

This report is produced by the London office of HVS International

March 2007

Elke Geieregger and Karen Smith

Introduction

The HVS European Transaction Article, which reviewed the activity in calendar year 2005, described how the year's activity had moved from 'top gear into overdrive' when comparing it to the activity seen in 2004. In respect of 2006, the market has not only maintained the momentum of 2005 but has, in terms of the total investment in hotel assets, surpassed it by almost 30% and recorded more than double the volume of 2004.

The main ingredients responsible for this record volume include positive global economic conditions, an era of all-time low cost of debt, significant above-inflation growth in average rate and RevPAR, an ever increasing pool of investors with seemingly insatiable appetites, the continued divestment of assets by operators and the acquisition of Hilton Group by Hilton Hotels Corporation.

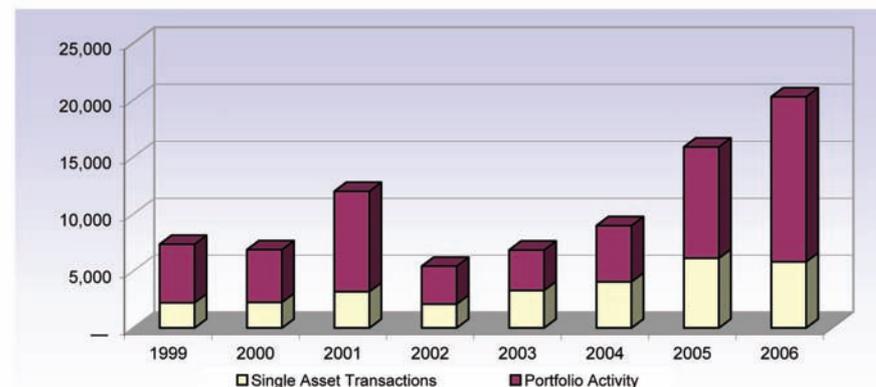
The largest transaction by far in 2006 was the marriage of the two Hilton companies, at €4.8 billion; this transaction rather skewed the overall analysis of investors by segment and the comparison with previous years. This transaction alone accounted for nearly a quarter of the total transaction volume and together with a number of smaller portfolio acquisitions put hotel operators at the top of the list of investor types in 2006 with a total share of 34% of transaction activity. However, considering the divestment of assets of operators over recent years, one might reasonably expect to see some of these assets returning to the market in the near future under sale and leaseback or sale and manageback agreements.

The strong flow of money into the European hotel market is coming in from all directions. Investors from the USA are being enticed by the greater differential achievable in Europe between the cost of debt and hotel yields than is currently available to them at home. Middle Eastern investors increasingly view hotel assets as something to invest their petrodollars in. Asian investors continue to see investment in Europe as a lower risk alternative to their own region, and the Europeans continue to embrace pan-European investment made ever easier for them by the expansion of the European Union and the impending expansion of the Eurozone.

European Single Asset Transaction Activity

European hotels experienced an outstanding year in terms of performance, with average RevPAR growth of more than 10% compared to the previous year. This growth trend was

Figure 1 Total Hotel Investment Volumes 1999-06 (€ millions)



Source: HVS International Research

underpinned by several major sports events staged in European cities such as the Winter Olympics in Turin, Italy; the America's Cup in Valencia, Spain; and the FIFA World Cup staged in twelve German cities in June and July.

The Eurozone is estimated to have achieved GDP growth of 2.3% compared to only 1.3% in 2005. Favourable economic conditions, healthy improvements in hotel trading performance, an all-time low cost of debt and an ever increasing pool of investors (as more and more entities consider hotels an acceptable asset class to own) have resulted in frenzied activity in the European hotel transaction market.

In 2006, HVS International recorded a total of 134 single asset hotel transactions, each of more than €7.5 million, the minimum amount set for a transaction to qualify for inclusion in our survey. Although the number of transactions has stayed virtually the same (the figure was 133 in 2005), the average transaction price per room has risen by 18%, to €246,000, compared to €208,000 in 2005. This increase can be explained by the phenomenal price of trophy assets in 2006. In 2005, luxury hotels in top locations, such as The Savoy in London and the Danieli in Venice (which achieved prices per room of €1.2 million and €760,000, respectively), and properties such as the InterContinental in Paris drove up the average price. In 2006, the Four Seasons Hotel Milan alone achieved an astronomic €1.7 million for each of the luxury property's 118 bedrooms. The Marriott Park Lane Hotel and the Hotel Arts Barcelona achieved prices per room of €964,000 and €863,000, respectively.

We should also mention that 31% of all of the qualifying single assets transacted in 2006 had no publicly disclosed sales price; the total price of these transactions has been estimated by HVS International to be slightly more than €1.2 billion.

Spain led the hotel transaction table last year, but was replaced at the top in 2006 by the UK, which had roughly 43% of the single transactions by value (€2.5 billion) and 49 qualifying transactions. We recorded 36 transactions in the UK provinces, compared to only 13 in London; however, 71% of the transaction monies were spent on London properties (€1.8 billion) and the remaining 29% (€728 million) were invested in hotels located throughout the UK provinces. Average hotel room prices varied greatly, from €459,000 in London to €200,000 in the provinces. HVS International places the value of the undisclosed hotel transactions in the UK at around €67 million.

In 2006, Spain remained a fiercely active hotel market with a total of 34 properties (6,365 rooms) transacted, totalling €1.2 billion. This represents 20% of the total single asset investment volume. Undisclosed transactions in Spain amount to an estimated €410 million.

Owing to a number of important luxury property sales, such as Hotel Lancaster, the Park Hyatt Vendôme in Paris and the former Hilton in Cannes, France settles into third place behind Spain this year. HVS International recorded €765 million invested in nine French properties (2,260 rooms). This equates to approximately 13% of the total single asset activity.

In Germany, Berlin proved to be the transaction hot spot, as more than 80% of German single asset activity took place in the capital, where five properties were transacted. A total of €222 million was invested in Germany (4% of the total single asset activity in Europe).

In 2006, a total of 11 qualifying transactions took place in Central and Eastern Europe, down from 14 transactions in 2005. This is understandable as, particularly outside capital cities, the focus in these markets is still very much on the

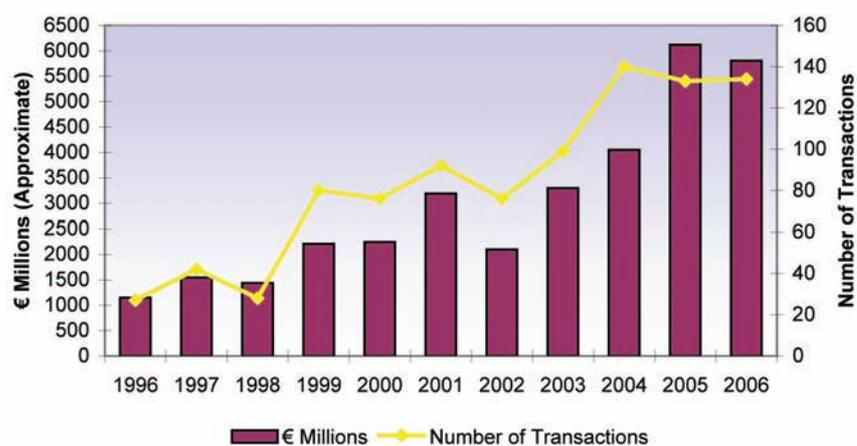
development of new hotel assets. A large proportion of assets are already owned by investors who are not the hotel's operator and thus there is limited opportunity for sale and leaseback (or sale and manageback) deals. In Moscow, the annual rate of capital appreciation is so great that many investors are holding onto assets and elsewhere in Russia the hotel market is still largely underdeveloped, with the exception of St Petersburg. Thus, the country as a whole did not appear on our survey's radar screen at all, not least because the country's businesses are awaiting the presidential elections of March 2008.

In 2006, a record-breaking single asset transaction of one of Europe's most well known trophy assets was recorded: the sale of the Four Seasons Hotel in Milan to Statuto Group. Acquired as recently as 2002 for an estimated €177 million, the iconic Milan hotel was sold by the Quinlan Group for €220 million, a figure equating to an astronomical €1.7 million for each of the luxury property's 118 bedrooms. The gain in value was more than 24% in three years.

The following were among other notable single asset transactions in 2006.

- The Savoy in London was sold in 2005 for a record figure, and in 2006 another of the capital's five-star luxury hotels was transacted. The 157-room Marriott Park Lane Hotel was sold by Marylebone Warwick Balfour to a private Middle Eastern investor for €151 million, or €964,000 per room;
- In August 2006, Host Hotels & Resorts announced that its joint venture in the Netherlands with Stichting Pensioenfond ABP had agreed the purchase of the Hotel Arts Barcelona, a Ritz-Carlton hotel, for €417 million. The vendors, a consortium led by Javier Faus and including Deutsche Bank, achieved a sales price per room of €863,000 for the 483-room luxury property;
- More hotel transaction history was written in Milan towards the end of 2006 with the sale of the Le Meridien Excelsior Hotel Gallia. The landmark property was sold by Starman UK Company Services Ltd, a joint venture between Starwood Capital LLC and the investment bank Lehman Brothers, to the Qatar Investment Authority (QIA). The exact transaction price of the 237-room property was not disclosed; however, it has been announced that the agreed price was in excess of €100 million (€422,000 per room);
- The Great Eastern Hotel, located at London's Liverpool Street Station, changed hands for a sales price in the region of €217 million, which equates to €813,000 for each of the 267 rooms in the Grade II listed hotel. Hyatt Corporation and JER Partners acquired the property from Conran Holdings and The Blackstone Group;
- Other major transactions in London included the 49-room Blakes Hotel, which was reacquired by Sir Mark Weinberg for €33 million (€681,400 per room), and the 90-room Dukes Hotel, which was sold to the Dubai-based property developer Seven Tides for €58 million (€650,000 per room). The Barclay brothers (owners of the Ritz in London) acquired the 230-room De Vere Cavendish Hotel for approximately €148 million (€643,000 per room);

Figure 2 European Single Asset Hotel Transactions 1996-06



Source: HVS International Research

- Two of the UK's largest conference hotels, the Hilton London Metropole and the Hilton Birmingham Metropole, were sold in a package deal to Tonstate Group, led by the Wojakowski family, Property and Building, a subsidiary of holding company IDB Development Corporation, and another, Israeli, company. Together the two properties offer 1,848 rooms. The transaction price announced was almost €617 million; this equates to a price per room for the two hotels combined of around €334,000;
- The historic 60-room Hotel Lancaster in Paris was acquired by Hospes Hotels from Stéphane Andrieu for €48 million (€800,000 per room);
- Built in 1932, the Apollo Hotel in Amsterdam, which has operated as a Le Meridien hotel since 1996, was sold by Starman, the joint venture between Lehman Brothers and Starwood Capital, to a group of anonymous Dutch investors for approximately €50 million, or €228,000 per room;
- Rino Fratus and Casto Jannotta were paid €69 million for the five-star Grand Hotel Rimini (€590,000 per room) by Italian property developer Danilo Coppola.

Portfolio Transaction Activity

Once again, the strongest driver of total investment volume in Europe has been portfolio transactions, which in 2006 amounted to €14 billion. This total surpassed even the considerable investment volume of 2005 (€9.8 billion), which in turn exceeded the record levels of 2001 of approximately €8.8 billion.

In recent years, the acceptance of hotels as a mainstream asset class has led to increased transaction activity, with both institutional investors and REITs showing a sharp appetite for hotel properties. A clear trend is also the surge in sale and manageback as well as sale and franchiseback deals, as hotel operators sell their hotel assets to finance expansion or pay off debt. HVS International estimates that roughly 16% of the total portfolio activity in 2006 was through sale and manageback or sale and

leaseback transactions, with the most prominent examples being those of Accor and Marriott International.

In 2006, HVS International recorded 32 portfolio transactions, compared to 29 transactions in the previous year. Portfolio activity amounted to 14 billion, an increase of 43% on the previous year (€9.8 billion), which was a phenomenal year in its own right. A summary of portfolio transactions is shown in Table 1.

The largest portfolio transaction in 2006 was the acquisition of Hilton Group plc by US-based Hilton Hotels Corporation. The acquisition of the hotel assets was valued at almost €4.8 billion and it reunited the two companies after 40 years apart. In the process, the hotel chain parted from UK bookmaker Ladbrokes, which continues to trade as a stand-alone business.

As in the previous year, the UK dominated portfolio transaction activity in Europe with a share of 40% of the total portfolio investment value. This share was slightly lower than it was in 2005 when the UK accounted for almost half of all transaction activity. However, sales volume grew strongly in 2006. Noteworthy transactions in the UK include the following.

- The second-largest transaction recorded at the end of 2006 was the sale of 47 Marriott hotels by Royal Bank of Scotland (RBS) to the Israeli property company Delek Real Estate for €1.67 billion. The portfolio of hotels, which includes the London Regent's Park hotel, as well as sites in Scotland and Wales, comprises 8,456 rooms and achieved a price per room of roughly €198,000;
- In February 2006, the Arora Family Trust, headed by Surinder Arora bought a portfolio of nine UK airport hotels that were acquired through the purchase of Airport Hotels Unit Trust. Hotels at Stansted (Radisson SAS, Express by Holiday Inn and Hilton), the Hilton and Renaissance hotels at Heathrow, and the Hilton, Sofitel, Premier Travel Inn and Renaissance at Gatwick made up the 3,620-room portfolio that achieved a price per room of roughly €121,000. The seller was BAA Lynton Management, the creator of Airport Hotels Unit Trust;

Table 1 Portfolio Transactions 2006

Portfolio	Country	Number of Properties	Number of Rooms	Total Sales Price (€)	Price per Room (€)	Buyer
Hilton Group	Worldwide ¹	—	—	4,767,213,000	—	Hilton Hotels Corporation
47 Marriott Hotels	UK	47	8,456	1,671,153,000	198,000	Delek Real Estate
De Vere Hotels	UK	35	4,690	1,072,895,600	229,000	Alternative Hotel Group
Travelodge	UK	291	17,267	976,988,250	57,000	Dubai International Capital
Starwood Hotels & Resorts	Europe	6	2,619	761,817,960	291,000	Host Hotels & Resorts
Hospitality Europe BV	Europe	8	3,227	650,000,000	201,000	The Blackstone Group
Seven IHG Hotels	Europe	7	2,537	636,851,600	251,000	Morgan Stanley Real Estate Fund
Accor	France & Belgium	76	8,300	583,000,000	70,000	Fonciere des Murs
Principal Hotels	UK	6	1,414	472,123,520	334,000	Permira
Airport Hotels Unit Trust	UK	9	3,620	437,445,000	121,000	Surinder Arora
InterContinental Hotels	Europe	24	4,903	352,000,000	72,000	Westbridge Hospitality Fund LP
15 Kapiteeli Hotels	Finland	15	2,913	294,000,000	101,000	Norgani Hotels
Menzies Hotels Group	UK	15	1,300	281,732,000	217,000	aAIM and R20 (Piccadilly Hotels)
Marston Group	UK	12	1,200	266,904,000	222,000	QHoteles
Great Southern Hotels	Ireland	7	954	265,421,200	278,000	Various Investors
Corus Hotels	UK	19	1,326	168,396,000	127,000	Washington Hotels LLP/Folio Hotels
WA Shearings hotels	UK	39	3,309	158,333,000	48,000	Moorfield Real Estate Fund
Six Park Inns	UK	6	829	140,780,500	170,000	EjendomsInvest
Acorn Portfolio	Spain	10	2,670	130,000,000	49,000	Hoteles Globales
Scotsman Hotels Group	UK & France	3	203	91,863,000	453,000	MBI International
4 Danish Hotels	Denmark	4	729	83,496,886	115,000	Hotellinvest Holding AS
Nine German Hotels	Germany	9	1,385	60,000,000	43,000	Event Management & The Blackstone Group
Holiday Inn Hotels	UK	7	1,021	50,100,000	49,000	Whitbread plc
Luxury Family Hotels	UK	4	954	44,700,000	358,000	Von Essen Hotels
Stein Hotels	UK	3	129	44,484,000	345,000	The Stein Group and Harte Holdings
Marmotte Hotels	France	27	1,000	14,958,300	15,000	Didier Ferré
Holiday Club Finland Oy	Finland	6	800	—	—	Sokotel Oy
Six Scottish Hotels	UK	6	388	—	—	Swallow Hotels
Schloessle Hotel Chain	Baltics	3	107	—	—	Marbella Club Hotel SA
8 Accor Hotels in Germany	Germany	8	—	—	—	Grand City Hotels & Resorts
9 EH Hotels	Spain	9	741	—	—	Citymar
Marriott Hotels	UK	4	1,049	—	—	Whitehall Street Global Real Estate Ltd Partnership subsidiary

¹ We note that the majority of the hotels are located in Europe

Source: HVS International Research

- Nineteen UK properties, many of them rated three-star, went under the hammer in early 2006. The Malaysian conglomerate MUI, which owns 99% of Corus Hotels, sold the 1,326-room portfolio to Washington Hotels, a vehicle created by Alan and Gary Landesberg, David and Elliot Rosenberg and Galliard Homes, for more than €168 million, or €127,000 per room. The deal included the entire share capital in The Reservation Company;
- Whitbread acquired seven Holiday Inn hotels, including properties in Hampstead, Peterborough, Newcastle and Cardiff, with the intention of branding them as Premier Travel Inns. The vendor was a subsidiary of LRG Acquisition Ltd (LRG), which received a consideration of some €50 million, or €49,000 for each of the 1,021 rooms. LRG is a consortium of investors that includes Lehman Brothers Real Estate Partners, Realstar Asset Management and GIC Real Estate. In 2005, LRG completed the second-largest portfolio transaction of that year when it purchased 73 InterContinental properties for €1.5 billion.

In order to become more asset-light, hotel operators frequently undertook sale and manageback transactions in 2006. The following are examples.

- In the first half of 2006, InterContinental Hotels Group completed the sale and franchiseback of 24 hotels to a subsidiary of Westbridge Hospitality Fund for €352 million. The hotels, totalling 4,903 rooms, will be subject to a 15-year franchise contract under the Crowne Plaza, Holiday Inn and Express by Holiday Inn brands;

- Accor continued its massive divestment strategy by selling 59 hotels and five thalassotherapy institutes in France and 12 hotels in Belgium to 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). The 8,300-room portfolio achieved a sales price of €583 million, or approximately €70,000 per room;
- Marriott International sold four hotels, totalling 1,049 rooms, which it will continue to operate under the Renaissance Hotels & Resorts and Courtyard by Marriott brands under long-term management agreements, to subsidiaries of Whitehall for an undisclosed sum. The hotels included in the deal were the two Renaissance hotels in Paris, the Renaissance Hotel Amsterdam and the Courtyard by Marriott Düsseldorf;
- In 2006, Starwood Hotels & Resorts sold six European properties to Host Hotels & Resorts Inc. as part of a portfolio deal featuring 35 properties around the world. The European hotels, sold for almost €762 million, were the Sheraton Skyline & Conference Centre at London Heathrow; the Sheraton Roma Hotel & Conference Centre, in Rome, Italy; the Westin Palace Madrid; the Westin Palace Milan; the Sheraton Warsaw Hotel & Towers; and the Westin Europa & Regina in Venice. The hotels had a total of 2,619 rooms (the sales price was thus €291,000 per room);
- In a sale and franchiseback transaction Accor Germany sold eight properties under the Novotel, Mercure, Ibis and Etap brands to Grand City Hotels & Resorts for an undisclosed sum. Grand City Hotels is a hotel investment and operating company that was founded in February 2006.

2006 was a year marked by the takeover of several smaller UK chains, such as the Scotsman Hotels Group and Marston Hotels, and by the transaction of large hotel operating groups such as Travelodge and De Vere and, as mentioned earlier, Hilton International.

- The Scotsman Hotel, Edinburgh; 42 The Calls, Leeds; and La Tremoille, Paris make up the Scotsman Hotels Group, which was sold to MBI International for a reported €92 million (or €453,000 for each of the 203 rooms in the portfolio);
- In November 2006, Marston Hotels, comprising 12 properties, was acquired by QHotels for €267 million (€222,000 per room);
- Over the course of the first half of 2006, the De Vere transaction proved to be a nerve-racking race right to the finish. Richard Balfour-Lynn's Alternative Hotel Group won the race against Permira, the private equity company, and acquired the 35-strong group for more than €1 billion (€229,000 per room);
- The sale of the UK hotel group Travelodge in August 2006 confirmed the strong investor confidence in the budget hotel sector. Dubai International Capital purchased the group's 291 properties (17,267 rooms) for €977 million (€57,000 per room). The vendor was Permira;
- The six properties in the Principal Hotel Group, including Edinburgh's George Hotel, are looking back on a turbulent year. The chain was originally acquired by Permira, the private equity firm, from Royal Bank of Scotland for €472 million in September 2006 (€334,000 per room). In early 2007, a sale and leaseback deal was struck between Permira and international property investor and fund manager aAIM (Alternative Asset Investment Management). The agreed

purchased price is reported to be around €410million for the 1,310-room portfolio. aAIM is committed to injecting a further €35 million in improvements and additional facilities;

- Menzies Hotel Group, which was acquired by Nikko Principal Investments (the European merchant banking arm of Tokyo-based Nikko Cordial) for €175 million in 2005, changed hands again in 2006. The new owners were Piccadilly Hotels, a joint venture of aAIM and R20, which paid a reported sum of almost €282 million for the 15-strong portfolio.

Other significant portfolio transactions included the following.

- Marmotte, one of the largest privately owned French hotel chains, was sold to Didier Ferré for roughly €15 million. The Marmotte chain consists of 27 budget hotel properties in France offering more than 1,000 rooms;
- Blackstone, the US private equity group, paid €650 million (€201,000 per room) for Hospitality Europe BV (HEBV), a hotel group owning eight properties across Europe, mainly in airport locations. The 3,227-room portfolio included four Sheratons – those at Frankfurt airport, Amsterdam’s Schiphol Airport, Brussels airport and in Stockholm – as well as the 230-room Pulitzer hotel in Amsterdam, the Hyatt Regency Charles de Gaulle, the Renaissance Hotel Prague and the Four Points Hotel Brussels;
- Swallow Hotels, which faced administration by Ernst & Young in September 2006, had continued its frantic acquisition strategy by buying six Scottish properties earlier in 2006, including key conference venue the Carnoustie Hotel, for an undisclosed sum;
- WA Shearings, the coach holiday firm, sold 39 of its UK hotels to Moorfield Real Estate for €158 million in a sale and leaseback deal. The properties are subject to a 25-year lease and WA Shearings is retaining control of the €25 million capital investment programme;
- The Norwegian firm Norgani Hotels acquired 15 hotels totalling 2,913 rooms from the Finnish property investment company Kapiteeli. The purchase price amounted to €294 million, or €101,000 per room. Ten of the hotels included in this transaction are branded as Scandic hotels;
- Norgani disposed of four of its assets in Denmark for €83.5 million. Hotellinvest Holding AS is the new owner of the 729-room portfolio. Norgani will continue to manage the sold properties according to a six-year agreement and will complete the construction of the conference centre adjacent to the Clarion Copenhagen, which was part of the deal;
- Dublin Airport Authority (DAA) realised more than €265 million from the sale of Great Southern Hotels to various investors, including Irish development firm Edward Holdings, Spentor (controlled by Bernard McNamara) and Ronan and Frank McArdle, the Walsh brothers and Alan McIntosh;
- The ten-strong Acorn International hotel portfolio was sold to Hoteles Globales for an undisclosed sum, but one estimated to be in excess of €130 million;

- London & Regional Properties sold six spa hotels from Holiday Club Finland, which it acquired in June 2005. The new owner is Finnish retail co-operative SOK’s subsidiary Sokotel Oy, which paid an undisclosed sum for the business;
- Luxury hotel group The Stein Group acquired three properties in central London, increasing its owned portfolio to five hotels. The group together with Harte Holdings, an Irish property investment and development company, bought The Royal Park Hotel, The Cranley and The Elizabeth. At the same time, Stein Group announced plans to grow its portfolio to 50 luxury hotels in Europe over the next five years.

In 2007, we consider that the abundance of portfolio activity will continue, given the completion of several portfolio transactions already this year, as well as the value of scheduled transactions due to take place.

Profile of Investors

In 2006, investor profiles again changed significantly and, surprisingly, hotel operators appeared at top of the list with a share of 34% of the total transaction activity. However, this is less of a surprise when one considers that the reason for this is largely the Hilton International/Hilton Hotels Corporation (HHC) transaction, which made up 33% of the total portfolio activity and a remarkable 24% of the total investment volume in Europe in 2006. As HHC is a hotel owner-operator, this also influenced greatly the proportion of hotel operators as an investor type. Hotel operators acquired assets worth €6.9 billion in 2006, compared to €1.76 billion in the previous year.

- Private equity companies finished in second place with 25% of the total transaction value, a total investment of €5.2 billion, compared with only 15% (€2.4 billion) in the previous year. Alternative Hotel Group’s takeover of De Vere was a noteworthy example of a private equity acquisition. This source of capital is expected to rise even further in the future;
- Real estate investors’ share of 17% of the total transaction activity represented a slight decrease on the 25% of the year before. The

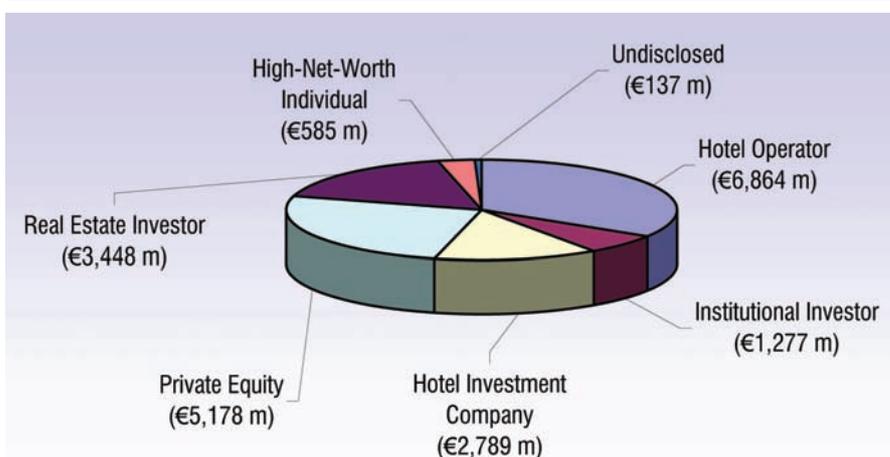
decrease in absolute values was 14%, from almost €4 billion in 2005 to €3.4 billion in 2006;

- High-net-worth individuals (HNWI) invested a total of only €585 million in hotel assets in 2006. It should be noted however that HNWI frequently create investment vehicles to place their funds into or participate in real estate investment companies and hotel investment companies.

Despite the large proportion of hotel operators acquiring assets (as a result of the Hilton transaction) in 2006, it is important to appreciate the general trend followed by hotel operators – that of reducing their asset intensity by separating the ‘bricks’ aspect of the business from the actual operation (the ‘brains’). By divesting themselves of hotel assets in return for management (or franchise) contracts, hotel operators gain a considerable sum of capital that can be put towards refurbishment, or used to fund acquisition and development activity in new markets and brands. Alternatively, capital can be returned to shareholders. Asset divestment reduces hotel operators’ exposure to the risks associated with asset ownership. We expect the current trend – the acquisition of hotels by private equity firms and institutional investors – to continue, as more of these deals take place.

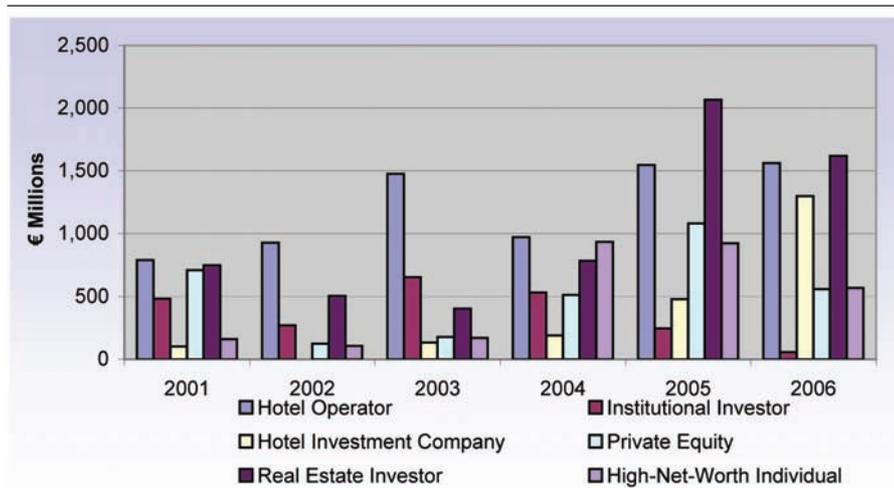
- In respect of single asset transactions, real estate investors continued to lead the investors’ table. With a share of 38% of all single asset transaction activity in 2005, their relative share declined to 28% and a total investment of €1.6 billion. Major investments undertaken by real estate investors include the acquisition of the Hilton London Metropole and Hilton Birmingham Metropole by Tonstate and the Four Seasons Milan by Italian real estate holding company Statuto Group;
- Hotel operators’ investment activity amounted to 27% of all single asset transactions (€1.6 billion), which is close to 2004’s level of 24%, but lower than their share in 2005 of 29%. Significant transactions included the acquisition of the Great Eastern Hotel in London by Global Hyatt Corporation and JER Partners, as well as numerous transactions in the UK and Spain;

Figure 3 Single Asset and Portfolio Investment Activity by Buyer Category 2006 (€ millions)



Source: HVS International Research

Figure 4 Single Asset Investment Activity by Buyer Category 2001-06



Source: HVS International Research

- Hotel investment companies were more active in 2006 than they were the year before, increasing their share of the total single asset transactions value from 9% to 22%, reflecting the growth in the number of real estate companies focusing primarily or solely on hotel assets. The total monies invested by this category amounted to €1.3 billion;
- High-net-worth individuals (HNWI) remained just above the 10% mark in terms of single asset acquisitions, a decrease on the 17% recorded in 2005. The acquisition by Bahraini investors of the Marriott Park Lane Hotel and the Barclay Brothers' purchase of the De Vere Cavendish Hotel in London are examples of HNWI investments in 2006: investments that totalled €570 million;
- The remaining categories – institutional investors and private equity – were not particularly prominent in acquiring single assets in 2006. Together they accounted for around 12% of the total single asset activity.

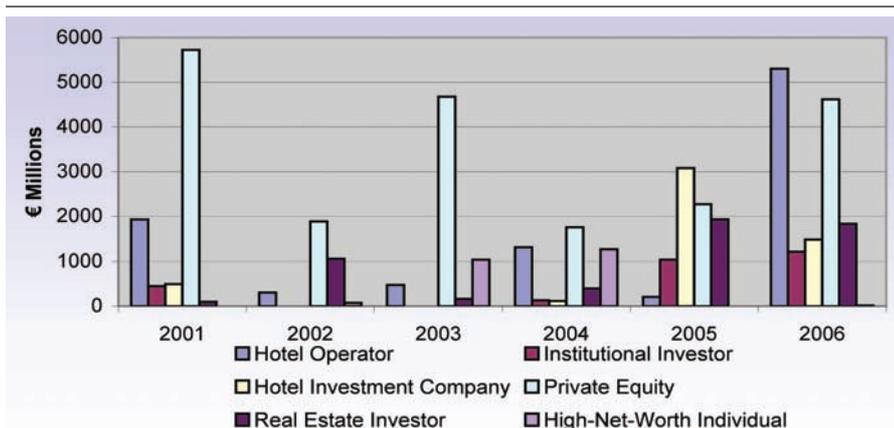
When we consider portfolio transactions, the dominance of two principal investor types - hotel operators and private equity companies - becomes apparent; together they accounted for more than 50% of the portfolio values traded in 2006.

- Hotel operators' share of total portfolio activity surged from 2% to 37% , as explained previously, thanks to the HHC acquisition.

Hilton was not alone though; QHotels took over the Marston Hotel Group; the ten-property Acorn portfolio was acquired by Hoteles Globales and Whitbread snapped up seven Holiday Inn hotels in the UK. Hotel operators' investment in portfolios totalled €5.3 billion;

- Private equity continued to account for a significant portion of portfolio activity. Private equity investment totalled approximately €4.6 billion, which accounted for 32% of the total portfolio activity. Significant transactions made by private equity firms included the Alternative Hotel Group's takeover of De Vere; Travelodge's acquisition by Dubai International Capital; and The Blackstone Group's purchase of the upscale HEBV portfolio;
- Investments made by real estate investors totalled approximately €1.8 billion, or 13% of the total portfolio activity. The major deal in 2006 was struck by Israeli property company Delek Real Estate, which acquired 47 Marriott properties for €1.68 billion;
- Institutional investors' invested a total of €1.2 billion, their relative share of the total portfolio transaction value declining from 12% in 2005 to 8% in 2006. A good half of this amount was spent by Morgan Stanley Real Estate Fund on its acquisition of seven InterContinental properties;

Figure 5 Portfolio Investment Activity by Buyer Category 2001-06



Source: HVS International Research

- Once again, high-net-worth individuals made little impact on portfolio-related activity, with only one portfolio transaction taking place: Didier Ferré's acquisition of 27 Marmotte hotels in France for roughly €15 million.

Cross-Border Activity

European hotel assets attract investors from all over the globe. 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.

In 2006, 31% of acquisitions, totalling €6.3 billion, were made by buyers in their home countries. Acquisitions abroad came to €13.9 billion, or 69% of the total transaction value. Among single asset transactions, the proportions shift towards a higher domestic share (44%), whereas portfolios tend to be acquired by foreign buyers predominately (74%). This is illustrated in Figure 6.

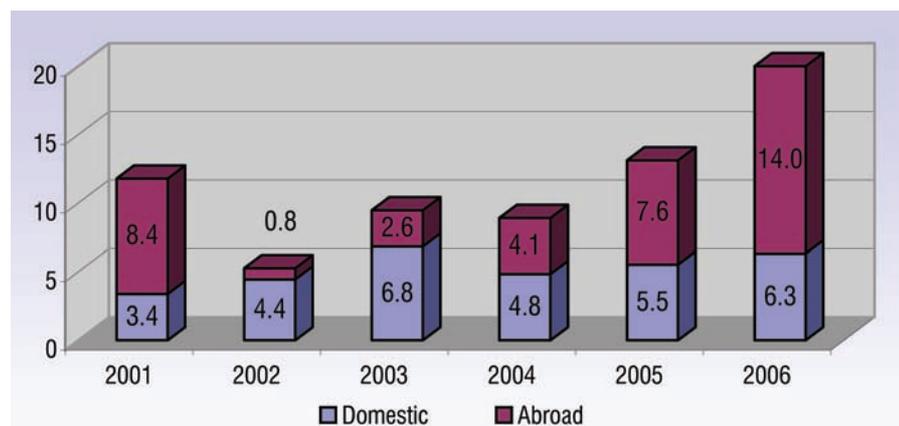
Back in 2002, buyer interest remained largely concentrated on portfolio transactions 'at home', with any investment abroad primarily geared towards single assets. Over the years this 85:15 split has almost reversed and in 2006, 69% of hotel investment volume was undertaken abroad. However, there are some markets, such as Italy and Spain, where domestic transactions in both the single asset and the portfolio sector remain dominant, with the exception of trophy assets that attract a lot of foreign buyers' interest.

In the past, a considerable amount of European hotel stock was owned by European (hotel) companies. This trend has been continuously changing and in the future we expect to see even more US, Middle Eastern (such as DIC, the buyers of Travelodge) and Israeli investors (for example, Tonstate, the buyer of two Hilton Metropoles, and Delek Real Estate, the buyer of 47 Marriotts) trading hotel assets in Europe.

Conclusions and Outlook

2006 saw an overall increase in total investment value from roughly €15 billion in 2005 to more than €20 billion, which represents a surge in transaction values of 28%. The main trends in 2006 were a higher proportion of portfolio transactions (now 71% of the total investment value) and an increasing number of investors acquiring properties abroad (foreign capital invested in 2006 was 60% greater than it was in 2005!). Major capital sources are global funds, Middle Eastern investors and US buyers. When considering total investment values, dominating buyer types are private equity companies and real estate investors, both attempting to diversify their portfolios with the inclusion of hospitality assets (although 2006 was somewhat distorted by hotel companies, in particular the Hilton 'remarriage'). Generally, the structure of hotel ownership is shifting towards companies with a real-estate background and away from pure hospitality companies.

Figure 6 Cross-Border Activity – Single Asset and Portfolio Transactions 2001-06 (€ billions)



Source: HVS International Research

2007 has already witnessed an interesting increase in portfolio transactions, including the completion of The Blackstone Group's purchase for an undisclosed price of Deutsche Interhotels, comprising 14 Accor and Starwood branded hotels in cities across Germany. In January, Macdonald Hotels completed the sale of 24 of its UK properties to Moorfield Real Estate Fund for around €600 million, and in February Accor signed a memorandum of understanding to sell 30 hotel properties totalling around 5,000 rooms to Land Securities, a UK property company, for €710 million. Accor will use the funds generated to reduce its debt and add to the group's cash reserves. The most exciting news of 2007 however is the bid to take Four Seasons private by affiliates of Cascade Investment LLC (which is owned by Bill Gates), Kingdom Hotels International (a company owned by a trust of Prince Alwaleed of Saudi Arabia) and Isadore Sharp.

Notable single asset transactions in 2007 to-date have included the sale of the Radisson Champs Elysées in Paris to Luxury Hotel Group for €21 million. The Dolce Chantilly conference hotel and golf course was acquired by Banimmio Real Estate for €45 million. In Germany, Benson Elliot Capital Management, a private equity company, has acquired the five-star Nikko Hotel in Düsseldorf and the adjacent Deutsch-Japanische Centre for €114 million from The Blackstone Group. Scandinavia has appeared on the hotel market radar screen with the sale of the 395-room Copenhagen Marriott to The Blackstone Group for an undisclosed price.

Properties currently on the market include Rocco Forte's Lowry Hotel in Manchester and the St David's Hotel & Spa in Cardiff. The speculative price for the properties is estimated to be around €111 million in a sale and manageback transaction. The Swissôtel Düsseldorf is also looking for a new owner, and Accor is looking to sell 92 of its properties in Germany and the Netherlands.

In line with last year at this stage (March), the year ahead is promising to be very active in terms of hotel real estate transactions. In the last two years, many large portfolios have been sold and speculators question what else is left to come to the market. Therefore, we expect a greater number of smaller portfolios to be sold and an increase in single asset sales. Some of the owners of recently acquired hotels and

portfolios will no doubt seek to maximise the value of their investments by taking advantage of the currently 'hot' trading markets in European hotels.

But where is the current hotel cycle going? Where, in fact, are we on that cycle? Twelve months ago many a discussion was held among those active in the market suggesting that we appeared to be nearing the top of the cycle. But despite all the activity in 2006, many pundits would argue it would be easier right now to 'pin the tail on the donkey' blindfold than to put a pin with our eyes open into the traditional market cycle at the position we are at right now. Just how far off the top are we, or could we possibly be entering a period of stabilisation rather than simply being about to go over the top?

But are our eyes truly open? Will we look back in 12 or even 24 months with hindsight and comment on how all the signs were there, and wonder why we missed them? Or will we at that point still be wondering when the current cycle will end? Let us consider the signs.

- Although hotel transaction yields in Europe are currently averaging out at record lows in the region of 6%, many transactions are taking place at yields once only associated with trophy assets and significantly below the cost of debt; in other words, below 5% and sometimes below 4%;
- Banks traditionally active in the hotel market find it increasingly difficult to fund a significant proportion of the transactions presented to them, as the quantum of debt sought by buyers cannot be covered by the profitability of the underlying assets. Nevertheless, those buyers are finding plenty of other sources only too willing to finance such transactions;
- Many are buying hotel assets based on trading performances that are underpinned by record high occupancy, ADR and NOI levels, failing to understand (or perhaps consciously ignoring) that these levels are not what we would consider to be a stabilised performance. With occupancy in London of 82% in 2006, many investors are not pricing into their valuation models the sort of downturns that occurred in the early 1970s, the early 1980s, 1991-93 and 2001-02. Too

many investors are under the impression that these favourable conditions are here to stay forever;

- Many sale and leaseback transactions are being agreed at record high rental levels (does anyone not remember what happened in 2001, when a certain hotel chain was funded on this basis and got caught out by events?);
- Many investors are purchasing assets at yields below 6% and anticipating future capital appreciation, which presupposes either further yield compression or continued long-term growth in trading performance (as well as a buyer who is willing to pay a premium in a few year's time when he is seeking to exit);
- In the UK, economists are wondering how the Bank of England intends to hit its 2% inflation target without raising interest rates above the current 5.25%. These rates are expected to hit 5.5% around the time this report is published in March;
- The European economy grew faster than expected in the last quarter of 2006, thus raising the likelihood of further interest rate rises from the European Central Bank in the near future;
- Unleveraged buyers are driving hotel values for major city centre properties. Petrodollar-buyers, benefiting from still-high oil prices, remain strong unleveraged buyers of hotel property.

But are these really signs that the good times might soon be coming to an end? With travel and tourism growing at unprecedented rates and with the impact of the burgeoning middle classes of India and China taking overseas holidays having barely begun to be felt, there are plenty of reasons to suppose that the global demand for hotel accommodation can only increase with a consequent increase in the trading performance of the European hotel market. The oil-rich Gulf States still have vast sums of petrodollars yet to be invested and private equity firms and institutional investors have only recently seen hotels as an acceptable asset class, and have much more potential to further diversify their portfolios into this sector.

So are we perhaps entering an era of perfect hotel market conditions? Have we perhaps found ourselves a parking space near the top of the cycle? Or, do we in fact have all the prerequisites for a 'perfect storm'?

The key to success will be found by those who first identify the signals leading to an imbalance of supply and demand, whether this is from an oversupply of hotel rooms or a shortfall in demand. It is this which can lead to a decline in the fortunes of the hotel sector and it is most likely that US hotel markets will start to experience this in advance of Europe (albeit that this discounts the potential effects a terrorist outrage could have anywhere in the world, with the consequent 'knock-on' effect that may then transpire).

So our advice to those looking at European hotel investments is to be vigilant – broaden your field of vision, don't be too focussed on your micro markets to miss the bigger picture of what is happening elsewhere in the world, and to continue to 'make hay while the sun shines'.

Table 2 European Single Asset Hotel Transactions 2006 (€)

Property	City	Country	Rooms	Sales Price	Sales Price Per Room	Buyer	Seller
Carlton Hotel Antwerp	Antwerp	Belgium	205	16,000,000	78,000	Prem Group	HDC
Astoria Hotel	Antwerp	Belgium	Included in transaction above	Included in transaction above	Prem Group	HDC	
Serdika Hotel	Sofia	Bulgaria	131	10,000,000	76,300	Equest Balkan Properties (EBP)	Undisclosed
Parkhotel Prague	Prague	Czech Republic	274	35,000,000	128,000	Sekyra Group	Undisclosed
Hotel Savoy	Spindleruv Mlyn	Czech Republic	Included in transaction above	Included in transaction above	Sekyra Group	Undisclosed	
InterContinental Hotel Prague (65% stake) ¹	Prague	Czech Republic	242	97,575,000	403,500	Strategic Hotels & Resorts	EU-Hotel Pte Ltd
Former Noga Hilton Cannes	Cannes	France	240	84,500,000	352,000	Jestia	BNP Paribas Suisse
Park Hyatt Paris-Vendome	Paris	France	178	Confidential	—	Global Hyatt Corporation	Bouygues Immobilier and Credit Foncier
Sofitel Paris Forum Rive Gauche	Paris	France	782	Confidential	—	Marriott International	Accor SA
Golden Tulip Boulogne	Boulogne	France	450	47,150,000	105,000	Fonciere des Murs	General Electric Real Estate France
Holiday Inn Calais Coquelles	Calais	France	Included in transaction above	Included in transaction above	Algonquin	General Electric Real Estate France	
The Tulip Inn Ivry	Ivry	France	Included in transaction above	Included in transaction above	Boissee Finances	General Electric Real Estate France	
Le Melezin	Courchevel	France	31	Confidential	—	Canyon Group Companies	Undisclosed
Hotel Lancaster	Paris	France	60	48,000,000	800,000	Hospes Hotels	Stéphane Andrieu
Westin Tianon Palace	Versailles, Paris	France	198	Confidential	—	Blackstone Group International Ltd	LeoPalace 21 Corporation
Hotel Concorde Saint Lazare	Paris	France	300	100,000,000	333,300	Westbrook	Sovatfirm
Chateau de Bagnols	Bagnol	France	21	25,000,000	1,190,500	Von Essen Hotels	Lady Hamlyn
Quality Hotel & Suites Berlin City East	Berlin	Germany	301	Confidential	—	Meta Hotel GmbH & Co. KG	Undisclosed
InterCity Hotel	Hamburg	Germany	155	Confidential	—	Defo-Deutsche Fonds fuer Immobilienvermoegen	Hamburger Feuerkasse Versicherungs AG
Hotel Berlin	Berlin	Germany	701	Confidential	—	Pandox AB	Azure Property Investments SA
Aparthotel Berlin Schoenefeld Airport	Berlin	Germany	153	7,808,000	51,000	Fattal Hotels	Undisclosed
Bad Hotel zum Hirsch	Baden-Baden	Germany	71	7,892,000	111,200	HelioPark Hotels & Resorts	Adolf Scherer GmbH
Schlosshotel Berlin im Grunewald	Berlin	Germany	54	23,000,000	425,900	Alma	Dr Herbert Ebertz/Dorint Hotels
Hotel Norge Hamburg	Hamburg	Germany	132	Confidential	—	GBI (Ges. f. Beteiligungen u Immobilien mbH)	Undisclosed
Le Meridien Hildesheim	Hildesheim	Germany	110	Confidential	—	Van der Valk Hotels & Restaurants	Starman Hotels
Steigenberger Hotel Berlin	Berlin	Germany	386	Confidential	—	Losan Hotels World	Steigenberger Hotel AG
Hunguest Pension Rev Szantod	Szantod	Hungary	46	Confidential	—	Seuso Investment	Hunguest Hotels
Chief O'Neills Hotel	Dublin	Ireland	73	20,000,000	274,000	Mr Lar Byrne	Terry Devey

¹ Room count is based on investment share taken in the property.

Source: HVS International

Table 2 European Single Asset Hotel Transactions 2006 (€) - continued

Property	City	Country	Rooms	Sales Price	Sales Price Per Room	Buyer	Seller
Ard Ri Hotel	Waterford	Ireland	100	Confidential	—	Consortium from Cork	McEniff Family
Glenview Hotel & Leisure Club	Co. Wicklow	Ireland	70	18,000,000	257,100	Confidential	Stafford Holdings
Vienna Woods Hotel	Glanmire	Ireland	50	10,000,000	200,000	Fitzgerald Family	John and Darina Gately
Hotel Abbadetta	Acquaviva Picena	Italy	75	20,000,000	266,700	Man Around Group	Undisclosed
Hotel Des Etrangers et Miramare	Siracusa	Italy	93	Confidential	—	Acqua Pia Antica Marcia	Undisclosed
Four Seasons Hotel Milan	Milan	Italy	118	200,000,000	1,694,900	Statuto Group (Giuseppe Statuto)	Quinlan Private
Grand Hotel Rimini	Rimini	Italy	117	69,000,000	589,700	Daniilo Coppola	Rino Fratus and Casto Janotta
Excelsior Hotel Gallia	Milan	Italy	237	100,000,000	421,900	Qatar Investment Authority (QIA)	Starman UK Company Services
Hotel Takiolji Neris	Kaunas	Lithuania	190	Confidential	—	Linstow	Undisclosed
Ramada Hotel & Suites Amsterdam	Amsterdam	Netherlands	143	Confidential	—	Parkvondel Hotel Real Estate	AMS Hofpark
Le Meridien Apollo	Amsterdam	Netherlands	219	50,000,000	228,300	Dutch investors	Starman UK Company Services
Quality Hotel Fagernes	Fagernes	Norway	139	11,186,000	80,000	Norgani Hotels ASA	Choice Hotels Scandinavia ASA
Comfort Hotel Nobel	Molde	Norway	49	2,959,000	60,000	Confidential	Norgani Hotels ASA
Rica Olrud Hotel	Hamar	Norway	176	11,273,000	64,100	Norgani Hotels ASA	Undisclosed
Quality Hotel Arcticus Harstad	Harstad	Norway	75	5,870,000	78,300	Norgani Hotels ASA	Undisclosed
Hilton Warsaw & Convention Centre (66% stake) ¹	Warsaw	Poland	207	35,900,000	173,200	Atlas Estates	Undisclosed
Sheraton Hotel Krakow	Krakow	Poland	232	45,000,000	194,000	Quinn Group	Starwood Hotels, Besix, NDI SA, PKO Bank Polski
Novotel Bucharest City Centre Hotel	Bucharest	Romania	258	29,500,000	114,300	Sparkassen Immobilien AG	Accor
Hotel Jugoslavija	Belgrade	Serbia	476	31,300,000	65,800	Alpe Adria Hotel	Serbian Privatization Agency
Hotel Metropol	Belgrade	Serbia	217	39,508,100	182,100	Greccotel	Serbian Privatization Agency
Radisson Bratislava	Bratislava	Slovakia	168	Confidential	—	Breevast	Patron Capital Ltd
Hotusa Barbera	Barcelona	Spain	449	52,000,000	115,800	Metrovacesa SA	JV between Banco Sabadell SA & Espais
Hotel Atlantis Palace	Fuenteventura	Spain	Included in transaction above	Included in transaction above	—	Metrovacesa SA	JV between Banco Sabadell SA & Espais
Astoria de Valencia	Valencia	Spain	204	36,000,000	176,000	Fiesta Hotel Group	Industrias Hoteleras Sendra SA
Hotel Arts	Barcelona	Spain	483	417,000,000	863,400	Host Hotels & Resorts	Deutsche Bank Consortium & Private Investors
Rey Don Jaime Hotel	Valencia	Spain	319	38,500,000	120,700	Inversiones Hoteleras Toledo (inverhotel)	Sol Meliá
SH Canet	Valencia	Spain	149	Confidential	—	AGH Hoteles	SH Hoteles
Hotel Tropicana	Torremolinos	Spain	84	11,000,000	130,952	Hoteles C, SA	Mauricio Berrio Attar SA

¹ Room count is based on investment share taken in the property.

Table 2 European Single Asset Hotel Transactions 2006 (€) - continued

Property	City	Country	Rooms	Sales Price	Sales Price Per Room	Buyer	Seller
Sunwing Cala Bona	Majorca	Spain	365	Confidential	—	Hipotels	MyTravel Group
Express by Holiday Inn Valencia San Luis	Valencia	Spain	125	Confidential	—	Westmont Hospitality	InterContinental Hotels Group
Express by Holiday Inn Alicante	Alicante	Spain	120	Confidential	—	Westmont Hospitality	InterContinental Hotels Group
Carmen Playa	S'Arenal	Spain	95	Confidential	—	Side Balear Quality Hotels (BQ Hoteles)	Alianza Insular Turística (AIT Hotels)
Aguamarina	Portals Nous	Spain	80	Confidential	—	Unnamed German Group	Side Balear Quality Hotels (BQ Hoteles)
Byblos Andaluz	Málaga	Spain	144	40,000,000	277,778	Alfos	Byblos Andaluz SA
Alcora	Seville	Spain	401	Confidential	—	TRH Hoteles	Grupo Villar Mir
Atalaya Tenerife	Tenerife	Spain	182	Confidential	—	TRH Hoteles	Caboten Canarias
Bodega Real	Cádiz	Spain	52	5,400,000	103,846	Villa Angelica SL	Luis Arevalo
San Felipe	Tenerife	Spain	261	Confidential	—	Hoteles Pineros Canaria	Corporacion H10 Hotels
Dania Park	Tenerife	Spain	225	Confidential	—	Hoteles Jadaelisol	Valle Orotova SA
Magec	Tenerife	Spain	187	Confidential	—	Hoteles Jadaelisol	Cupido SA
Orense	Madrid	Spain	140	37,500,000	267,857	Inmobiliaria Reyal	Fancar Inversiones SL
Apartamentos Cactus Gardens	Fuerteventura	Spain	129	22,000,000	170,543	Dunas Hoteles	QP-Monica Express SL
Hilton Barcelona	Barcelona	Spain	286	Confidential	—	Confidential	Hotelera Diagonal SA
Don Carlos Beach and Golf Resort	Marbella	Spain	265	51,600,000	194,717	Expo Hotels and Resorts	Hoteles Coach
Los Zocos Club Resort	Costa Teguiuse	Spain	324	Confidential	—	Confidential	Los Zocos SA
Fiesta San Remo	Ibiza	Spain	147	Confidential	—	Grupo Matutes	Fiesta Hotels and Resorts
Fiesta S'Estanyol	Ibiza	Spain	133	Confidential	—	Grupo Matutes	Fiesta Hotels and Resorts
Astili Spa & Hotel	Estepona	Spain	180	Confidential	—	AGH Hoteles	Arrendamiento y Gestion de Hoteles SA
Dolce Sitges	Sitges	Spain	263	61,000,000	231,939	Inchydoney Partnership	Med Dolce Sitges
Hesperia Sarría	Barcelona	Spain	134	Confidential	—	Nozar	Hesperia Hotels
Hesperia Castelldefels	Castelldefels	Spain	79	Confidential	—	Nozar	Hesperia Hotels
Europa	Alicante	Spain	137	Confidential	—	Ocean Boulevard S.L	Berence Hoteles SL
Daniya Spa & Business	Denia	Spain	122	Confidential	—	Ocean Boulevard S.L	Villas Montgo SL
Son Moll	Cala Ratiada	Spain	125	Confidential	—	S'Entrador, S.L.	Son Moll
Acis y Galatea	Madrid	Spain	16	2,000,000	125,000	Optursa Management	Aultre Naray SL
Airtours Beach Club	San Agustin	Spain	158	Confidential	—	Grupo Marsans	MyTravel Group

Source: HVS International

Table 2 European Single Asset Hotel Transactions 2006 (€) - continued

Property	City	Country	Rooms	Sales Price	Sales Price Per Room	Buyer	Seller
Yasuragi Hasseludden	Nacka	Sweden	163	9,559,000	59,000	Capona AB	Landesorganisationen (LO)
Scandic Plaza	Boras	Sweden	135	14,868,000	110,100	Pandox AB	Vaestisvenska Hotellfastigheter AB
Radisson SAS Hotel	Malmö	Sweden	229	28,275,000	123,500	Pandox AB	Wifborgs Fastigheter AB
First Hotel Linne	Uppsala	Sweden	116	8,627,000	74,400	Accome Investment AB	Norgani Hotels ASA
Rica Hotel Gothenburg	Gothenburg	Sweden	97	3,878,000	40,000	Rica Hotels AB	Swedish Salvation Army Foundation
Tarabya Hotel	Istanbul	Turkey	261	113,421,000	434,600	Bayraktar Holding	Emekli Sandigi (State Pension Fund)
Queen's Hotel	Aberdeen	UK	34	10,349,000	304,400	Malmaison	Private Owner
Holiday Inn Birmingham City	Birmingham	UK	280	24,866,000	88,800	Cairn Hotels	LRG Acquisition Ltd
Thistle Birmingham City	Birmingham	UK	133	30,355,000	228,200	Kenmore Property Group	Abstract Land
Paragon Hotel	Birmingham	UK	250	17,741,000	71,000	Dhillon Hotels	Cockpit Hotels
Radisson SAS Portman Hotel	London	UK	272	121,538,000	446,800	Gloucester Capital	Private
Holiday Inn Bolton M61	Bolton	UK	98	Confidential	—	Britannia Hotels	LRG Acquisition Ltd
Gresham Court Hotel	Bournemouth	UK	32	1,800,000	56,000	Ascott Group (Andy Scott)	Marais
The Brigstow Hotel	Bristol	UK	115	25,385,000	220,700	Pedersen Group	Fuller, Smith & Turner
Taplow House Hotel	Buckinghamshire	UK	33	9,655,000	292,600	Unnamed private investor	Wren's Hotel Group
Carlton Hotel	Cheltenham	UK	46	9,303,000	202,200	Hotel du Vin	Undisclosed
Mollington Hotel	Chester	UK	62	8,777,000	141,600	Brook Hotels	Hand Picked Hotels
Falmouth Hotel	Cornwall	UK	129	8,710,000	67,500	Richardson Hotels	Undisclosed
Westerwood Hotel	Cumbernauld	UK	100	21,700,000	217,000	Qhotels	Morton Property Group
Risley Hall Hotel	Derbyshire	UK	36	10,207,000	284,000	Swallow Hotels	Administrators of Risley Hall Property
Bovey Castle	Devon	UK	65	39,031,000	600,500	Hillwood Resorts and Hotels	Peter De Savary
Hotel Barcelona	Exeter	UK	46	30,451,000	662,000	Swire Properties	Luxury Hotel Management
Glasgow West Holiday Inn Hotel	Glasgow	UK	275	21,775,000	79,200	European Development	LRG Acquisition Ltd
Jurys Hotel West End Glasgow	Glasgow	UK	137	14,303,000	104,400	Portland Hotels	Jurys Doyle Hotel Group
One Devonshire Gardens	Glasgow	UK	35	13,067,000	373,300	Malmaison Holding	Citrus Hotels
Bewley Hotel Glasgow	Glasgow	UK	104	14,784,000	142,200	Rossmark Hotel Group	Bewleys Hotels
Cheltenham & Gloucester Moat House Hotel	Gloucestershire	UK	120	27,704,900	230,900	Qhotels	Queens Moat Houses (QMH)
Ye Olde Bell	Hurley	UK	49	12,300,000	251,000	Private hotel group	Jarvis Hotels

Source: HVS International

Table 2 European Single Asset Hotel Transactions 2006 (€) - continued

Property	City	Country	Rooms	Sales Price	Sales Price Per Room	Buyer	Seller
Ashford International Hotel	Kent	UK	177	19,310,000	109,100	Qhotels	Ashford International
Holiday Inn Leeds Bradford Airport	Leeds	UK	160	Confidential	—	Britannia Hotels	LRG Acquisition Ltd
Haiton Garden Tower	Liverpool	UK	62	15,000,000	241,900	Prem Group	Downing
Great Eastern Hotel/Hyatt Regency	London	UK	267	217,200,000	813,000	Global Hyatt Corporation and JER Partners	Conran Holdings and The Blackstone Group
Croydon Park Hotel	London	UK	210	35,416,000	168,600	Howard Holdings	Bargolane BV
Blakes Hotel	London	UK	49	33,389,000	681,400	Mark Weinberg	Atlan Holdings Bhd
Franklin Hotel	London	UK	47	19,432,000	413,400	Grupo Imprese La Ficera (GILAF)	Townhouse Hotel Investments
Marriott Park Lane Hotel	London	UK	157	151,400,000	964,300	Bahraini royal family	Marylebone Warwick Balfour Group
Huntingdon House	London	UK	121	51,000,000	421,500	NH Hoteles & Losan	Undisclosed
Dukes Hotel	London	UK	90	58,516,000	650,200	Seven Tides	Townhouse Hotel Investments
West India Quay Marriott International Hotel	London	UK	307	160,918,000	524,200	Yianis Docklands Hotels Ltd	Marylebone Warwick Balfour Group
Marriott London Grosvenor Square	London	UK	236	149,875,000	635,100	Strategic Hotels & Resorts	Blackstone Real Estate Partners
Queensgate Hotel - South Kensington	London	UK	26	8,860,000	340,800	Private Investors	Niche Hotels
De Vere Cavendish Hotel	London	UK	230	147,844,000	642,800	Barclay Brothers	Alternative Hotel Group (AHG)
Hilton London Metropole	London	UK	1848	616,818,000	333,800	Tonstate	Hilton Hotels Corporation
Hilton Birmingham Metropole	Birmingham	UK	Included in transaction above			Tonstate	Hilton Hotels Corporation
The Rossetti	Manchester	UK	61	15,018,000	246,200	Abode	Alias Hotels
Chewton Glen	New Milton	UK	58	Confidential	—	Private Individual	Mr & Mrs Martin Skan
Allan House	Newcastle	UK	42	11,813,000	281,300	Hotel du Vin	Confidential
The George Hotel	Reading	UK	76	8,711,000	114,600	Confidential	Zola Hotels
Marine Hotel	Salcombe	UK	53	14,784,000	278,900	Benton Developments	Menzies Hotels
St Andrews Bay Hotel	St Andrews	UK	209	72,594,000	347,300	Apollo European Real Estate Fund	Chateau Elan Hotels and Resorts
De Vere Grand Hotel	St. Helier	UK	118	22,383,000	190,000	Hillwood Resorts and Hotels	De Vere Hotels
Telford Golf and Country Club Hotel	Telford	UK	96	Confidential	—	Qhotels	Swallow Hotels
Hustyns Hotel and Spa	Wadebridge	UK	37	15,680,000	423,800	Club La Costa Resorts and Hotels	Local Businessmen
Oakley Court Hotel	Windsor	UK	118	74,270,000	629,400	Two unnamed private investors	Queens Moat Houses
York Moat House Hotel	York	UK	200	39,583,000	197,900	Jefferson Hotels LLP	Queens Moat Houses

Source: HVS International



Elke Geieregger is Research Analyst with HVS International's London office. Having worked as a junior consultant and in various roles in hospitality accounting, she is now completing research-based assignments in numerous European countries.

Originally from Austria, Elke holds a BA (Hons) in tourism management and is a part-qualified member of the Chartered Institute of Management Accountants (CIMA).



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 more than 14 years experience in the hotel property sector. Karen

joined HVS International in 2001 and has conducted and directed numerous valuations, feasibility studies and consultancy assignments across Europe, the UK, North Africa and Asia.

HVS SERVICES

- Valuation Services
- Consulting Services
- HVS Hodges Ward Elliott
- HVS Shared Ownership Services
- Development Services
- Asset Management & Operational Advisory Services
- Executive Search
- Organisational Assessments/ Performance Cultures
- Convention, Sports & Entertainment Facilities Consulting
- Food & Beverage Services
- Restaurant Management & Advisory Services
- Gaming Services
- HVS *Compass* Interior Design
- Marketing Communications
- Technology Strategies
- Hotel Parking Solutions
- Golf Services
- European Hotel Financing

Europe

HVS London
Russell Kett
Dominique Bourdais
Karen Smith
Bernard Forster
Hadrien Pujol
HVS Shared Ownership Services
Philip Bacon
HVS Executive Search
Chris Mumford

7-10 Chandos Street
Cavendish Square
London, W1G 9DQ
(44) 207 878 7700
(44) 207 878 7799 (fax)

HVS Hodges Ward Elliott
Charles Human
Rudy Reudelhuber
Pascal Bichon

1 Lancaster Place
London, WC2E 7ED
44 207 257 2000
44 207 257 2009 (fax)

HVS Madrid
c/ Velázquez, 80 6to Izq.
Madrid, 28001
(34) 91 781 6666
(34) 91 575 1450 (fax)

HVS Athens
5th Floor
17 Akadimias Str
Athens, 10671
(30) 69 7447 7713

North America
HVS New York
372 Willis Avenue
Mineola, NY, 11501
(516) 248 8828
(516) 742 3059 (fax)

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

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

HVS Vancouver
Suite 400 -
145 West 17th Street
North Vancouver, BC,
V7M 3G4
(604) 988-9743
(604) 988-4625 (fax)

HVS Toronto
6 Victoria Street
Toronto, ON, M5E 1L4
(416) 686-2260
(416) 686-2264 (fax)

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

HVS Dallas
2601 Sagebrush Drive
Suite 101
Flower Mound, TX, 75028
(972) 899 5400
(972) 899 1057 (fax)

HVS Atlanta
2386 Clower Street
Suite C101
Snellville, GA, 30078
(678) 639 3334

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

7883 S. Locust Court
Centennial, CO, 80112-2426
(303) 771 4104
(303) 290 6533 (fax)

HVS Washington, D.C.
1300 Piccard Drive
Suite 102
Rockville, MD, 20850
(240) 683 7123
(240) 683 7120 (fax)

HVS Chicago
205 West Randolph Street
Suite 1650
Chicago, IL, 60606
(312) 587 9900
(312) 587 9908 (fax)

HVS Mt. Lakes, NJ
420 Boulevard
Suite 203
Mountain Lakes, NJ, 07046
(973) 335 0871
(973) 335 0871 (fax)

HVS Boston
607 Boylston St.
4th Floor
Boston, MA, 02116
(617) 424 1515
HVS Newport, RI
327 Village Road
Tiverton, RI, 02878
(763) 591 7640

Asia & Australia
HVS New Delhi
C-67, Anand Niketan
New Delhi, ND, 110021
(91) 11 4166 3031
(91) 11 4166 3032 (fax)

HVS Singapore
79 Anson Road
#11-05
079906
(65) 6293 4415
(65) 6293 5426 (fax)

HVS Shanghai
47th Floor, Unit 16, Hong Kong New World Tower
300 Huaihai Zhong Road
Shanghai, 200021
(86) 21 5116 2856
(86) 21 5116 2882 (fax)

HVS Sydney
5 Elizabeth Street
Suite 101, Level 1
Sydney, NSW, 2000
(61 2) 9233 1125
(61 2) 9233 1147 (fax)

HVS Hong Kong
1-2/F
24 Sai Kung Tai Street
Sai Kung
(852) 2791 5868
(852) 2791 5699 (fax)

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

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

© 2007 HVS International. All rights reserved.

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:
Elke Geieregger - egeieregger@hvs.com
or Karen Smith - ksmith@hvs.com
or visit our website at: www.hvs.com