoteles	Servi Group
Marina Playa	Almería	Spain	339	Confidential	—	Arenamar Hoteles	Servi Group
Pueblo Benidorm	Alicante	Spain	530	42,000,000	79,000	Servi Group	Barceló Hotels & Resorts
Capital H&R	Barcelona	Spain	103	17,400,000	169,000	AC Hotels	Habitat Hotels
Meliá Zaragoza	Zaragoza	Spain	247	42,500,000	172,000	HORCONA	Sol Meliá
Crystal Beach Hotel & Suites	Canarias	Spain	163	18,000,000	110,000	Sunrise Beach Hotels	Green Oasis
Andalusí Park	Sevilla	Spain	189	12,000,000	63,000	JIM Hoteles	Intursa SA
Tenerife Golf	Tenerife	Spain	129	8,400,000	65,000	Vincci Hoteles	Perfica IV SL
Mirador de Adra	Almería	Spain	117	10,000,000	85,000	Valma Inversiones	Mirador de Adra SL
Gran Hotel Colón Costa Ballena	Cádiz	Spain	200	21,000,000	105,000	JALE	Undisclosed
Meliá Almerimar	Almería	Spain	278	Confidential	—	Undisclosed	Undisclosed
Sol Almerimar	Almería	Spain	318	Confidential	—	Undisclosed	Undisclosed
Las Palomas	Costa del Sol	Spain	303	Confidential	—	Undisclosed	Undisclosed
Los Paquitos	Costa del Sol	Spain	66	Confidential	—	Undisclosed	Undisclosed
Tirant Playa	Menorca	Spain	86	Confidential	—	Undisclosed	Undisclosed
Gran Hotel la Gomera	Tenerife	Spain	283	Confidential	—	Luna Hoteles	Rambla Hoteles
Eucalipto	Mallorca	Spain	170	Confidential	—	Surrma Hoteles	Undisclosed
Riu Playa Blanca	Canarias	Spain	190	Confidential	—	Hoteles Lopez	Riusa II
Don Paquito	Málaga	Spain	66	Confidential	—	Symbol Hoteles	Rocainvest SL
Dania Park	Canarias	Spain	225	Confidential	—	Undisclosed	Manfred Menzhausen
Magec	Canarias	Spain	187	Confidential	—	Undisclosed	Cupido & Manfred Menzhausen
Magec Park	Canarias	Spain	132	Confidential	—	Undisclosed	Manfred Menzhausen
Los Monteros	Málaga	Spain	182	Confidential	—	Reda Bahige Alaywan Mohamad	Hotel Los Monteros, SL
Crowne Plaza Madrid City Centre	Madrid	Spain	306	Confidential	—	Undisclosed	Metrovacesa
Corregidor	Sevilla	Spain	83	Confidential	—	Vime Hotels & Resorts	Hotel Residencia El Corregidor SL
Ifa Lloret	Girona	Spain	175	Confidential	—	Hospeda y Restaura Plus, SL	Lopesan Hoteles
F&G Málaga	Málaga	Spain	141	Confidential	—	Hoteles Silken	F&G Hotels
Occidental Gran Capitán	Córdoba	Spain	96	Confidential	—	Avila Rojas Group	Hoteles de Córdoba SA

Table 5 European Single Asset Hotel Transactions 2005 (€) - continued

Property	Location	Country	Rooms	Sales Price	Sales Price per Room	Buyer	Seller
Bali	Baleares	Spain	264	Confidential	—	Miguel Pascual Babiloni	Riu Hotels & Resorts
Chico	Baleares	Spain	96	Confidential	—	Miguel Pascual Babiloni	Riu Hotels & Resorts
Montecastillo Hotel & Golf Resort	Cádiz	Spain	170	Confidential	—	Konin 22	Montecastillo Sports Catering SL
Gran Hotel Guitart Monterrey	Girona	Spain	224	Confidential	—	Guitart Hoteles SA	Undisclosed
Euro Calas – aparthotel	Baleares	Spain	394	Confidential	—	Hotusa	Undisclosed
Santa Fe	Baleares	Spain	144	Confidential	—	Hotusa	Undisclosed
Mijas	Málaga	Spain	204	Confidential	—	TRH Hoteles	Hotasa
Quality Hotel Konserthuset	Vaxjo	Sweden	154	12,111,000	79,000	Svea Fastigheter	Karlo Forvalling
Scandic Sergel Plaza	Stockholm	Sweden	403	60,000,000	149,000	Stena Fastigheter	AP Fastigheter
Scandic Hotel Uplandia	Uppsala	Sweden	133	8,571,000	64,000	NorGani Hotels ASA	Capona AB
Berns Hotel	Stockholm	Sweden	65	Confidential	—	London & Regional Properties	Grand Hotel Holdings
Radisson SAS Basel	Basel	Switzerland	205	29,000,000	141,000	Pandox	Undisclosed
Hotel des Bergues (50% stake)	Geneva	Switzerland	122	42,000,000	344,000	Worldwide Hotel Investments	Kingdom Hotel Investments
Eden au Lac	Zurich	Switzerland	53	Confidential	—	Victoria-Jungfrau	Hanni & Ruedi Baertschi
Swissôtel The Bosphorus	Istanbul	Turkey	600	76,923,000	128,000	Fiba Holdings	Anadolu Japan Turizm
Falez Hotel	Antalya	Turkey	342	27,692,000	81,000	Undisclosed	Undisclosed
Four Seasons	Istanbul	Turkey	65	24,830,000	382,000	Undisclosed	Enternasyonl/Yapi Kredi Bank AS
Hilton Istanbul	Istanbul	Turkey	498	206,572,000	415,000	Dogan Holdings	Emekli Sandigi
Buyuk Efes Hotel	Izmir	Turkey	406	102,898,000	253,000	Tahinciulu Holding, Nida & NV Holding	Ozelleptirme Idaresi Bapkanlioi
Holiday Inn Swansea	Swansea	UK	106	8,238,000	78,000	Park Lane Hotels	InterContinental Hotels Group plc
The Ramada Plaza Regents Park	London	UK	377	86,000,000	228,000	Danubius Hotels (Sir Bernard Schreier)	Jarvis Hotels
The Savoy	London	UK	263	332,000,000	1,262,000	Prince Alwaleed Bin Talal, Bank of Scotland Corp.	Quinlan Private
Harrington Hall	London	UK	200	72,000,000	360,000	Losan (75%) & NH Hoteles (25%)	Cola Holdings
Sundridge Park Hotel	Kent	UK	151	21,666,000	143,000	Cathedral Group	Hanover International
De Vere Belfry	North Warwickshire	UK	324	271,097,000	837,000	Quinn Group	De Vere Group
Hanover International Hotel	Warrington	UK	142	33,979,000	239,000	Q Hotels	Midmint
The Hempel Hotel	London	UK	46	23,706,000	515,000	Consortium of Irish Investors, Michael McBride	O&H Properties

Table 6 European Single Asset Hotel Transactions 2005 (€) - continued

Property	Location	Country	Rooms	Sales Price	Sales Price per		Buyer	Seller
					Room	Room		
The Gloucestershire Hotel & Golf Course	Wick	UK	18	12,930,000	718,000	Simon Lowe	Private Owner	
The Sloane Hotel	London	UK	20	10,969,000	548,000	San Domenico Hotels	Private Vendor	
Dolce Norton Manor	Hampshire	UK	97	12,798,000	132,000	Q Hotels	Dolce International	
Best Western Glasgow Milton Hotel	Glasgow	UK	141	20,476,000	145,000	Menzies Hotels	Ian Milton & Family	
Grosvenor Kensington Hotel	London	UK	107	26,326,000	246,000	Hotusa	Undisclosed	
Eynsham Hall	Oxfordshire	UK	144	13,163,000	91,000	Cathedral Group	Jack Petchey	
Radisson SAS	Edinburgh	UK	238	66,000,000	277,000	WG Mitchell Group	Mondiale	
InterContinental The George	Edinburgh	UK	195	30,054,000	154,000	Principal Hotels	InterContinental Hotels Group plc	
Forest Pines Golf & Country Club	Lincolnshire	UK	115	30,054,000	261,000	Q Hotels	Middleton Family	
The County Hotel	Canterbury	UK	73	12,773,000	175,000	Michael Caines & Andrew Brownsword	McDonald Hotels	
Lace Market Hotel	Nottingham	UK	42	7,528,000	179,000	Finesse Hotels	Beacham Whitehead Holdings	
St James's Club	London	UK	56	30,111,000	538,000	Leverguide	Cyril Stein	
Le Meridien London Gatwick	Gatwick	UK	500	48,178,000	96,000	Arora International	Compass Group	
Ye Harte & Garter Hotel	Windsor	UK	58	13,003,000	224,000	Jamview Ltd	Spirit Group Retail Ltd	
Hilton Docklands	South Quay	UK	270	161,278,000	597,000	Private Irish Investors	WG Mitchell Group	
Richmond Hill Hotel	Surrey	UK	138	43,800,000	317,000	Private clients of Cluttons Invmt. & Fund Mgmt	Undisclosed	
Radisson SAS Stansted	Stansted Airport	UK	492	51,000,000	104,000	DIFA	SAS Hotels A/S Denmark	
Crownne Plaza Birmingham City	Birmingham	UK	284	35,600,000	125,000	Centre Island Birmingham Ltd	InterContinental Hotels Group plc	
Radisson SAS Glasgow	Glasgow	UK	250	76,598,000	306,000	WG Mitchell Group	Marylebone Warwick Balfour	
Edinburgh Hilton Airport Hotel	Edinburgh	UK	150	21,904,000	146,000	The Managed House Unit Trust	Hilton Group UK	
Best Western Gatwick Worth	Gatwick	UK	118	12,210,000	103,000	Pearl Hotels	Undisclosed	
Metro Palace Court Hotel	Bournemouth	UK	120	20,793,000	173,000	GSC Property Holdings	American Amusements	
Watermill Hotel	Hemel Hempstead	UK	75	Confidential	—	Undisclosed	Savora Hotels	
Egerton House	London	UK	30	Confidential	—	Red Carnation Hotels	Franklin Hotel Investments	
Hotel Cavendish	London	UK	251	Confidential	—	Crown Hotel Group	Edward Family	
The Rainbow International Hotel	Torquay	UK	141	Confidential	—	CNC Investments	Raven Leisure, KPMG	



Elana Bader is a Research Analyst with HVS International's London office. She joined HVS International in September 2005 having worked in various hospitality roles, primarily Food & Beverage, in three countries in Europe as well as the USA. Originally from Zurich, Switzerland, Elana holds a Bachelor of Science in Hotel

Administration from Cornell University's School of Hotel Administration.



Karen Smith is a Director with HVS International's London office, specialising in hotel valuation and consultancy. She holds a BSc (Hons) in Urban Estate Surveying and is a Chartered Surveyor with over 13 years experience in the hotel property industry. Karen joined HVS International in 2001 and has conducted and managed

numerous valuations, feasibility studies and consultancy assignments across Europe, the UK, North Africa and Asia.

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Chris Mumford

7-10 Chandos Street
Cavendish Square
London W1G 9DQ
UK
(44) 20 7878-7700
(44) 20 7878-7799 (fax)

HVS Madrid

C/Capitán Haya 1 – planta 15
28020 Madrid
Spain
(34) 91 417 6937
(34) 91 556 2880 (fax)

Asia

HVS Singapore

79 Anson Road
#11-05
Singapore
(65) 6293-4415
(65) 6293-5426 (fax)

HVS Hong Kong

183 Jade Villa
Ngau Liu Chuk Yeung Road
Saikung
China
(852) 2791-5868
(852) 2792 2358 (fax)

HVS New Delhi

C-67, Anand Niketan
2nd Floor
New Delhi, ND, 110021
India
(91) 11 2410-1005
(91) 11 2410-1066 (fax)

Australia

HVS Sydney

Suite 101, Level 1
5 Elizabeth Street
Sydney, NSW, 2000
Australia
(612) 9233-1125
(612) 9233-1147 (fax)

North America

HVS New York

372 Willis Avenue
Mineola, NY, 11501
USA
(516) 248-8828
(516) 742-3059 (fax)

HVS San Francisco

Suite 620
116 New Montgomery
Street
San Francisco, CA, 94105
USA
(415) 896-0868
(415) 896-0516 (fax)

HVS Boulder

2229 Broadway
Boulder, CO, 80302
USA
(303) 443-3933
(303) 443-4186 (fax)

HVS Vancouver

4235 Prospect Road
N. Vancouver, BC, V7N 3L6
Canada
(604) 988-9743
(604) 988-4625 (fax)

HVS Toronto

Suite 202
2120 Queen Street East
Toronto, ON, M4E 1E2
Canada
(416) 686-2260
(416) 686-2264 (fax)

HVS Miami

Suite 216
8925 SW 148th Street
Miami, FL, 33176
USA
(305) 378-0404
(305) 378-4484 (fax)

HVS Dallas

Suite 101
2601 Sagebrush Drive
Flower Mound, TX, 75028
USA
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(972) 899-1022 (fax)

HVS Denver

Suite 906
1777 South Harrison Street
Denver, CO, 80210
USA
(303) 512-1222
(303) 691-3799 (fax)

HVS Washington DC

Suite 102
1300 Piccard Drive
Rockville, MD, 20850
USA
(240) 683-7123
(240) 683-7120 (fax)

HVS Chicago

Suite 1A
445 West Erie Street
Chicago, IL, 60610
USA
(312) 587-9900
(312) 587-9908 (fax)

HVS Phoenix

4913 E Mitchell Drive
Phoenix, AZ, 85018
USA
(602) 667-6655
(602) 269-1864 (fax)

HVS Weston, CT

262 Lyons Plain Road
Riversbend
Weston, CT, 06883
USA
(203) 226-6000
(203) 221-0068 (fax)

HVS Mt Lakes, NJ

Suite 203
420 Boulevard
Mountain Lakes, NJ, 07046
USA
(973) 335-0871
(973) 335-0722 (fax)

HVS Boston

4th Floor
607 Boylston Street
Boston, MA, 02116
USA
(617) 424-1515

South America

HVS São Paulo

Av. Brig. Faria Lima
1912 cj.7F
01452-001 São Paulo/SP
Brazil
(55) 11 3093-2743
(55) 11 3093-2783 (fax)

HVS Buenos Aires

San Martin 640 – 4° Piso
(1004) – Buenos Aires
Argentina
(54) 11 4515-1461
(54) 11 4515-1462 (fax)

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Published by:

HVS International, 7-10 Chandos Street,
Cavendish Square, London W1G 9DQ
Tel:+44 (20) 7878 7700 Fax:+44 (20) 7878 7799

For further information please contact:

Elana Bader - ebader@hvsinternational.com
or Karen Smith - ksmith@hvsinternational.com
or visit our website at: www.hvsinternational.com