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# HVS 2025 EUROPEAN HOTEL VALUATION INDEX

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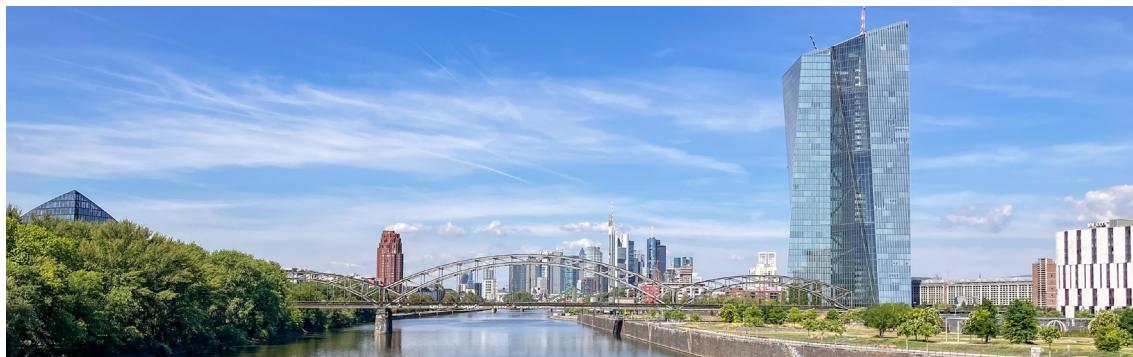
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## Highlights

We would have liked to remember the year 2024 for, say, the return to normal on inflation and interest rates. Instead, there was little that could be defined as 'normal' during these 12 months. Here are the key highlights of yet another eventful year.

- Despite an increasingly complex geopolitical and economic context, hotel values in Europe gained 2%, on average, as RevPAR remained mostly positive and bottom lines broadly stable. A reduction in the cost of debt also helped;
- The 'year of elections' witnessed about half of the world's population going to the polls to elect a new government. The results of some of these elections, notably in the USA, are already having an impact across the globe. Geopolitical challenges did not abate, with the wars in Ukraine and Israel still raging as the year came to an end;
- The appetite for travel, however, was undented despite such turmoil: Europe remained at the centre of the world in terms of tourism appeal, attracting more than 50 million additional overnights over the year than in 2023 according to Eurostat. A 2% uplift on the previous year and a new record;
- In terms of hotel demand, this led to modest gains in occupancy whilst average rate growth
- normalised, except for markets with exceptional circumstances. Overall, a decent RevPAR performance for the year;
- Inflation levels continued to abate in Europe, which allowed the ECB to decrease interest rates to prop up anaemic growth across the bloc. The Bank of England also implemented rate cuts, although the UK's economic picture is also mixed. The prospect of trade tariffs emanating from the USA and possible retributions resulting in global trade wars raises the prospect of a return to inflationary times, which central banks are closely monitoring;
- The ECB wage tracker indicated an increase of around 5% in payroll by the end of 2024. Whilst cost pressures remain a point of concern for hoteliers, margins have felt somewhat more secure as inflation normalised. Tension remains in relation to a potential flare-up of inflation as trade tariffs and employment cost pressures intensify.



## The European Investment Landscape

Following the high-inflation, high-interest environment of 2023, transaction activity increased in 2024 to the highest level since 2019 (please refer to our sister publication *2024 European Hotel Transactions* for more details). Some of the highlights for the year were as follows.

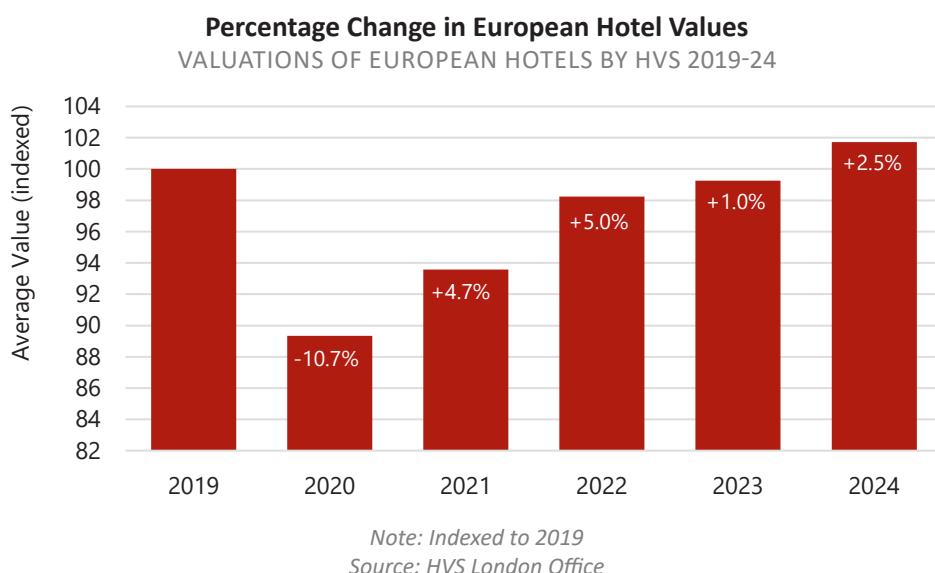
- With 20 more transactions in 2024 than in 2023, the transaction volume reached €17.4 billion in 2024, a 62% year-on-year growth. Although a large increase year-on-year, this is still only 73% of 2019 levels in terms of number of transactions and 64% of that year's transaction volume;
- After decreasing in 2023, the number of single-asset transactions increased by 7% year-on-year in 2024, with a 44% increase in transacted volume. The most remarkable single-asset transactions included the Mandarin Oriental Paris (€205 million or €1.5 million per key) in January 2024, the Six Senses London (€211 million or €1.9 million per key) in May 2024, the Hilton Paris Opera (€240 million or €895,000 per key) in January 2024, the Pullman Paris Tour Eiffel (€330 million or €762,000 per key) in April 2024 and the Bauer Venice (€300 million or €1.4 million per key) in November 2024. Many portfolios were sold in 2024, the largest being the 6,414-room ADIA UK portfolio which was sold to KKR and Baupost in November 2024;
- In 2024, the UK rejoined the desirable list of hottest markets, along with Spain. Together they accounted for 50% of transaction volume. The UK enjoyed an impressive 256% increase over 2023. On the other hand, although Spain remained one of the top markets, transaction volume there cooled by 9% on the previous year;
- Owner-operators went from the largest net buyers in 2023, to the largest sellers in 2024, disposing of

- €4 billion in assets. Private equity funds invested the largest amount in 2024, at €5.3 billion;
- European investors continued to lead the charge as they were again the most active in terms of both acquisitions and disposals of European hotel assets, accounting for 65% of transaction volume in 2024. Most notably, European investors increased their acquisition volume by 39% this year. North American investors made a comeback, accounting for 26% of acquisitions, a significant increase from 2.2% in 2023 and 7.2% in 2019;

- After a year away from the spotlight, London returned to pole position as the most liquid market in Europe, with close to €3 billion in transactions, more than twice the volume of the prior year. Paris kept its second-place spot with €1.5 billion in transaction volumes, two thirds above 2023 levels. The Spanish cities of Barcelona and Madrid showcased strong liquidity, with transaction volumes coming in at €437 million for Barcelona and €447 million for Madrid.

## European Hotel Values Increase in 2024

We continue to track a large sample of hotels that we value regularly. We compared the value changes for these properties from 2019 to the end of 2024 and indexed the values for this sample to 2019, for reference, as presented in the following graph.



In 2024, hotel values continued to grow with a 2.5% increase in value, overall, for our sample. We note some of the key drivers for this change.

- Most markets in Europe enjoyed continued positive RevPAR growth during 2024, albeit more modest than that of the previous couple of years. In some markets, limited rate growth was compensated by further occupancy recovery resulting, overall, in stable or even increased room revenues. F&B prospects improved, as MICE continued its slow recovery (though this market still hasn't recovered to pre-pandemic performance levels);
- Despite persistent payroll pressures that saw this cost grow above inflation across Europe, the gradual decrease of utility costs and otherwise generally stable expenses somewhat compensated for this, resulting, overall, in broadly static profit levels for the year;
- The ECB began to cut interest rates in June 2024 and the Bank of England followed suit in August.

The decrease in interest rates had a positive impact on discount rates and return expectations, which supported positive value changes;

- Whilst still lower in real terms, hotel values in 2024 finally (if marginally) surpassed the 2019 value watermark in nominal terms.



The table below shows the annual percentage change in hotel values, based on euro calculations, in each of the 31 cities covered by our survey, along with the overall average across Europe. We removed Moscow and St Petersburg from our index this year, owing to the ongoing lack of visibility on these cities. For the third year running, **Athens** maintained first position in terms of value growth, driven by strong RevPAR growth and continuing investor interest, as the market remains

**Inflation has now mostly stabilised in Europe, although trade policy changes could disrupt it again. We have adopted, across our sample of 31 cities, a consistent view on inflation, based on euro, at 2% throughout**

comparatively more affordable than other European cities.

Whilst lower interest rates lifted values across all markets, the compounded effect of strong RevPAR growth prompted increases in value of between 6% and 8% in **Lisbon, Madrid** and **Edinburgh**, which continued to benefit from a strong leisure influx (and help from the Taylor Swift effect wherever the Eras tour took her). The German markets – especially

Frankfurt, but also Hamburg and Berlin – benefited from the slow but steady return of trade fairs and corporate demand. Eastern European markets also benefited from the more protracted post-pandemic recovery, which is reflected in their mostly above-average value growth.



### Hotel Values

PERCENTAGE CHANGE IN HOTEL VALUES IN EURO

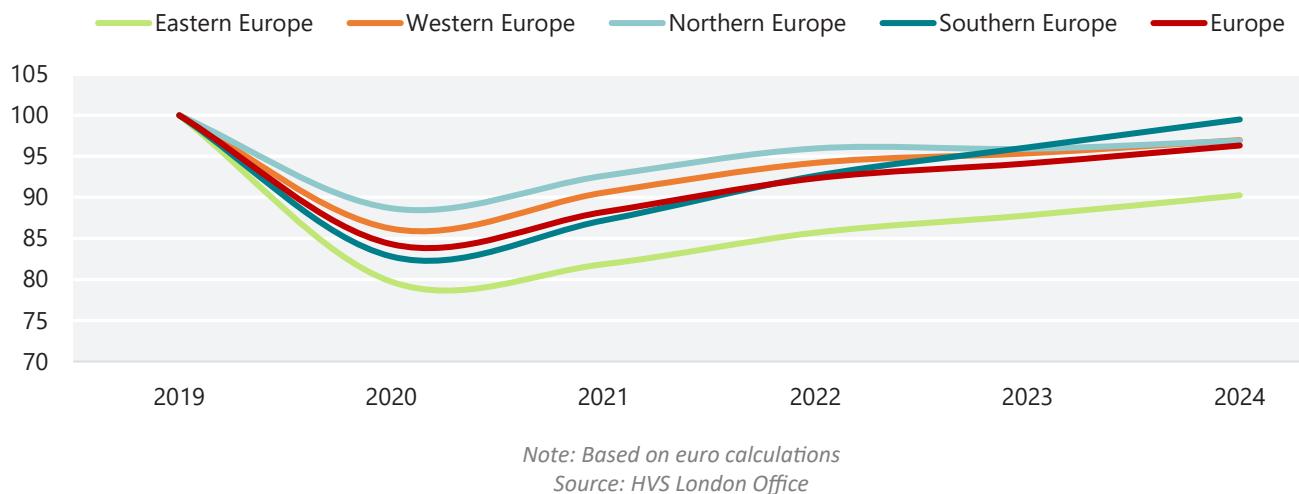
| Market        | 2015       | 2016       | 2017       | 2018       | 2019       | 2020         | 2021       | 2022       | 2023       | 2024        | CAGR <sup>1</sup><br>2015-24 |
|---------------|------------|------------|------------|------------|------------|--------------|------------|------------|------------|-------------|------------------------------|
| Athens        | 12.6       | 10.6       | 11.0       | 5.7        | 10.0       | -18.2        | 5.1        | 11.6       | 11.2       | <b>11.8</b> | 6.1%                         |
| Lisbon        | 11.1       | 10.2       | 14.7       | 8.9        | 3.9        | -17.1        | 5.3        | 9.3        | 3.2        | <b>7.8</b>  | 4.7%                         |
| Madrid        | 14.2       | 11.0       | 14.1       | 4.9        | 6.1        | -15.3        | 6.4        | 4.9        | 3.0        | <b>6.8</b>  | 4.3%                         |
| Edinburgh     | 10.7       | -6.7       | -0.7       | 0.3        | -2.1       | -13.6        | 5.1        | 5.0        | 3.3        | <b>6.3</b>  | -0.5%                        |
| Munich        | 3.7        | -1.1       | 3.2        | 5.7        | 0.8        | -12.6        | 4.4        | 6.5        | -1.6       | <b>4.8</b>  | 1.0%                         |
| Warsaw        | 2.4        | 10.1       | 8.6        | -0.7       | -4.7       | -20.5        | 2.2        | 3.7        | 5.3        | <b>4.2</b>  | 0.5%                         |
| Prague        | 9.4        | 9.9        | 8.5        | 5.8        | 3.9        | -18.8        | 4.0        | 1.8        | 4.7        | <b>3.8</b>  | 2.3%                         |
| Barcelona     | 10.9       | 13.8       | 7.1        | -4.9       | 6.5        | -12.8        | 6.0        | 3.2        | 3.8        | <b>3.7</b>  | 2.7%                         |
| Sofia         | 7.5        | 16.0       | 9.9        | 5.9        | 2.3        | -21.8        | 2.2        | 3.8        | 2.0        | <b>3.6</b>  | 2.1%                         |
| Frankfurt     | 8.6        | -2.0       | 4.0        | 1.3        | 0.3        | -13.4        | 2.1        | 2.6        | -7.5       | <b>3.4</b>  | -1.2%                        |
| Vienna        | 5.3        | 4.3        | 2.0        | 5.8        | 4.8        | -18.2        | 3.6        | 4.2        | 2.6        | <b>3.2</b>  | 1.1%                         |
| Berlin        | 8.1        | 1.7        | 3.3        | 6.6        | 3.5        | -11.8        | 5.0        | 5.2        | -0.2       | <b>2.8</b>  | 1.6%                         |
| Bucharest     | 9.3        | 14.6       | 3.7        | 2.4        | 10.6       | -20.6        | 2.2        | 4.6        | 1.4        | <b>2.7</b>  | 1.9%                         |
| Stockholm     | 8.7        | 5.0        | -3.0       | -4.3       | 0.8        | -12.0        | 5.2        | 1.1        | -3.4       | <b>2.5</b>  | -1.0%                        |
| Florence      | 9.7        | 1.8        | 6.4        | 2.1        | 2.5        | -17.5        | 5.8        | 4.9        | 4.7        | <b>2.1</b>  | 1.2%                         |
| <b>EUROPE</b> | <b>5.8</b> | <b>0.1</b> | <b>3.6</b> | <b>2.8</b> | <b>3.1</b> | <b>-15.0</b> | <b>4.9</b> | <b>4.4</b> | <b>2.1</b> | <b>2.0</b>  | <b>0.7%</b>                  |
| Copenhagen    | 8.9        | 7.8        | 2.2        | 2.9        | -1.9       | -12.2        | 5.0        | 2.5        | 1.5        | <b>1.8</b>  | 0.9%                         |
| Budapest      | 8.0        | 9.9        | 12.2       | 6.0        | 6.3        | -19.7        | 2.8        | 5.4        | 0.8        | <b>1.8</b>  | 2.4%                         |
| Rome          | 4.5        | 0.5        | 2.3        | 5.3        | 2.4        | -16.5        | 5.1        | 5.8        | 1.7        | <b>1.6</b>  | 0.7%                         |
| Milan         | 10.1       | -3.7       | 4.4        | 4.5        | 6.5        | -16.7        | 5.0        | 7.0        | 2.3        | <b>1.3</b>  | 0.9%                         |
| Zürich        | 0.9        | -6.2       | -0.4       | 0.6        | 2.0        | -12.8        | 4.3        | 1.2        | 5.0        | <b>1.2</b>  | -0.7%                        |
| Birmingham    | 12.9       | -6.8       | -4.1       | 3.5        | -0.5       | -14.6        | 7.6        | 5.0        | 0.8        | <b>1.2</b>  | -1.1%                        |
| Geneva        | 0.9        | -4.0       | -0.1       | -3.5       | 2.4        | -13.3        | 4.9        | 1.4        | 0.5        | <b>1.1</b>  | -1.3%                        |
| Brussels      | 3.5        | -6.7       | 10.6       | 6.7        | 7.0        | -14.6        | 5.2        | 4.7        | 4.2        | <b>0.9</b>  | 1.7%                         |
| Hamburg       | 5.3        | 7.8        | 3.0        | -2.5       | -0.1       | -12.9        | 5.1        | 1.1        | -0.4       | <b>0.9</b>  | 0.1%                         |
| Bratislava    | 10.7       | 18.9       | 4.6        | 2.3        | 11.2       | -19.7        | 2.7        | 8.9        | 0.7        | <b>0.7</b>  | 2.8%                         |
| Paris         | -0.5       | -8.1       | 4.7        | 7.3        | 3.3        | -11.7        | 6.8        | 2.1        | 3.5        | <b>0.0</b>  | 0.7%                         |
| London        | 2.9        | -13.9      | -2.5       | 1.2        | 1.7        | -13.8        | 5.8        | 4.5        | 0.9        | <b>0.0</b>  | -2.0%                        |
| Dublin        | 13.4       | 15.5       | 2.7        | 5.6        | 0.9        | -15.9        | 4.3        | 9.8        | 4.3        | <b>-0.7</b> | 2.6%                         |
| Manchester    | 11.6       | -3.9       | -5.8       | -1.5       | 2.2        | -14.2        | 7.2        | 3.2        | 1.5        | <b>-0.9</b> | -1.5%                        |
| Amsterdam     | 8.6        | 6.7        | 5.8        | 4.5        | 0.1        | -10.3        | 3.1        | 7.2        | 1.6        | <b>-1.1</b> | 1.8%                         |
| Istanbul      | -8.9       | -23.7      | -3.4       | 4.3        | 17.3       | -23.5        | 3.5        | 3.4        | -0.8       | <b>-9.8</b> | -4.5%                        |

<sup>1</sup>Compound Annual Growth Rate

Source: HVS London Office

### Values Per Region

EVOLUTION INDEXED TO 2019

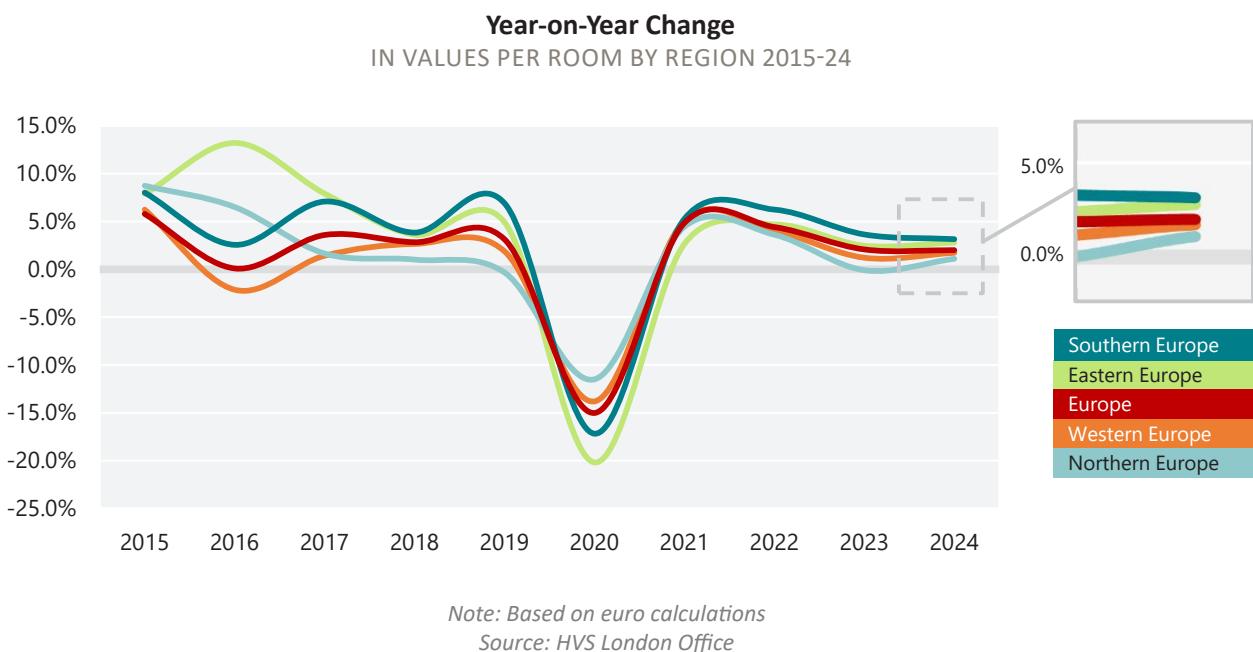


The table above displays the evolution of annual values per region indexed to 2019, on a market aggregate basis and based on euro calculations. Southern European markets experienced the strongest growth in 2024, with close to a full recovery to 2019 levels. The remaining regions, with the exception of Eastern Europe, followed closely behind, displaying a gradual recovery of pre-pandemic values. Although still lagging behind the rest of Europe, Eastern European cities experienced the second-strongest growth in 2024 after those of southern Europe, as the recovery picked up momentum.

The following table shows the regional changes in values per room based on euro calculations. The

recovery trend in this year's HVI is more aligned for Eastern European markets with the rest of Europe, now that the Russian cities have been removed. Also, whilst Northern markets remained relatively stable during 2024, Stockholm benefited from a weak currency, which drove increased interest from both leisure and business group demand. Southern Europe, notably Lisbon, Athens and Madrid, continued to benefit from the favour of leisure demand, notably growing interest from key source markets such as the USA.

The table on page 6 presents the Hotel Valuation Index for each of the cities and the overall average for Europe, again based on euro calculations.



### Hotel Valuation Index

2015-24

| Market                | 2015        | 2016        | 2017        | 2018        | 2019        | 2020        | 2021        | 2022        | 2023        | 2024        |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Paris                 | 4.03        | 3.70        | 3.88        | 4.16        | 4.30        | 3.80        | 4.06        | 4.14        | 4.29        | <b>4.29</b> |
| London                | 4.02        | 3.46        | 3.37        | 3.42        | 3.47        | 2.99        | 3.17        | 3.31        | 3.34        | <b>3.34</b> |
| Zürich                | 2.84        | 2.67        | 2.66        | 2.67        | 2.73        | 2.38        | 2.48        | 2.51        | 2.64        | <b>2.67</b> |
| Rome                  | 2.26        | 2.27        | 2.32        | 2.44        | 2.50        | 2.09        | 2.20        | 2.32        | 2.36        | <b>2.40</b> |
| Florence              | 2.12        | 2.16        | 2.30        | 2.35        | 2.41        | 1.99        | 2.10        | 2.20        | 2.31        | <b>2.36</b> |
| Amsterdam             | 2.00        | 2.14        | 2.26        | 2.36        | 2.36        | 2.12        | 2.18        | 2.34        | 2.38        | <b>2.35</b> |
| Geneva                | 2.64        | 2.53        | 2.53        | 2.44        | 2.50        | 2.17        | 2.28        | 2.31        | 2.32        | <b>2.35</b> |
| Barcelona             | 1.65        | 1.88        | 2.01        | 1.91        | 2.04        | 1.78        | 1.89        | 1.95        | 2.02        | <b>2.10</b> |
| Milan                 | 1.90        | 1.83        | 1.91        | 2.00        | 2.13        | 1.77        | 1.86        | 1.99        | 2.04        | <b>2.06</b> |
| Madrid                | 1.39        | 1.54        | 1.76        | 1.85        | 1.96        | 1.66        | 1.76        | 1.85        | 1.91        | <b>2.03</b> |
| <b>Euro Inflation</b> | <b>1.52</b> | <b>1.52</b> | <b>1.54</b> | <b>1.57</b> | <b>1.59</b> | <b>1.59</b> | <b>1.63</b> | <b>1.77</b> | <b>1.87</b> | <b>1.91</b> |
| Munich                | 1.73        | 1.71        | 1.77        | 1.87        | 1.88        | 1.65        | 1.72        | 1.83        | 1.80        | <b>1.89</b> |
| Dublin                | 1.33        | 1.53        | 1.57        | 1.66        | 1.68        | 1.41        | 1.47        | 1.61        | 1.68        | <b>1.67</b> |
| <b>EUROPE</b>         | <b>1.57</b> | <b>1.57</b> | <b>1.63</b> | <b>1.67</b> | <b>1.73</b> | <b>1.47</b> | <b>1.54</b> | <b>1.61</b> | <b>1.64</b> | <b>1.67</b> |
| Copenhagen            | 1.47        | 1.59        | 1.62        | 1.67        | 1.64        | 1.44        | 1.51        | 1.55        | 1.57        | <b>1.60</b> |
| Edinburgh             | 1.59        | 1.48        | 1.47        | 1.48        | 1.45        | 1.25        | 1.31        | 1.38        | 1.42        | <b>1.51</b> |
| Prague                | 1.15        | 1.27        | 1.37        | 1.45        | 1.51        | 1.23        | 1.27        | 1.30        | 1.36        | <b>1.41</b> |
| Lisbon                | 0.92        | 1.02        | 1.17        | 1.27        | 1.32        | 1.09        | 1.15        | 1.26        | 1.30        | <b>1.40</b> |
| Berlin                | 1.19        | 1.21        | 1.25        | 1.34        | 1.38        | 1.22        | 1.28        | 1.35        | 1.34        | <b>1.38</b> |
| Hamburg               | 1.33        | 1.43        | 1.47        | 1.44        | 1.43        | 1.25        | 1.31        | 1.33        | 1.32        | <b>1.33</b> |
| Athens                | 0.77        | 0.85        | 0.94        | 1.00        | 1.10        | 0.90        | 0.94        | 1.05        | 1.17        | <b>1.31</b> |
| Vienna                | 1.17        | 1.22        | 1.25        | 1.32        | 1.39        | 1.13        | 1.17        | 1.22        | 1.25        | <b>1.30</b> |
| Brussels              | 1.11        | 1.03        | 1.14        | 1.22        | 1.31        | 1.12        | 1.17        | 1.23        | 1.28        | <b>1.29</b> |
| Stockholm             | 1.40        | 1.47        | 1.42        | 1.36        | 1.37        | 1.21        | 1.27        | 1.29        | 1.24        | <b>1.27</b> |
| Frankfurt             | 1.35        | 1.33        | 1.38        | 1.40        | 1.40        | 1.21        | 1.24        | 1.27        | 1.18        | <b>1.22</b> |
| Budapest              | 0.93        | 1.02        | 1.15        | 1.21        | 1.29        | 1.04        | 1.06        | 1.12        | 1.13        | <b>1.15</b> |
| Warsaw                | 1.02        | 1.12        | 1.22        | 1.21        | 1.15        | 0.92        | 0.94        | 0.97        | 1.02        | <b>1.06</b> |
| Istanbul              | 1.44        | 1.10        | 1.06        | 1.11        | 1.30        | 1.00        | 1.03        | 1.06        | 1.06        | <b>0.95</b> |
| Manchester            | 1.08        | 1.03        | 0.97        | 0.96        | 0.98        | 0.84        | 0.90        | 0.93        | 0.94        | <b>0.94</b> |
| Bucharest             | 0.74        | 0.85        | 0.88        | 0.91        | 1.00        | 0.79        | 0.81        | 0.85        | 0.86        | <b>0.88</b> |
| Bratislava            | 0.66        | 0.79        | 0.83        | 0.84        | 0.94        | 0.75        | 0.77        | 0.84        | 0.85        | <b>0.85</b> |
| Sofia                 | 0.62        | 0.72        | 0.79        | 0.83        | 0.85        | 0.67        | 0.68        | 0.71        | 0.72        | <b>0.75</b> |
| Birmingham            | 0.82        | 0.76        | 0.73        | 0.76        | 0.75        | 0.64        | 0.69        | 0.73        | 0.73        | <b>0.74</b> |

*Note: Based on euro calculations*

*Source: HVS London Office*

## Outlook

Whilst hotel performance remained strong in Europe during 2024, and RevPAR growth (even if modest) and lower interest rates have been positive for values in the past year, caution continues to be the prevailing sentiment. These are some of the things to keep an eye on for the year ahead.

- Some of the *bêtes noires* of the last few years have offered a reprieve: **inflation** was brought under control (a feat that trade tariffs can still undo), **interest rates** are coming down (albeit more slowly than had been expected just over a year ago), and the cost-of-living crisis has subsided. However, geopolitical shifts of substantial magnitude, such as a potential breakdown of the

80-year-old transatlantic alliance, could have momentous impact on the hotel industry;

- From a **hotel demand** point of view, the prospects for Europe's tourism remain very strong. A weakening of the dollar, however, would be detrimental, given how critical this source market is for the continent. China remains mired in economic problems, but India is emerging like a new source of demand for the Old World. Whilst economic growth in Europe has remained disappointing over the last few years, a revived push to improve its defence mechanisms could result in economic impetus and generate additional hotel demand. The emphasis on a

return-to-office from a number of employers could be good news for F&B trade for local hotels;

- In terms of **debt funding**, the decrease in interest rates will allow hotel owners to see more debt in the capital stack than has recently been the case. This would allow for potential reductions of more expensive preferred equity, when this has been an option to fill any gaps between sponsor equity and senior lender debt. During 2024, lenders continued to offer support by softening Interest Cover Covenants and, in some instances, pausing amortisation schedules. Also, most COVID loans have now been repaid so more free cash after debt service is being noted;
- Some investors are starting to raise funds that are dedicated purely to sustainable investment, which it is expected could eventually lead to green lending with special terms for such transactions. As **deregulation** becomes the mantra across the Atlantic, it will be interesting to understand how global investors balance long-term commitments to diversity and ESG-related strategies across different geographies;
- Whilst hotels have started to implement **AI capabilities** in areas such as revenue management and operational efficiencies (whether allocating housekeeping resources or managing inventories, for example), the spectrum of potential uses for this technology will surely increase as its versatility and possible applications become more evident. This should be the case even in a people-heavy industry like hospitality.

## Conclusions

Hotel performance remained stable in 2024, despite the many challenges ranging from economic issues to geopolitical and climate change-related events. Whilst people's desire to travel and 'experience' remains strong, global commercial real estate will be impacted by shifts in the macroeconomic environment, as trade tariffs might cause inflation to resurface, and thereby also impacting interest rates and economic growth. The fraying of long-standing Western alliances adds to a sense of uncertainty at the time of our publication.

Against this backdrop, however, economists generally predict positive (if modest) global GDP growth for 2025. This, coupled with the strength of tourism globally, but more particularly for Europe, bodes well for the year ahead. Hotels will continue to be a source of opportunity, either because they enjoy strong fundamentals and have proven to be a good hedge against inflation, or because they offer value-add gains through refurbishment and repositioning plays. This potential, coupled with expected further interest rate decreases in Europe, provides a recipe for investment success. On a long-term basis, hotels remain a solid strategy for diversifying core real estate portfolios, as testified by the increasingly varied investor types on the hunt for hotel assets. Momentum for hotels therefore continues.

## Understanding the HVI

The HVI is a hotel valuation benchmark developed by HVS. It monitors annual percentage changes in the values of typically four-star and five-star hotels in 31 major European cities. Additionally, our index allows us to rank each market relative to a European average. All data presented are in euro, unless otherwise stated.

The methodology employed in producing the HVI is based upon actual operating data from a representative sample of four-star and five-star hotels. Operating data from STR were used to supplement our sample of hotels in some of the markets. The data are then aggregated to produce a pro forma for a typical 200-room hotel in each city. Using our experience of real-life hotel financing structures gained from valuing hundreds of hotels each year, we have determined valuation parameters for each market that reflect both short-term and longer-term sustainable financing models (loan to value ratios, debt coverage ratios, real interest rates and equity return expectations). These market-specific valuation and capitalisation parameters are applied to the EBITDA less FF&E Reserve for a typical upscale hotel in each city. In determining the valuation parameters relevant to each of the 31 cities included in the European HVI, we have also taken into account evidence of actual hotel transactions and the expectations of investors with regard to future changes in supply, market performance and return requirements. Investor appetite for each city at the end of 2024 is therefore reflected in the capitalisation rates used and investment yields assumed.

The HVI assumes a date of value of 31 December 2024. Values are based on recent market performance, but the capitalisation rates reflect the expected future trends in performance, competitive environment, cost of debt and cost of equity. As our opinion of value remains an opinion of Market Value, we have attempted to remove all aspects of distress when analysing transactions and assessing the opinions of value. The parameters adopted assume a reasonable level of debt and investor sentiment. Conversely, the values reported may not therefore bear comparison with actual transactions completed in the marketplace. However, this is the best approach to retain the integrity of the HVI as a rolling annual index.

The HVI allows comparisons of values across markets and over time by using the 1993 average European value of €173,737 per available room (PAR) as a base (1993=1.000). Each city's PAR value is then indexed relative to this base. For example, if the index for Paris was 4.000 (€694,948/€173,737), the value of a hotel in Paris would be four times higher than the European average in 1993.

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## About HVS

**HVS**, the world's leading consulting and services organisation focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries, celebrated its 40th anniversary in 2020. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, operators and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of 50 offices and more than 250 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry.

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### Superior Results through Unrivalled Hospitality Intelligence. *Everywhere.*

With offices in London since 1990, **HVS London** serves clients with interests in the UK, Europe, the Middle East and Africa (EMEA). We have appraised some 4,000 hotels or projects in more than 50 countries in all major markets within the EMEA region for leading hotel companies, hotel owners and developers, investment groups and banks. Known as one of the foremost providers of hotel valuations and feasibility studies, and for our ability, experience and relationships throughout Europe, HVS London is on the valuation panels of numerous top international banks which finance hotels and portfolios.

For further information about the services of the London office, please contact **Sophie Perret**, managing director, on **+44 20 7878 7722** or [sperret@hvs.com](mailto:sperret@hvs.com).

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## About the Authors



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