



[Redacted]

# EUROPEAN HOTELS WITH MANAGEMENT CONTRACTS

CONFIDENTIAL INFORMATION FOR:

[Redacted]



# INVESTMENT RATIONALE



## Why European Hotels?

- The European hotel market continues to benefit from comparatively stable economic and political conditions, whilst outperforming other global regions in terms of tourism growth, both from within Europe and from outside, particularly from the Americas, Asia and the Middle East
- RevPAR has grown over the past five years at a compound rate of 3.7%, outpacing EU GDP growth of 3.2%. In 2018 alone, RevPAR grew by 5.2%, outperforming Asia Pacific, the Americas, Middle East and Africa, and continues to grow further in 2019
- European tourist arrivals are set to grow by between 3% and 4% in 2019, whilst the supply of available rooms continues to lag traveller demand in many European markets. This represents an obvious opportunity for investors in the sector

## Why Management Contracts?

- Over time, with traditional lease contracts, the value of OpCo and PropCo diverge; i.e. the property owner has limited upside and only limited downside protection in the case of OpCo default
- Management contracts offer a higher degree of control and the full upside potential of the operations
- Covenants and performance clauses within the management contracts provide interest alignment and downside protection
- Being the dominant contract form in the international upscale hotel industry, management contracts are often the only deal type permitting access to premium hotel products

## Why with us?

- [REDACTED] 30+ strong hotel team has an extensive track record of hotel investments, developments and operations across Europe, and long experience as independent fund manager
- [REDACTED] enjoys excellent access to hotel investment opportunities, provides meticulous market selection and possesses outstanding active asset management capabilities
- [REDACTED] grants product exclusivity for investors (no competing fund strategies), small and homogenous investors clubs with aligned interests, fund structures customised to investor requirements, a discretionary investment process, if desired
- [REDACTED] offers full transparency, externally monitored compliance, and performance-based compensation

# PRODUCT OVERVIEW



Vehicle / domicile	<ul style="list-style-type: none"><li>▪ Alternative Investment Fund / Luxembourg (e.g. SCSp SICAV-RAIF)</li></ul>
Investment strategy	<ul style="list-style-type: none"><li>▪ Real Estate (PropCo + OpCo)</li><li>▪ Investing in upscale hotels with long-term management contracts in major European destinations</li></ul>
Risk-return profile	<ul style="list-style-type: none"><li>▪ Core/Core+ with OpCo premium</li><li>▪ Management Agreements solely with financially strong and experienced partners/ global brands</li></ul>
Cash-flow pattern	<ul style="list-style-type: none"><li>▪ Cash flow-oriented</li></ul>
Target equity / AuM	<ul style="list-style-type: none"><li>▪ € 400m equity / € 800m AuM (50% Loan-to-Value)</li></ul>
Vehicle lifetime / investment period	<ul style="list-style-type: none"><li>▪ Open-ended fund</li><li>▪ 24 months, incl. rolling reinvestment</li></ul>
Exit strategies	<ul style="list-style-type: none"><li>▪ Sale of individual assets with respective management contracts or geared leases</li></ul>
Target return (net-of-fees) <sup>1</sup>	<ul style="list-style-type: none"><li>▪ IRR: &gt;6.5%   CoC: &gt;5.0%</li></ul>
Qualifying investors	<ul style="list-style-type: none"><li>▪ Homogenous club of institutional investors, with aligned investment preferences</li></ul>
Role of [REDACTED]	<ul style="list-style-type: none"><li>▪ General partner and fund sponsor</li><li>▪ Investment Management</li></ul>

<sup>1</sup>based on current estimates. MOIC pot. higher with extension option [REDACTED] not guarantee the achievement of the return target

# AGENDA



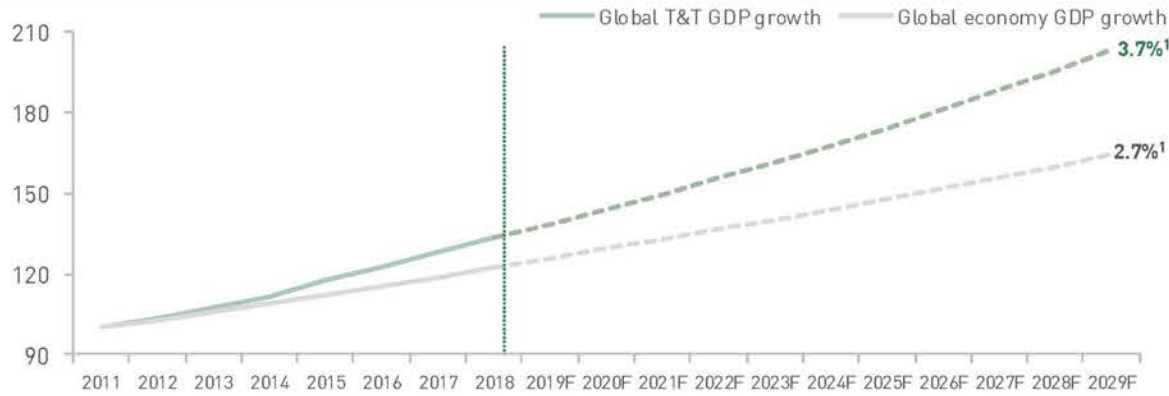
- I Why European Hotels?
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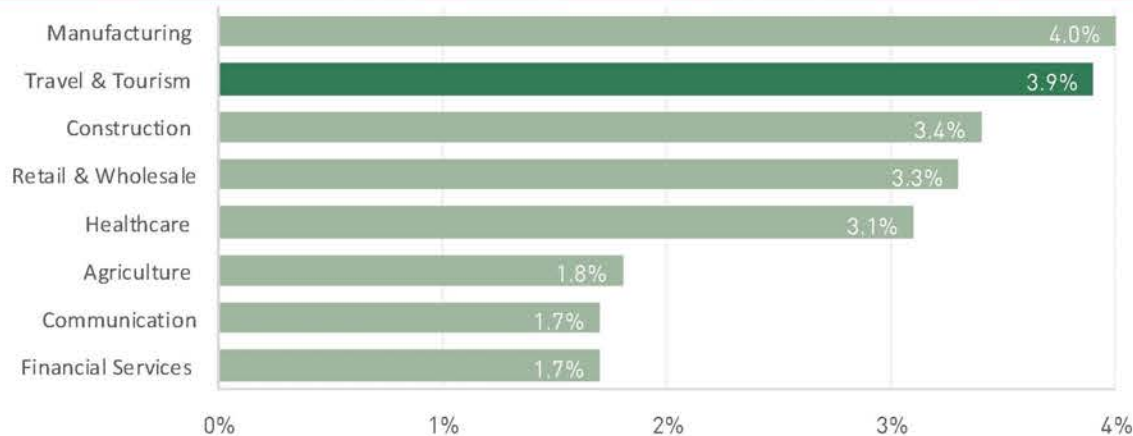
# TRAVEL & TOURISM AS A KEY SECTOR FOR WORLD'S ECONOMIC DEVELOPMENT



## Travel & Tourism forecast to continue outperforming global economy



## Travel & Tourism GDP growth compared with other sectors<sup>2</sup>



## Travel & Tourism total contribution to GDP<sup>2</sup> (by country)

Country ranking (2029 Forecast)	2018 constant US\$Bn	2029 forecast constant US\$Bn	Change %
1. China	1,509	3,017	+ 99%
2. European Union	1,900	2,755	+45%
3. United States	1,595	2,085	+ 30%
4. India	247	512	+ 107%
5. Japan	368	437	+ 18%

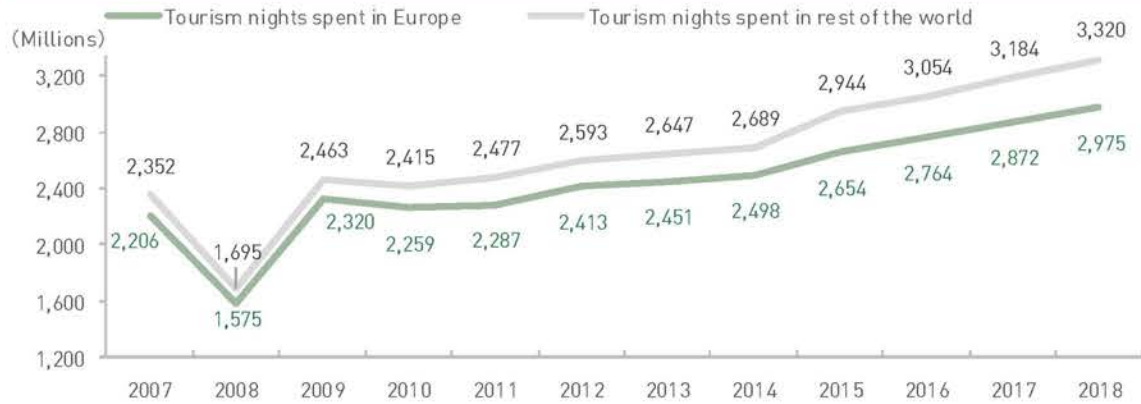
- ✓ T&T contributed US\$8.8 trillion to the global economy in 2018. This equates to 10.4% of global GDP; the sector grew by **3.9%** in 2018, faster than the global economy's growth of **3.2%**. The contribution of T&T to GDP is forecast to grow further by 3.7% pa to US\$13.1 trillion by 2029
- ✓ T&T was the second fastest-growing sector in 2018, only marginally behind Manufacturing, which grew by 4.0%.
- ✓ In 2018, 5 European countries were among the top 10 largest T&T economies, including Germany, United Kingdom, Italy, France and Spain. They are expected to remain as Top 10 T&T economies in 2029.
- ✓ Europe recorded a **3.1%** growth in T&T GDP (outpacing the **2%** growth in the wider economy), driven by the rise in international visitor spending (**+4.9%**). The EU T&T contribution to GDP of US\$1,900 bn exceeds that of any other global region in 2018.

<sup>1</sup> Normalization of base year 2011 to 100; % represents forecasted period; <sup>2</sup> Data for year 2018; GDP generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists  
Source: Travel & Tourism - Global Economic Impact & Trends [2019]

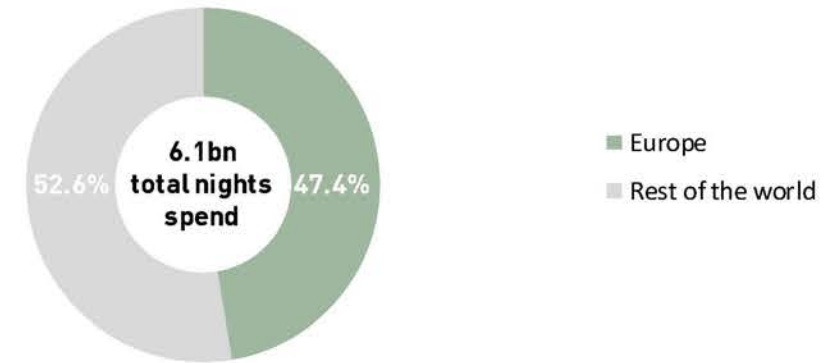
# EUROPEAN HOTEL MARKET: NIGHTS SPENT IN TOURIST ACCOMMODATION



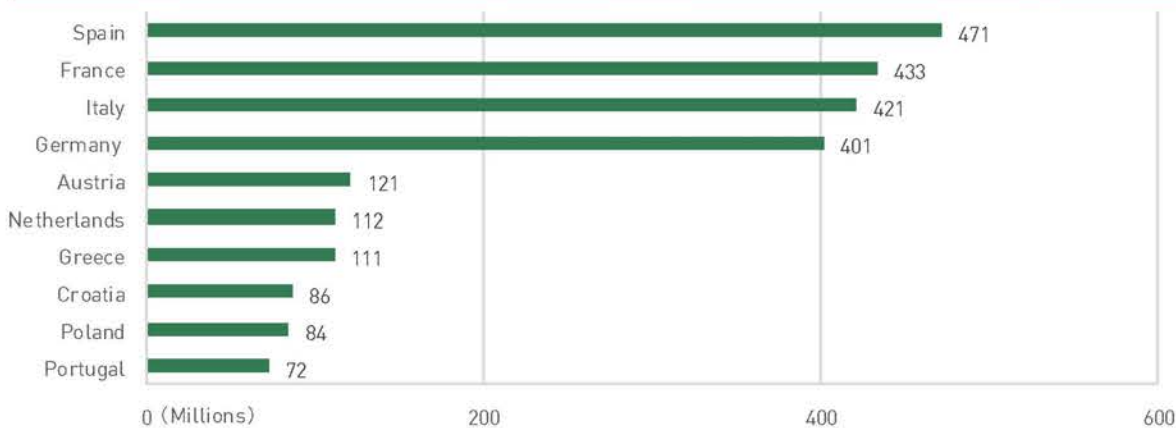
Nights spent<sup>1</sup> in Europe vs Rest of the world



Europe accounts for nearly half of the total nights spent globally in 2018



Inbound tourists' total nights spent by country (2018)



- ➔ Nights spent at tourist accommodations in Europe in 2018 accounts for 47.4% of the global total tourism nights
- ➔ Seven consecutive years of growth in total nights spent in EU countries including 2018
- ➔ In 2018, Spain has the most inbound tourists' total nights spent, totalling 471 million, followed by France, Italy, Germany and Austria

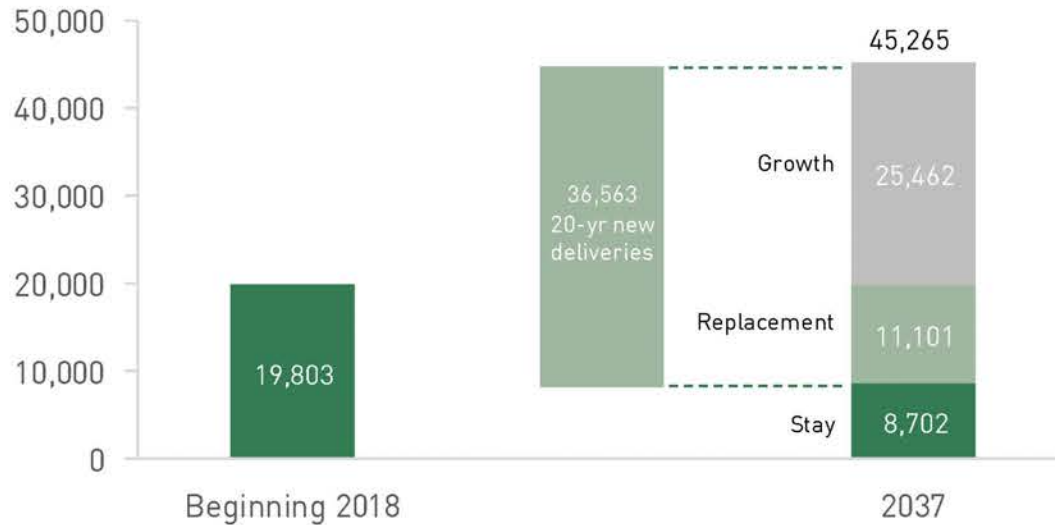
Source: Eurostat (2019)

<sup>1</sup>include hotels, holiday and other short-stay accommodation

# INTERNATIONAL CONTEXT: AIR TRAVEL BOOM IN THE NEXT 20 YEARS

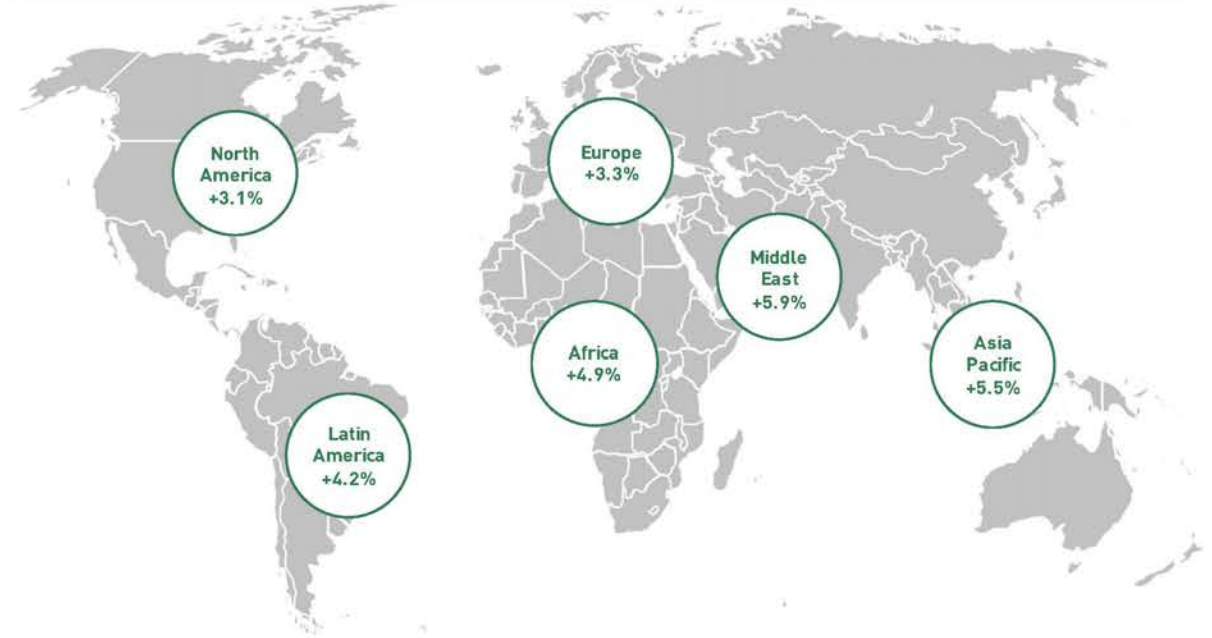


Passenger fleet in service evolution 2018-2037



- Over the next 20 years, total passenger fleet in service is expected to increase **2.3 times** by 2037, representing a **CAGR of 3.3%**
- Within the next 10 years, short-haul travel is expected to increase **1.8 times**, driven by the low-cost airlines and developments in emerging markets; long-haul direct travel is expected to increase **1.5 times**

20-year air traffic growth outlook 2017-2037



- Global air transport demand is expected to increase **2.5 times** by 2037, reaching **17 trillion RPKs<sup>1</sup>**, maintaining **4.5%** annual growth over the next two decades.
- The real GDP in Europe is expected to grow at **1.8%** per year in the 2017 – 2037 period, lagging behind the **3.3%** growth rate of air traffic in the region
- Low cost airlines have helped to stimulate growth around Europe, flying to and from Europe has also grown

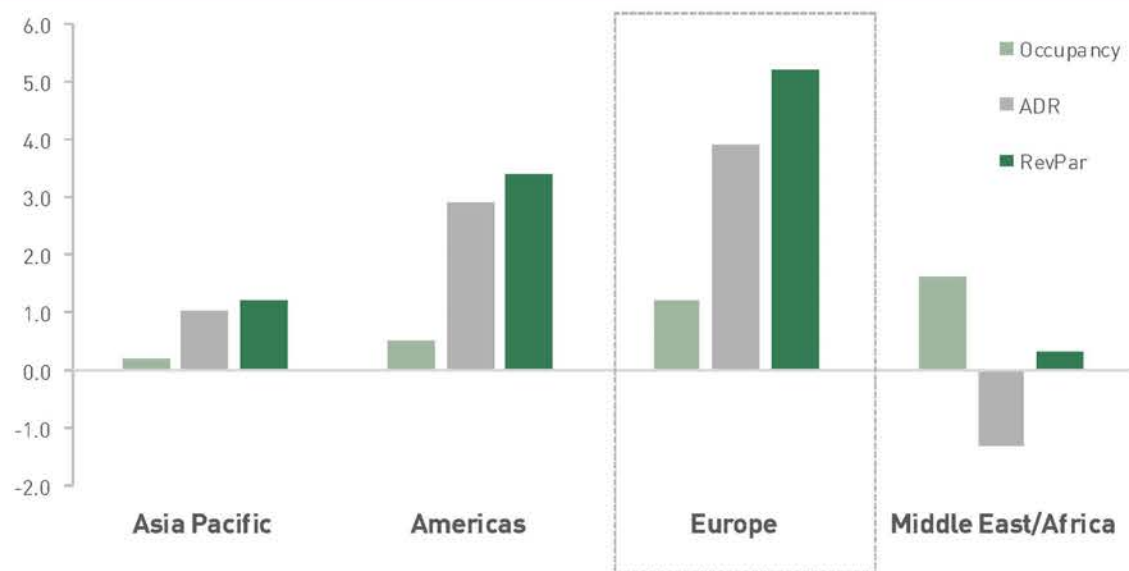
<sup>1</sup>Revenue passenger kilometres, the number of kilometres travelled by paying passengers.  
Source: Global Networks (2019), Global Citizens 2017-2037



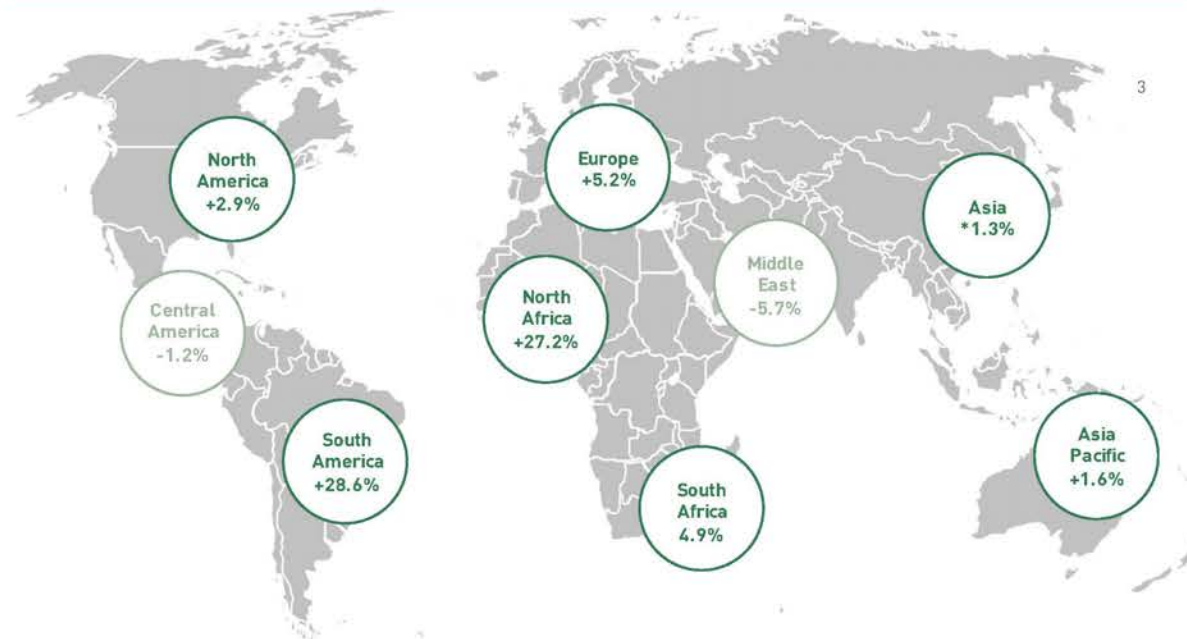
# INTERNATIONAL CONTEXT: EUROPEAN HOTEL MARKET



Worldwide hotel market RevPar change rates<sup>1</sup>



Global performance of key hotel metrics FY 2018 % Change<sup>2</sup>



- In 2018, Europe continued to see **growth in RevPAR, ADR and occupancy**
- The **growth engines for the European** hotel market are the stable European economy, the increase in popularity of **Mediterranean destinations**, the high **importance of Europe for business** travel as well as the rise in tourism from the USA and Asia
- Demand is expected to **continue in 2019**, but the limited supply is already having an impact in some cities

<sup>1</sup>RevPar change % FY 2018; <sup>2</sup>Key metrics change % FY 2018; <sup>3</sup>Average daily rate  
Source: STR Global (2018)



# EUROPEAN HOTEL MARKET: REVENUE PER AVAILABLE ROOM



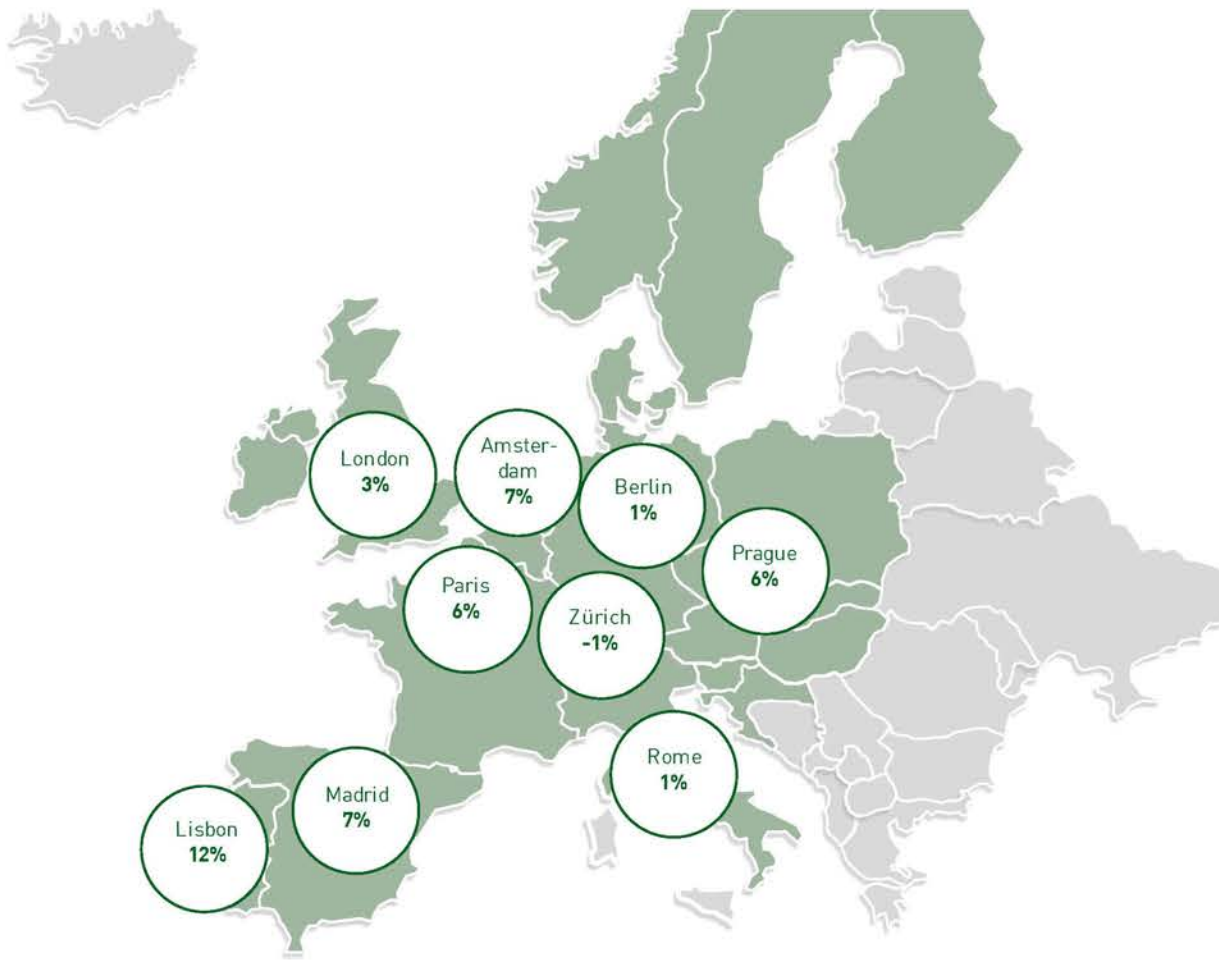
RevPAR % CAGR 2016 – 2019 (F)

- RevPAR growth has been very favourable for key gateway cities in Europe. Reasons for this performance are:

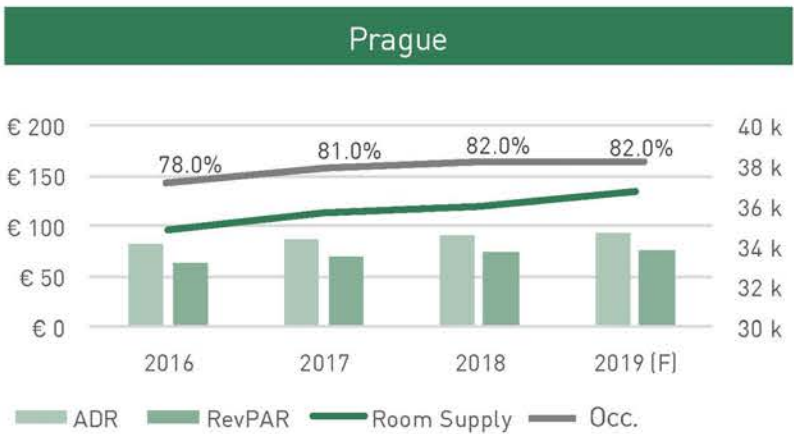
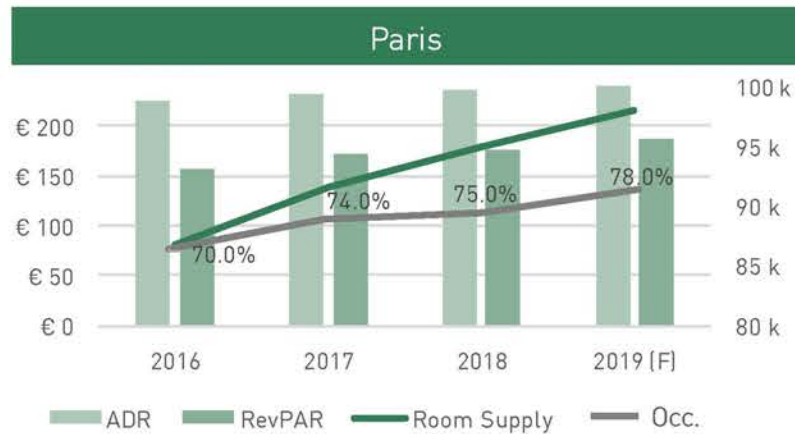
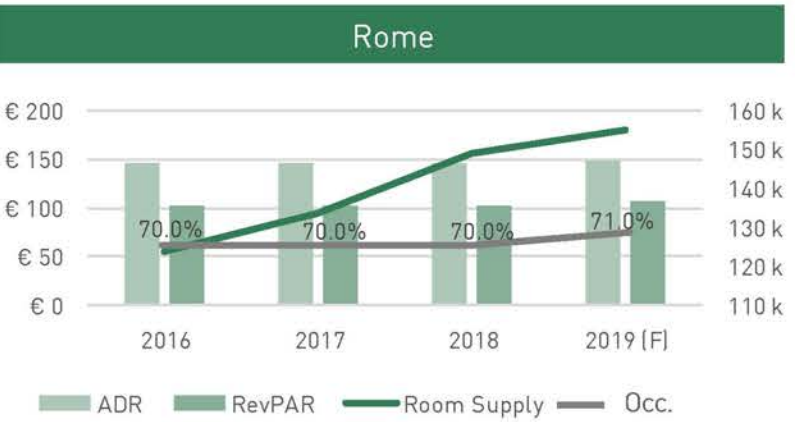
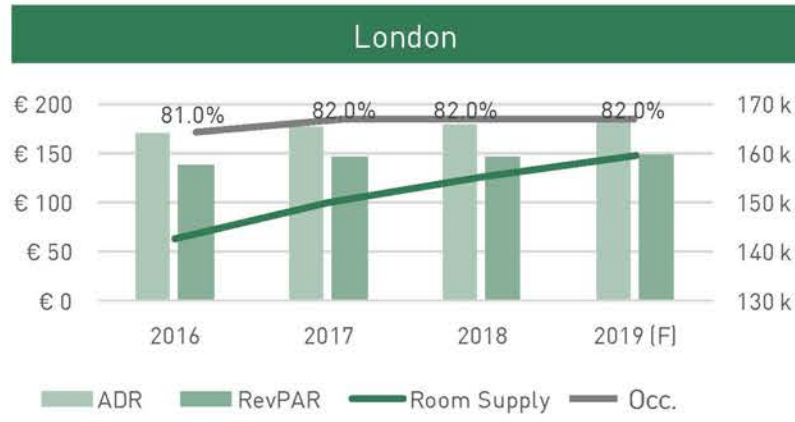
- ➔ Steady growth in demand
- ➔ Continuous shortfall of supply in city centre locations
- ➔ Stable and favourable macroeconomic perspective
- ➔ Increased travel activity from overseas

- Future trends support further growth

- Even very mature markets such as London and Paris offer great growth opportunities



# CITY MARKET PERFORMANCE



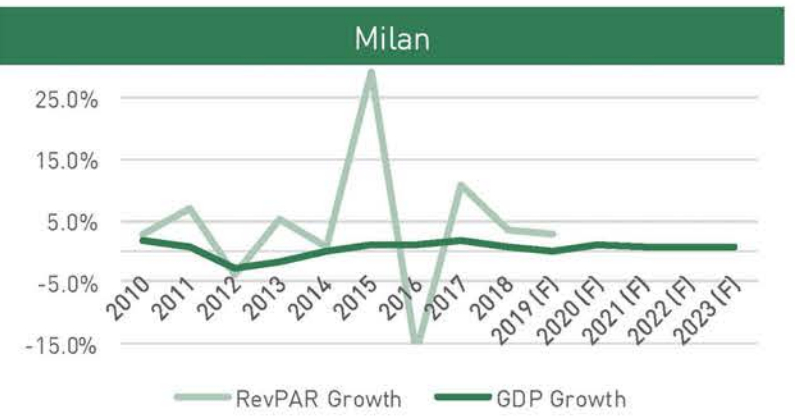
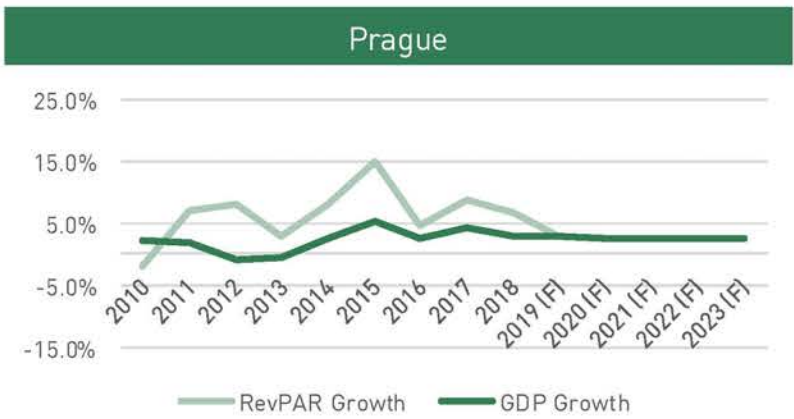
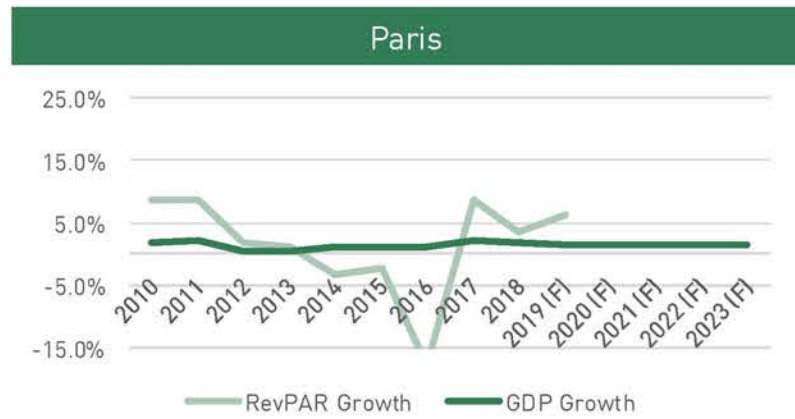
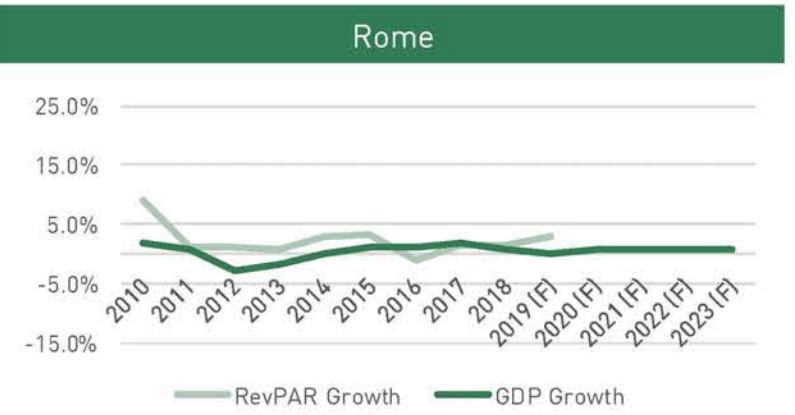
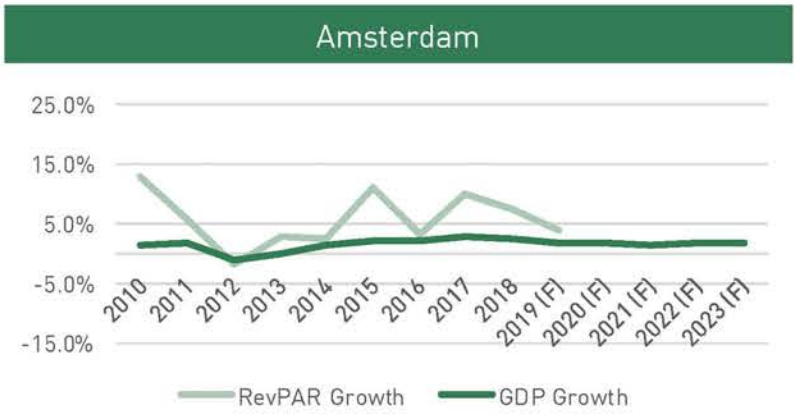
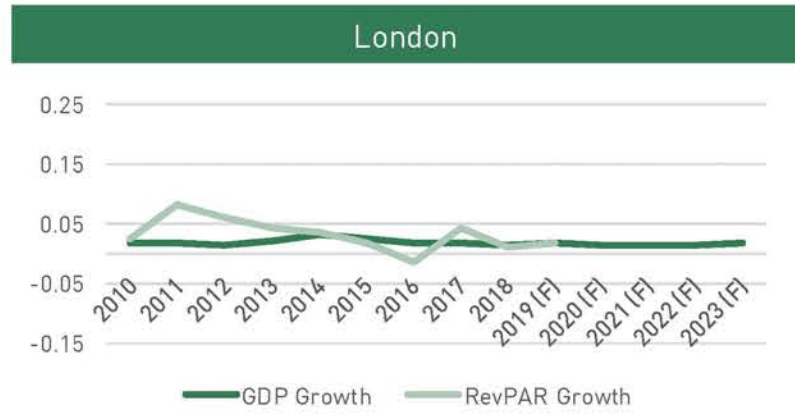
➔ Mature markets with well balanced demand & supply  
 Opportunity: Benefit from a strong performing market  
 Focus: traditional and emerging locations

Supply limited markets in centre areas with strong demand  
 Opportunity: RevPAR forecast to out perform  
 Focus: Centre locations to profit from supply constrain

Recently over supplied markets with strong demand  
 Opportunity: Attractive pricing  
 Focus: Centre locations to avoid oversupply risk



# GDP GROWTH VS REVPAR GROWTH

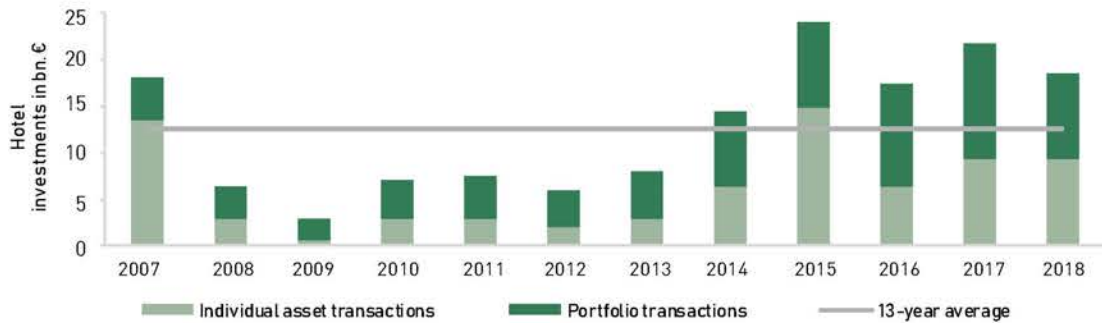


→ The RevPAR growth has historically outperformed GDP growth by 1.25% p. a. across European markets. In key cities and centre locations this figure is even higher due to supply constrains. In general, the hospitality industry has quickly and well recovered form the financial crisis. During the European-Debt-Crisis from 2010-2012, the industry strongly outperformed its peers. A demand decrease was noted in late 2015 and during 2016 in relation to terrorist attacks throughout Western Europe, where Paris was especially hit. However, demand and confidence rebound quickly in 2017 making up for previous year's loss.

# EUROPEAN HOTEL MARKET: INVESTMENT MARKET

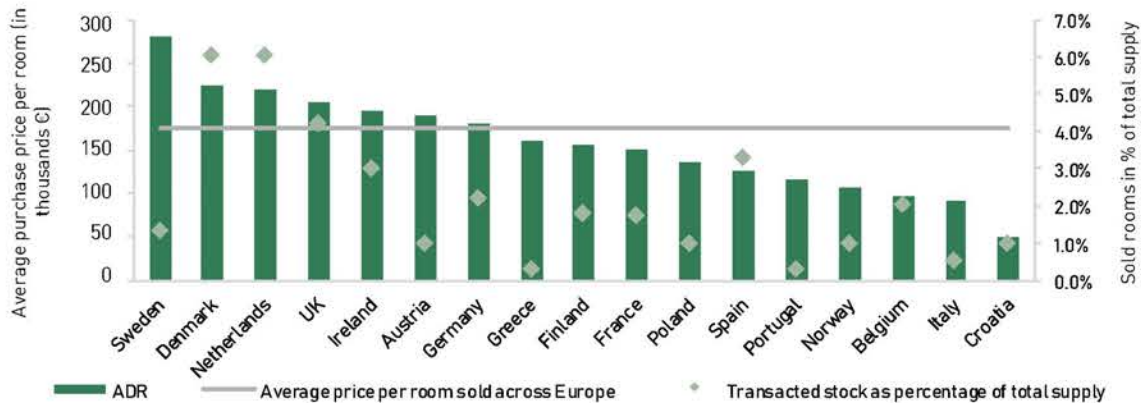


## Transaction volume 2007-2018



- In 2018, around € 18.6 billion was invested in hotel properties throughout Europe, which corresponds to a decline of 14% compared with the previous year. However the main reason for this is a scarcity of assets on the investment market.
- The absence of suitable assets for Asian and European buyers was the main reason for the reduction in transaction volumes in 2018, decreasing by 51% and 19% against 2017 values, respectively
- The scarcity of assets on the market drives investors further into emerging cities, professionalising the hotel industry in areas traditionally less developed and standardised

## Liquidity and average price/room



- In addition, Christie & Co has identified further locations in its study that could become potential investment hotspots in the coming years:
- Already identified as a hotspot last year, Ireland is recording rising hotel prices and forecasts suggest strong RevPAR growth
- The Netherlands offers significant potential, as the largest share of sold rooms was reached in 2017
- France and Belgium are recovering well from the 2016 terror attacks and are expected to grow further



# TRENDS AFFECTING THE HOSPITALITY BUSINESS



## I Information society

- Online Travel Agencies (OTA) became the main distribution channel
- Information Channel Management becomes essential for delivering the right message to the target client

## II Globalisation of tourism

- Annual increase in overnight stays by foreign guests
- Doubling the volume of aviation worldwide in the next 20 years

## III Cost-effective business models

- Products and services are reduced to a minimum of basic elements
- Affordable lifestyle hotels expand their market position
- In the luxury and comfort segment, customer loyalty programs (discounts, bonus points, etc.) are becoming increasingly important



## IV Experience economy

- Experience orientation penetrates into more areas of daily life, also impacts the decision for the next journey
- Soft factors gain in importance for the purchase decision

## V Demographic change

- Increase in travellers over 60 years of age
- Change in consumption structure: increase in the share of expenditure in the "Travel/Hotels" sector
- There has been a change in the consumption structure. The Baby Boom generation is willing to spend more in the Travel/Hotel sector

## VI Health and Sustainability

- Increase in demand for ecologically, economically and health-conscious behaviour
- Consumers progressively require ecological commitment
- Gain of importance within health tourism

# AGENDA



I Why European Hotels?

II Why Management Contracts

III Investment Strategy

IV Track Record & Team

V Contact Details

VI Appendix



# OVERVIEW OF HOTEL CONTRACTS



Contract	Management contract	Franchise contract	Hybrid contract	Turnover lease	Lease agreement
Characteristics	<ul style="list-style-type: none"> <li>Income from business operations</li> <li>OpCo is employer of hotel staff (but not manager)</li> <li>OpCo pays management fee to external hotel management company (e.g. Hilton)</li> </ul>	<ul style="list-style-type: none"> <li>Income from business operations</li> <li>OpCo provides staff and manager</li> <li>Insourcing of brand and standardised services for franchise fee</li> </ul>	<ul style="list-style-type: none"> <li>Mix of lease and management contract</li> <li>Usually guaranteed payment plus sales or profit-sharing</li> <li>Hotel management company or OpCo is employer of hotel staff</li> </ul>	<ul style="list-style-type: none"> <li>Usually fixed minimum base rent plus variable component (e.g. defined share of sales)</li> <li>Bears source of lessor's operating risk</li> </ul>	<ul style="list-style-type: none"> <li>Separation of property and operation</li> <li>Lessee bears operating risk</li> <li>Passive income from rentals and leases</li> </ul>
Pros	<ul style="list-style-type: none"> <li>Investors keep operating profit, generating attractive returns when business is managed successfully</li> <li>Broad range of managers available</li> <li>Termination right for poor performance of manager</li> <li>Assets in prime locations</li> </ul>	<ul style="list-style-type: none"> <li>Investors keep operating profit and attractive returns when business is managed successfully</li> <li>Benefits of established brand, hotel concept and reservation system</li> <li>Flexibility regarding contract (lease or management contract equivalent)</li> </ul>	<ul style="list-style-type: none"> <li>Fixed base payments can increase cash flow security</li> <li>Investor benefits from positive business performance/upside</li> </ul>	<ul style="list-style-type: none"> <li>Investor may benefit partially from positive business performance</li> </ul>	<ul style="list-style-type: none"> <li>Legally permissible for all investors</li> <li>Simpler financing</li> <li>Reduced and predictable administration and monitoring costs</li> </ul>
Cons	<ul style="list-style-type: none"> <li>Investors take operational risk</li> <li>OpCo has obligations as an employer</li> <li>Not permitted under German investment law, but can be structured via Luxembourg funds</li> <li>Financing may require guarantee</li> </ul>	<ul style="list-style-type: none"> <li>Problematic for upscale and luxury category (though good for midscale hotels)</li> <li>Not permitted under German investment law, but can be structured via Luxembourg funds</li> <li>Management intensive</li> </ul>	<ul style="list-style-type: none"> <li>Difficult valuation of variable component</li> <li>Extensive asset management effort</li> </ul>	<ul style="list-style-type: none"> <li>High monitoring costs</li> <li>Low control</li> <li>Revenues are volatile and difficult to predict</li> <li>Difficulties in financing</li> <li>Fixed lease component usually comparably low</li> <li>Tax implications in Germany [AuB]</li> </ul>	<ul style="list-style-type: none"> <li>No participation in upside/operating profit</li> <li>Lease security vastly depends on tenant's creditworthiness and parent guarantees</li> <li>Not accepted by international hotel management companies</li> </ul>

# WHY MANAGEMENT CONTRACTS?



## I Access to upscale hotel assets in prime locations

- Management contracts are often the only deal type to access premium hotel products, especially outside Germany i.e. upscale hotels in prime locations
- Management contracts are the dominant contract form for international upscale hospitality companies

➔ **Hotel management strategy offers access to high quality assets in prime locations**

## III Attractive risk-adjusted returns with control

- Management contracts benefit from the upside potential of business operations. In comparison, lease agreements only benefit from (fixed) rental income
- Management contracts provide more control to the owner in the operation of the hotels

➔ **Investors can participate in the generated returns of the hotel through OpCo-value**

## II Consumer's increasing brand awareness

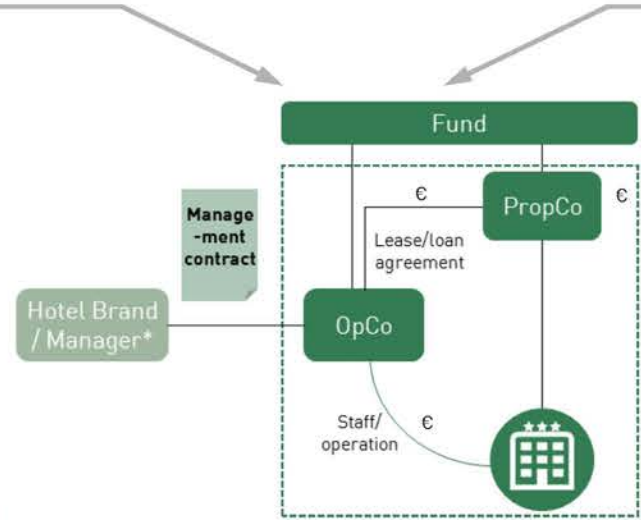
- Customers have shown an increasing appetite for branded hotels, for both, traditional and new lifestyle concepts
- Brand loyalty is most common among larger, full service hotels chains
- Contracted business travelers are a steady driver for hospitality companies across markets

➔ **Provides upside potential for investors with limited downside risk**

## IV Leveraging [REDACTED] extensive hotel experience

- [REDACTED] as extensive experience within hotel investments, hotel management, and hotel operations
- [REDACTED] as a strong hotel team with 30+ professionals who together provide an established track record of various hotel projects in prime locations across Europe

➔ **Achieve maximum profitability through leveraging [REDACTED] vast hotel experience**



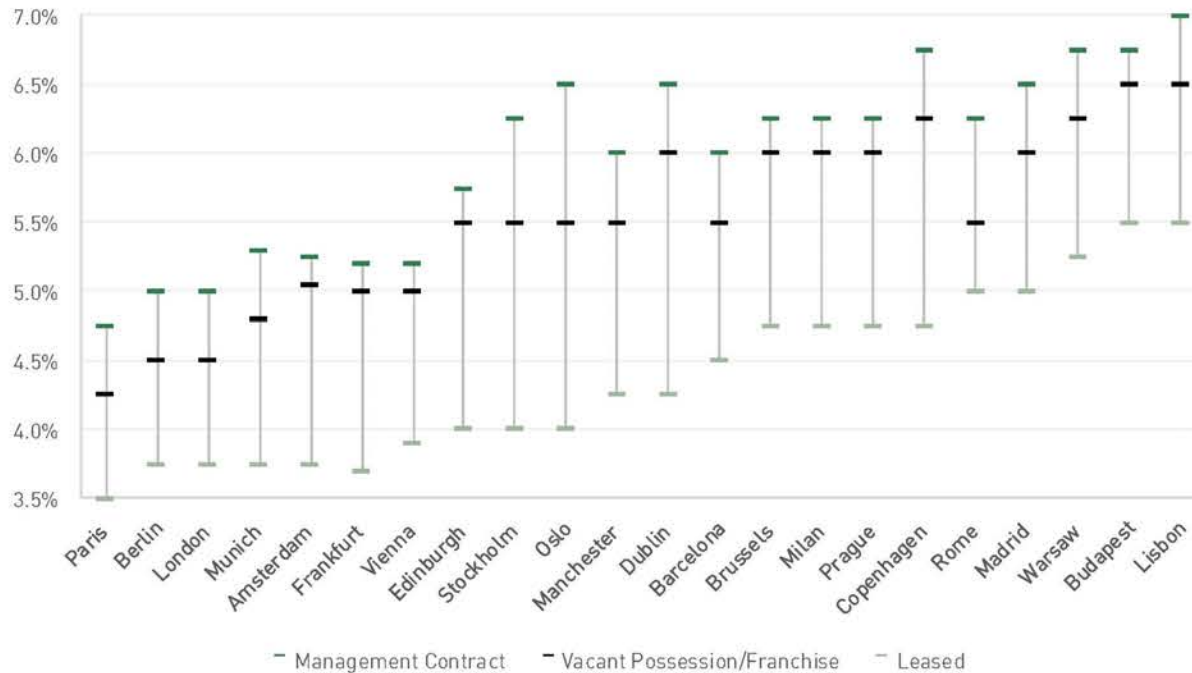
\*e.g. Hilton Worldwide, IHG, AccorHotels



# EUROPEAN HOTEL MARKET: ACQUISITION PRIME YIELDS



European city hotel prime yield comparison



→ The chart above outlines the spread in terms of prime yields across the differing European cities and operating structures.

Source: Savills Research



## Operating structure

- **Management contracts** deliver the highest yields among the different operating structures. On average Management contracts trade at a premium of 150 bps
- **Investor appetite** for leased hotels in mature markets such as Berlin, Munich, Madrid, Paris, Amsterdam and London has resulted in yield compression and very keen relative pricing



## Geography

- **Emerging tourist markets** are looking increasingly attractive for those investors looking for higher relative yields
- **Spain** has seen significant investment activity over the last five years. While this has helped to compress yields in Madrid, Barcelona has witnessed some softening due to a political instability and security threats. Furthermore, the ban on future central hotel development minimises a potential pipeline risk, which should help to support pricing
- **Key Portuguese markets** remain strong given recent RevPAR growth and the rapidly expanding tourism industry. Additionally, the recently passed law allowing REITs to operate in Portugal, will potentially drive future investment demand



## Increasing international hotel brand presence

- **The growth in tourism** to smaller emerging cities across Europe is helping to entice global brands into these markets as well as push soft brands into established markets
- This will help to increase acquisition opportunities, in particular **management contracts**, as they are the standard form of agreement in international hotelery



# EUROPEAN HOTEL MARKET: RECENT TRANSACTIONS (MANAGEMENT CONTRACTS)



Date	Property	Rating	City / Region	Country	Rooms	Deal Type	Currency	Price	Price / Room	NIY
Jul-19	Novotel	4-Star	Hannover	Germany	205	Management Contract	EUR	50,000,000	243,902	
Jul-19	Steigenberger	5-Star	Berlin	Germany	398	Management Contract	EUR	Undisclosed	Undisclosed	
Jul-19	Steigenberger	5-Star	Cologne	Germany	305	Management Contract	EUR	82,500,000	270,492	
Jul-19	JW Marriott	5-Star	Venedig	Italy	207	Management Contract	EUR	150,000,000	724,638	
Jul-19	Novotel	4-Star	Den Haag	Netherlands	216	Management Contract	EUR	Undisclosed	Undisclosed	
Jul-19	Intercontinental	5-Star	Lissabon	Portugal	335	Management Contract	EUR	Undisclosed	Undisclosed	
Jul-19	Intercontinental	5-Star	Porto	Portugal	105	Management Contract	EUR	53,800,000	512,381	
Jul-19	AC Hotel	4-Star	Malaga	Spain	214	Management Contract	EUR	70,000,000	327,103	
Jun-19	The Axel	4-Star	Madrid	Spain	88	Management Contract	EUR	40,000,000	454,545	
Apr-19	JW Marriott	5-Star	London	United Kingdom	237	Management Contract	GBP	200,000,000	843,882	
Mar-19	DoubleTree by Hilton Amsterdam	4-Star	Amsterdam	Netherlands	557	Management Contract	EUR	346,000,000	625,678	6.00%
Mar-19	Hilton Nuremberg	5-Star	Nuremberg	Germany	152	Management Contract	USD	Undisclosed	Undisclosed	
Exch.	Sheraton Brussels Airport	4-Star	Brussels	Belgium	294	Management Contract	EUR	Undisclosed	Undisclosed	
Nov-18	Mgallery Florence	4-Star	Florence	Italy	86	Management Lease	EUR	42,700,000	510,000	6.20%
Oct-18	Hotel Reichshof Hamburg	4-Star	Hamburg	Germany	278	Management Contract	EUR	100,000,000	360,000	
Aug-18	Beaumont	5-Star	London	UK	73	Management Contract	GBP	146,000,000	2,000,000	
Aug-18	Centro Canalejas Madrid [Future Four Seasons Madrid] [32.5% stake]	5-Star	Madrid	Spain	200	Management Contract	EUR	Undisclosed	Undisclosed	
Jul-18	Sheraton Amsterdam Airport	4-Star	Amsterdam	Netherlands	407	Management Contract	EUR	113,200,000	278,133	7.00%
Jun-18	Marriott The Hague	5-Star	The Hague	Netherlands	306	Management Contract	EUR	68,100,000	220,000	5.90%
Jun-18	Kimpton De Witt	4-Star	Amsterdam	Netherlands	274	Management Contract	EUR	163,600,000	600,000	
May-18	InterContinental Frankfurt	5-Star	Frankfurt	Germany	473	Management Contract	EUR	Undisclosed	Undisclosed	
Apr-18	Hotel IFA InterClub Atlantic	3-Star	Maspalomas [Las Palmas]	Spain	420	Sale & Manage back	EUR	62,800,000	150,000	
Feb-18	Hilton Rotterdam	5-Star	Rotterdam	Netherlands	254	Management Contract	EUR	50,300,000	200,000	5.80%
Jan-18	Sheraton Frankfurt Airport	4-Star	Frankfurt	Germany	1,008	Management Contract	EUR	122,000,000	121,032	6.00%
Jan-18	QO Amstelkwartier Hotel	4-Star	Amsterdam	Netherlands	288	Management Contract	EUR	110,000,000	380,000	
Jan-18	Waldorf Astoria Edinburgh - The Caledonian	5-Star	Edinburgh	UK	241	Management Contract	GBP	95,700,000	400,000	
Dec-17	Project Nemo [Radisson Blu, Park inn]	5-Star	Bucharest	Romania	763	Management Contract	EUR	169,000,000	221,494	7.40%
Nov-17	Sofitel Chain Bridge	5-Star	Budapest	Hungary	357	Sale & Manage back	EUR	79,058,189	221,452	7.00%
Oct-17	Hampton by Hilton Standsted	3-Star	Stansted	UK	357	Management Contract	GBP	Undisclosed	Undisclosed	
Oct-17	Radisson Blu Hotel & Spa [The Galmont]	5-Star	Galway	Ireland	261	Management Contract	EUR	Undisclosed	Undisclosed	
Sep-17	Hotel Astoria	3-Star	Lisbon	Portugal	93	Management Contract	EUR	Undisclosed	Undisclosed	
Aug-17	Hilton Metropole London & Birmingham	5-Star	London & Birmingham	UK	1,849	Management Contract	GBP	553,575,000	299,392	6.00%
Jul-17	Hilton Olympia Kensington	5-Star	London	United Kingdom	405	Management Contract	GBP	131,540,130	364,392	6.00%
Jul-17	Dolce Sitges Hotel and Resort	5-Star	Sitges [Barcelona]	Spain	263	Management Contract	EUR	Undisclosed	Undisclosed	
Jul-17	Hyatt Place Amsterdam Airport	4-Star	Hoofddorp [Amsterdam]	Netherlands	330	Management Lease	EUR	61,400,000	186,061	
Jun-17	Denham Grove Hotel	4-Star	Denham	UK	100	Management Contract	GBP	Undisclosed	Undisclosed	
Jun-17	Pullman Munich	4-Star	Munich	Germany	337	Management Lease	EUR	104,700,000	310,682	6.00%
May-17	DoubleTree by Hilton Amsterdam	4-Star	Amsterdam	Netherlands	557	Management Contract	EUR	Undisclosed	Undisclosed	
Mar-17	Marriott Prague and Millennium Office	5-Star	Prague	Czech Republic	293	Management Contract	EUR	87,045,000	297,082	6.50%
Feb-17	Centro Canalejas Madrid [Future Four Seasons Madrid] [35% stake]	5-Star	Madrid	Spain	200	Management Contract	EUR	35,100,000	180,000	
Jan-17	Marriott Copenhagen	5-Star	Copenhagen	Denmark	406	Management Contract	EUR	Undisclosed	Undisclosed	

# CASE STUDY



## Comparative illustration of cash flows under different contractual types



- Acquisition of well-established five star hotel in the heart of Berlin, 601 Rooms, with the planned addition of 38 new rooms
- Scenario analysis of returns under the assumption of different operating contracts
- 601 Rooms (+ development of 38 additional rooms)



### Assumptions

	Lease Agreement	Hybrid Contract	Management Agreement
Asking Price	275 m	275 m	275 m
Total Revenue	€ 39.9 m	€ 39.9 m	€ 39.9 m
GOP	€ 17.2 m	€ 17.2 m	€ 17.2 m
NOI	<b>€ 13.7 m</b>	<b>€ 13.7 m</b>	<b>€ 13.7 m</b>
<b>Fixed Lase</b>	€ 10.9 m	€ 9.4 m	NA
<b>Variable Lease</b>	NA	€ 2.2 m	NA
<b>Gross CF to Investor</b>	<b>€ 10.9 m</b>	<b>€ 11.8 m</b>	<b>€ 13.5 m</b>
<b>Net Initial Yield</b>	<b>3.94%</b>	<b>4.30%</b>	<b>4.94%</b>
Leverage	50% @ 1.80 %	50% @ 2.00 %	50% @ 2.20 %
Asset Management Fee	0.25%	0.30%	0.35%
<b>Leveraged IRR 6-Year Holding</b>	<b>4.38%</b>	<b>6.16%</b>	<b>8.36%</b>

# CASE STUDY



Cash-Flow projection to investor comparison

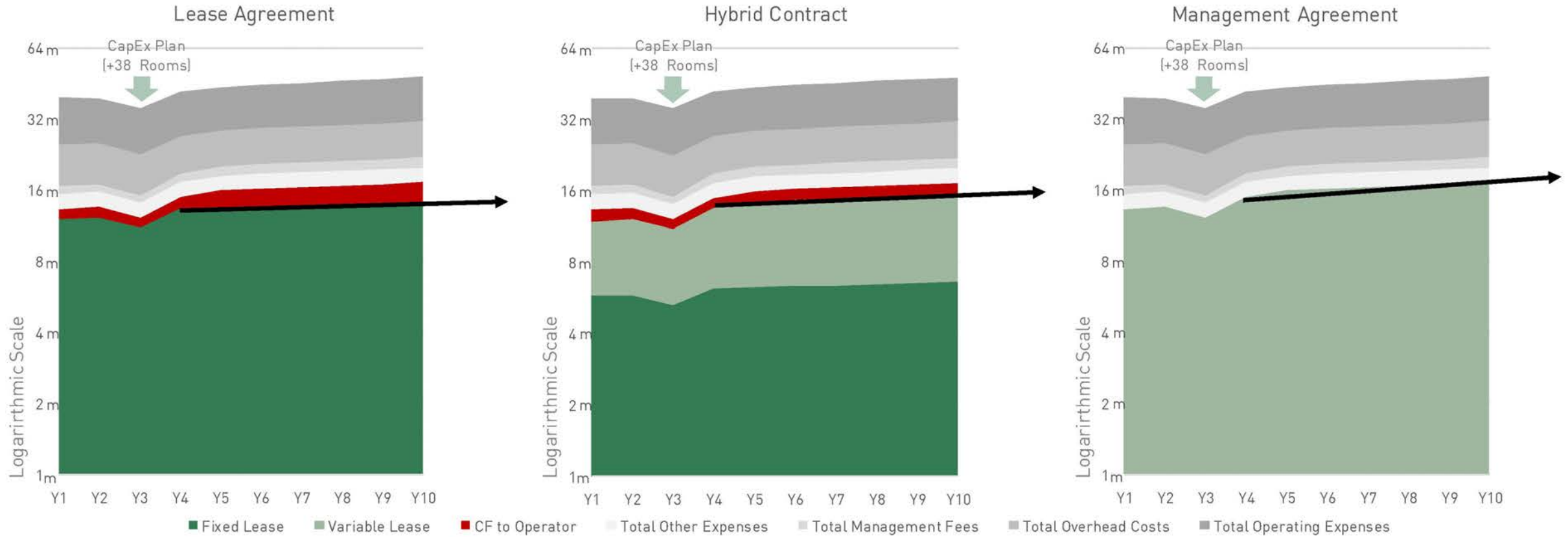




# CASE STUDY



## Hotel revenue split comparison absolute values



### Problem with lease contracts:

- Massive under-rents (PropCo value stagnates, OpCo value increases but owner does not participate in the value creation)

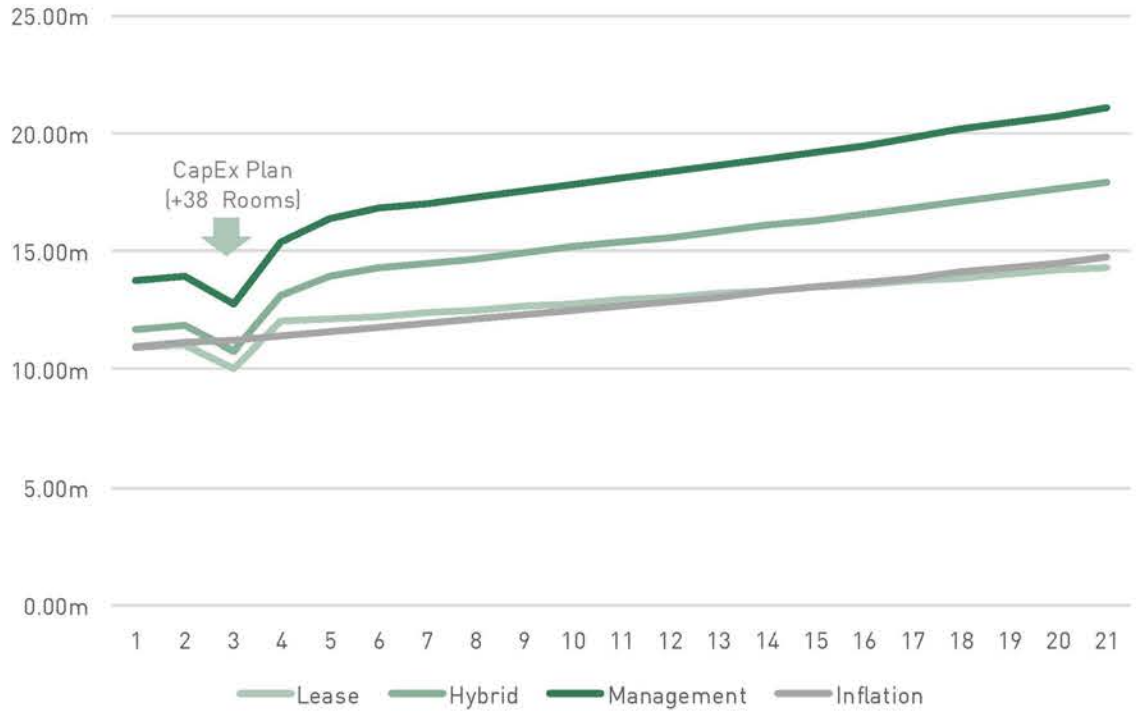
### Solution with management contracts:

- Combine OpCo and ProCo in one economic sphere

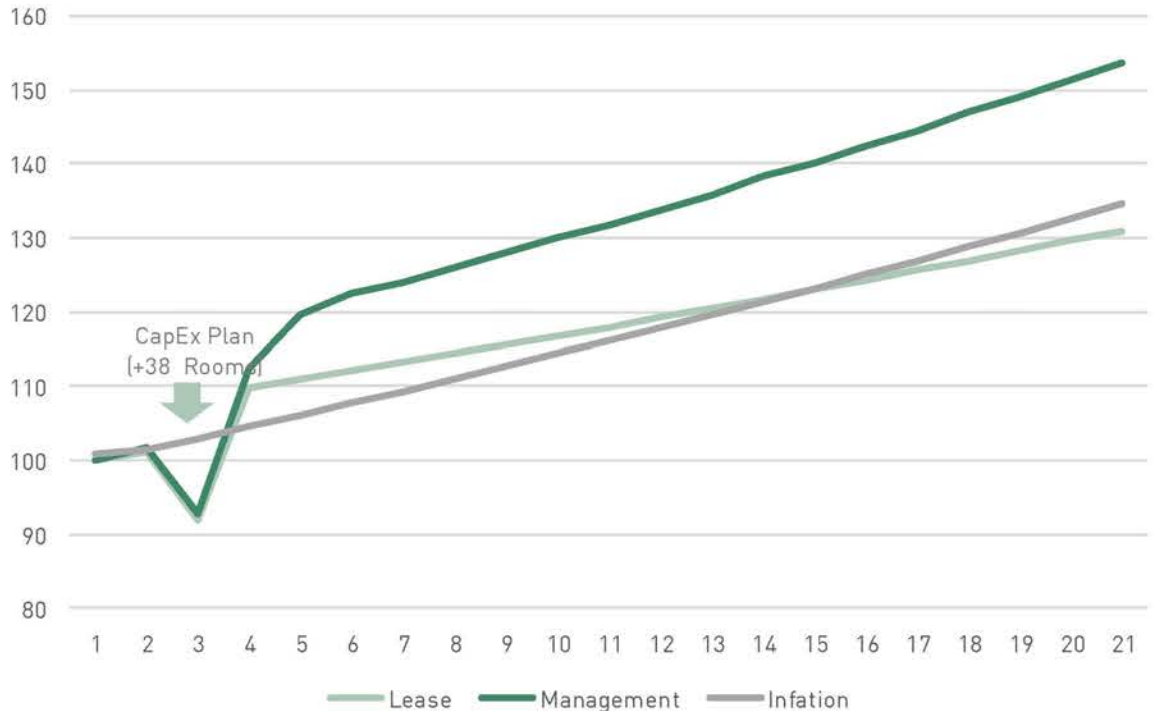
# CASE STUDY



Revenue growth comparison to inflation - absolute values



Revenue growth comparison to inflation - base 100



- ➔ Inflation outpaces fixed lease contracts as they are often capped at 70%-90% of the local CPI
- ➔ Additionally, lease contracts do not respect growing revenues, especially in high demand environments such as prime locations in key gateway cities

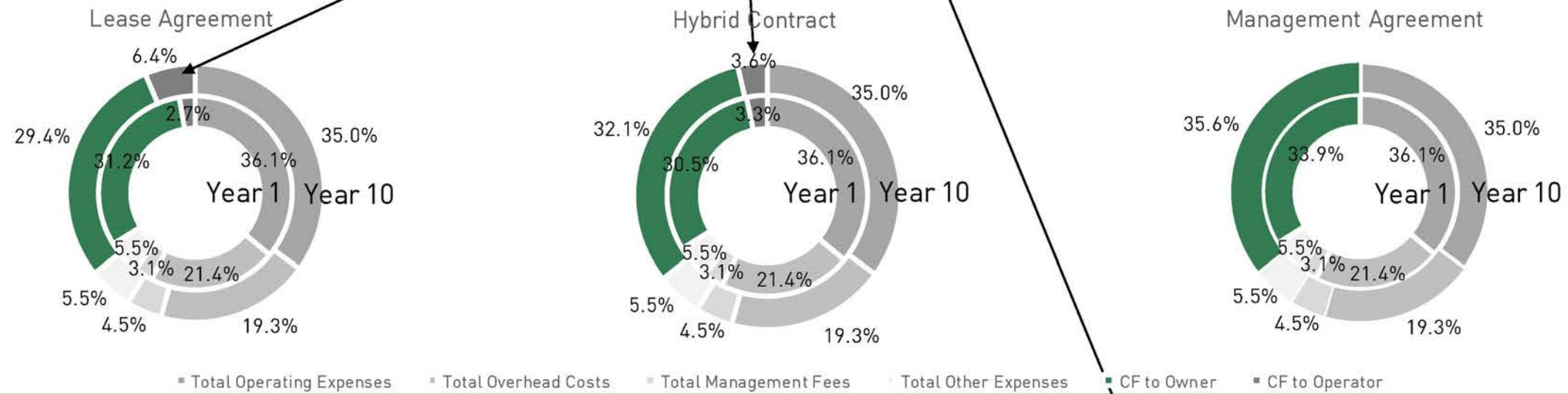
➔ The management contract eliminates such disparity and exposes the investor to the upside potential of the revenue growth

# CASE STUDY



High costs for a only marginal down-side protection

## Hotel revenue split comparison in %



## Sensitivity analysis of projected IRR

		Lease Agreement										Hybrid Contract										Management Agreement												
		10Y CAGR RevPAR										10Y CAGR RevPAR										10Y CAGR RevPAR												
		-2.25%	-1.50%	-0.75%	0.00%	0.75%	1.50%	2.25%	3.00%	3.75%	4.50%	5.25%	-2.25%	-1.50%	-0.75%	0.00%	0.75%	1.50%	2.25%	3.00%	3.75%	4.50%	5.25%	-2.25%	-1.50%	-0.75%	0.00%	0.75%	1.50%	2.25%	3.00%	3.75%	4.50%	5.25%
OpEx	110%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	3.40%	3.42%	3.45%	3.88%	4.52%	5.19%	5.91%	6.65%	7.33%	8.08%	8.93%	5.05%	5.57%	5.88%	6.43%	7.02%	7.54%	8.09%	8.69%	9.35%	10.09%	10.91%	
	108%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	3.38%	3.58%	4.12%	4.70%	5.33%	6.00%	6.68%	7.30%	8.00%	8.77%	9.64%	5.53%	5.74%	6.25%	6.80%	7.33%	7.84%	8.40%	9.01%	9.69%	10.44%	11.30%	
	106%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	3.32%	3.70%	4.24%	4.82%	5.46%	6.14%	6.80%	7.44%	8.15%	8.95%	9.85%	5.41%	5.86%	6.36%	6.91%	7.42%	7.94%	8.52%	9.14%	9.84%	10.62%	11.50%	
	104%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	3.37%	3.84%	4.38%	4.96%	5.60%	6.29%	6.93%	7.58%	8.31%	9.13%	10.05%	5.54%	5.99%	6.49%	7.05%	7.53%	8.06%	8.64%	9.28%	9.99%	10.79%	11.70%	
	102%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	3.78%	4.24%	4.78%	5.36%	6.00%	6.65%	7.26%	7.92%	8.66%	9.49%	10.44%	5.95%	6.39%	6.89%	7.37%	7.85%	8.39%	8.98%	9.63%	10.35%	11.16%	12.09%	
	100%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.05%	4.52%	5.04%	5.63%	6.27%	6.87%	7.48%	8.16%	8.91%	9.76%	10.72%	6.23%	6.66%	7.14%	7.59%	8.08%	8.62%	9.21%	9.87%	10.61%	11.44%	12.38%	
	98%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.32%	4.78%	5.30%	5.89%	6.53%	7.09%	7.70%	8.38%	9.15%	10.01%	10.99%	6.50%	6.93%	7.35%	7.80%	8.30%	8.84%	9.44%	10.11%	10.86%	11.70%	12.66%	
	96%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.60%	5.05%	5.57%	6.15%	6.74%	7.30%	7.93%	8.62%	9.39%	10.26%	11.26%	6.79%	7.18%	7.58%	8.03%	8.53%	9.08%	9.68%	10.36%	11.11%	11.97%	12.94%	
	94%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.87%	5.32%	5.84%	6.42%	6.96%	7.52%	8.15%	8.85%	9.63%	10.52%	11.52%	7.07%	7.41%	7.81%	8.26%	8.76%	9.31%	9.93%	10.61%	11.37%	12.24%	13.23%	
	92%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	5.15%	5.59%	6.11%	6.66%	7.17%	7.75%	8.38%	9.08%	9.87%	10.77%	11.79%	7.31%	7.65%	8.04%	8.50%	9.00%	9.56%	10.17%	10.86%	11.63%	12.51%	13.51%	
90%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	4.31%	5.43%	5.87%	6.38%	6.88%	7.39%	7.97%	8.61%	9.32%	10.12%	11.02%	12.05%	7.55%	7.89%	8.28%	8.74%	9.24%	9.80%	10.43%	11.12%	11.90%	12.78%	13.79%		



# MITIGATION OF RISKS



Criteria	Main risks	Counter-measures
Location & Concept	<ul style="list-style-type: none"> <li>▪ Lack of attractiveness and demand for overnight accommodation at (macro) location</li> <li>▪ The hotel concept does not suit the (micro-) location</li> </ul>	<ul style="list-style-type: none"> <li>▪ Focus on top locations with growth potential, target group diversity and high visibility and frequency</li> <li>▪ Investments in established, concepts from the midscale and upscale segment</li> </ul>
Building & Furnishing	<ul style="list-style-type: none"> <li>▪ Building quality and infrastructure with low space efficiency / inefficient operational processes</li> <li>▪ Maintenance and necessary investments in the renewal of the facility ("FF&amp;E") are omitted</li> </ul>	<ul style="list-style-type: none"> <li>▪ Third-party useable space programme with high space efficiency</li> <li>▪ Obligation of the lessee to regularly renew the institution ("FF&amp;E reserve")</li> </ul>
Operator	<ul style="list-style-type: none"> <li>▪ The operator demands major concessions in contract negotiations</li> <li>▪ Despite good figures, the operation is influenced by the negative overall situation of the operator</li> </ul>	<ul style="list-style-type: none"> <li>▪ Professional operators with track record, high creditworthiness and object-specific collateral package</li> <li>▪ Operator-independent positioning ensures the necessary flexibility to design operator changes</li> </ul>
Hotel operations	<ul style="list-style-type: none"> <li>▪ Overrent: the operating result is not sustainable enough to meet the agreed lease payments</li> <li>▪ The operating figures of the tenant show weaknesses on the turnover or cost side</li> </ul>	<ul style="list-style-type: none"> <li>▪ Full transparency of the tenant's operating results to the owner</li> <li>▪ Valuation and purchase of hotel properties on the basis of sustainable operating results</li> </ul>
Contract	<ul style="list-style-type: none"> <li>▪ Long-term fixed lease agreement leads to under- or overrent situations during the term of the lease</li> <li>▪ Results-dependent additional lease is not implemented due to unclear settlement basis</li> </ul>	<ul style="list-style-type: none"> <li>▪ Adaptation of contracts to dynamic market conditions, e.g. through variable components</li> <li>▪ Detailed contract with clear definition of the settlement basis</li> </ul>

# SUCCESS FACTORS FOR INVESTING IN HOTEL MANAGEMENT CONTRACTS



## Operational risk management

- OPR (owner's priority return) = preferred return
- Change of hotel brand
- Inclusion of non-performance clauses

## Operational control

- Ongoing market observation, regular inspection of the property in connection with talks with tenants, evaluation of operational performance data
- For turnover leases, plausibility check of the audited turnover statements and benchmarking with relevant market

## Contract adjustment

- Adjustment of rent levels to market conditions, e.g. by introducing revenue sharing (hybrid contracts), adjustment of under-rent or over-rent situations
- Management contracts tend to be shorter than property leases allowing an owner-operator the flexibility to sell an unencumbered interest which may be more attractive to investor and owner-operator purchasers under certain market circumstances

## Maintenance and FF&E

- Monitoring of the tenant's maintenance, repair and renewal obligations
- Creation of an FF&E reserve (2-5% of turnover) to secure the contractual reinvestment obligation of the lessee, ideally supplemented by rights of co-determination or co-disposal of the owner

## Refurbishment & repositioning

- If market conditions change, performance can be improved by possible changes to the property (e.g. increase in the number of rooms, downgrading of the hotel standard)
- In connection with changes to the property, re-branding measures or a change of operator offer additional potential

# AGENDA



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# INVESTMENT STRATEGY



## I Strategic focus - management contracts

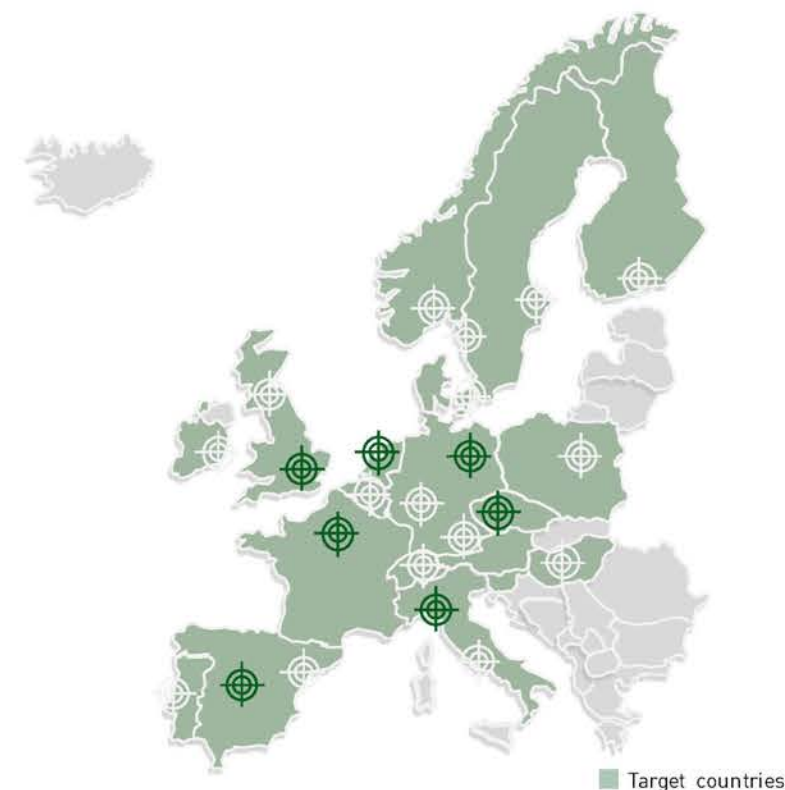
- ✓ **Attractive risk-adjusted returns** – benefit from the upsides in business operations, while lease agreements only benefit from (fixed) rental income
- ✓ **Increased control of upside and cash flows** – provide more control over the asset to ensure smooth operations and cash flow security
- ✓ **Downside protection** – covenants and performance clauses within the management contracts provide interest alignment and downside protection
- ✓ **International standard** – more common in international upscale hoteling and hotel management strategy; provides access to high quality assets

## III Key terms of investment strategy

Vehicle type	Fund (Lux-RAIF)	Target return (net of fees)	IRR 6.5%
Vehicle structure	Open-ended	Target vehicle size	€ 400m (equity)
Manager-defined style	Core/Core+ with OpCo Premium	Target LTV	50%
Year of first closing	2020	Target no. of investors	1-5
Fund life (yrs)	Open-ended	Min. commitment per investor	€ 100m

## II Asset focus – upscale hotels in European prime locations

*and more...*

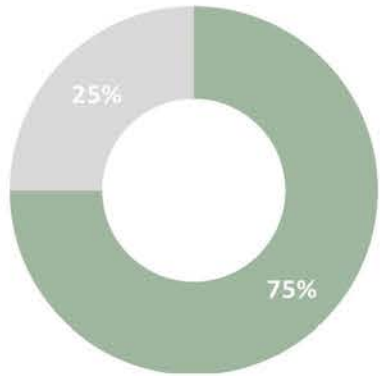


➔ Our investment strategy focuses on investing in upscale hotels in European prime locations, including DACH, Italy, Spain, Portugal, France, UK, Denmark, Benelux, and Poland.

# DIVERSIFIED INVESTMENT STRATEGY



## Asset quality

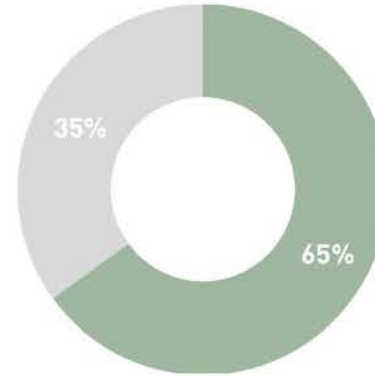


- Core / Core +
- Core+ with Value Potential

### Focus on:

- Core / Core+ Assets, well-established hotels in the market with minor asset management initiatives
- IRR target of 5-7%
- Core+ assets with value-add potential, well-mitigated risk and great upside potential through asset improvement or contract renegotiation
- IRR target of 6-9%

## Target location

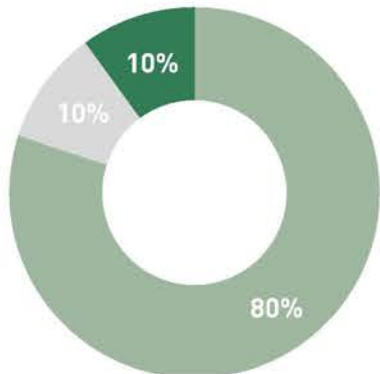


- Key Gateway Cities
- Emerging Gateway Cities

### Focus on prime location assets in:

- Key Gateway Cities in Europe (e.g. London, Paris, Amsterdam, Berlin)
- Emerging Gateway Cities in Europe (e.g. Budapest, Warsaw, Lisbon, Helsinki)
- Max. 20% UK & Ireland (no currency risk hedging), 80% continental Europe
- No secondary cities & locations

## Contract forms

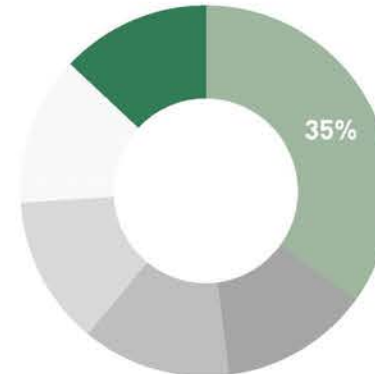


- Management Agreements
- Franchise Agreements
- Hybrid Contracts

### Focus on Management Contracts:

- Exposure to positive market sentiment
- Elevated returns and value preservation
- Ca. 80% Upscale and Upper-upscale Hotels, 20% Luxury Chain Hotels
- No trophy assets and No value diminishing lease contracts

## Diversification

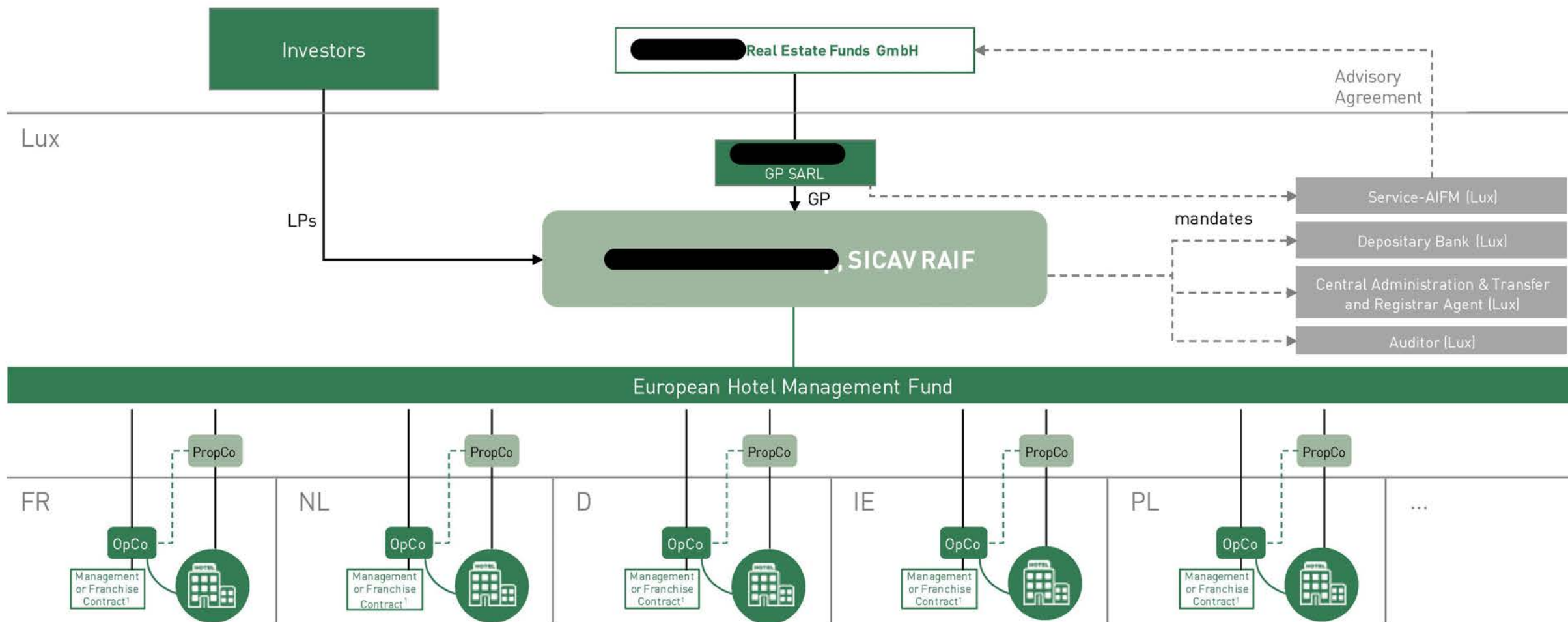


- Hotel A
- Hotel X
- Hotel Y
- Hotel Z

### Focus on Diversification:

- No more than 35% of fund income from one asset
- 6-8 individual assets
- No competing assets
- No bulk risk

# FUND STRUCTURE (EXAMPLE)



<sup>1</sup> With third party, e.g. Hilton Worldwide, IHG, AccorHotels

**Note:** OpCo-PropCo structure shows final structure post-closing. Relationship between OpCo and PropCo can be a lease and/or variable loan agreement. At acquisition, OpCo and PropCo might be one entity, that directly holds the management or franchise contract. Then: carve-out of property to Lux PropCo SARL.



# FUND PRINCIPLES AND FEES (EXAMPLE)



## Principles of fund participation

### Product exclusivity

- ROFRs during the investment period for investment opportunities that match the investment strategy

### Investment decisions

- Investment committee with pro rata voting rights. Purchases and sales decisions require a 75% approval rate

### Redemption of fund shares

- Restricted, to protect remaining investors

### Prevention of conflicts of interest

- Full transparency and disclosure while contracting affiliated [REDACTED] companies, latest at acquisition proposal
- Contracts “at arm’s length”
- External compliance monitoring [REDACTED]

## Fees of [REDACTED] Real Estate Group

### Acquisition and sales

- 1.0% of transaction price

### Fund management

- 0.40% of average gross fund volume p.a., excluding depositary bank fee (ca. 0.025% p.a.)

### Asset management

- 0.20-0.40% based on fair valuation of individual asset and complexity of the asset (proposal will be made)

### Project management

- Ca. 3% of capex costs, depending on project complexity; fee suggestion will be presented with acquisition proposal

### Running promote

- 15% of excess return, above hurdle rate of 5% CoC


### Exit promote

- 15% of excess sale proceeds above a 6.5% IRR hurdle, 20% over 8.5% IRR

# RECENTLY TRANSACTED PROPERTIES MANAGEMENT CONTRACTS



## Doubletree – Amsterdam

Rooms	557	
Rating	4-Star	
Deal type	Asset Deal	
Contract type	Management Contract	Hilton Worldwide
Asking price	€ 345,000,000	€ 620,000 / Room
Net Initial yield	approx. 6.00%	
Asset Quality	Core asset, prime location	

## JW Marriott – London

Rooms	237	
Rating	5-Star	
Deal type	Share Deal	
Contract type	Management Contract	Marriott Int.
Asking price	€ 200,000,000	€ 840,000 / Room
Net Initial yield	N/A	
Asset Quality	Value-add (CapEx), prime location	


## The Axel – Madrid

Rooms	88	
Rating	4-Star	
Deal type	Share Deal	
Contract type	Management Contract	Axel Hotels
Asking price	€ 40,000,000	€ 450,000 / Room
Net Initial yield	approx. 6.70%	
Asset Quality	Core asset, prime location	


## Hilton – Berlin

Rooms	601	
Rating	5-Star	
Deal type	Share Deal	
Contract type	Management Contract	Hilton Worldwide
Asking price	€ 295,000,000	€ 494,000 / Room
Net Initial yield	approx. 4.60%	
Asset Quality	Value-add (CapEx), prime location	

## Steigenberger – Cologne

Rooms	305	
Rating	5-Star	
Deal type	Asset Deal	
Contract type	Hybrid lease	Steigenberger
Asking price	€ 82,000,000	€ 275,000 / Room
Net Initial yield	approx. 4,6%	
Asset Quality	Core asset, prime location	

## InterContinental – Porto


Rooms	105	
Rating	5-Star	
Deal type	Share Deal	
Contract type	Management Contract	IHG
Asking price	€ 53,500,000	€ 510,000 / Room
Net Initial yield	approx. 6.20%	
Asset Quality	Core asset, prime location	



# INVESTMENT PIPELINE MANAGEMENT CONTRACTS




## The Squire – Frankfurt

Rooms	583	
Rating	4-Star	
Deal type	Asset Deal	
Contract type	Management Contract	Hilton Worldwide
Asking price	€ 350,000,000	€ 600,000 / Room
Net Initial yield	approx. 5.00%	
Asset Quality	Core asset, prime location	

## Atlantis by Giardino – Zurich

Rooms	88	
Rating	5-Star	
Deal type	Asset Deal	
Contract type	Management Contract	Giardino Hotels
Asking price	€ N/A	€ N/A / Room
Net Initial yield	N/A	
Asset Quality	Trophy, secondary location	


## Apollo Museum Hotel – Amsterdam

Rooms	188	
Rating	3-Star	
Deal type	Share Deal	
Contract type	Management Contract	Apollo Hotels
Asking price	€ N/A	€ NA / Room
Net Initial yield	N/A	
Asset Quality	Value-add, prime location	

## Corinthia – Prague

Rooms	539	
Rating	5-Star	
Deal type	Share Deal	
Contract type	Management Contract	Corinthia Hotels
Asking price	€ N/A	€ NA / Room
Net Initial yield	N/A	
Asset Quality	Core asset, prime location	

## Andaz – Amsterdam

Rooms	122	
Rating	5-Star	
Deal type	Asset Deal	
Contract type	Full Variable Lease	Hyatt
Asking price	€ 120,000,000	€ 980,000 / Room
Net Initial yield	4%	
Asset Quality	Trophy, prime location	

## Hilton – Munich

Rooms	483	
Rating	4-Star	
Deal type	Share Deal	
Contract type	Management Contract	Hilton Worldwide
Asking price	€ 53,500,000	€ 510,000 / Room
Net Initial yield	approx. 6.20%	
Asset Quality	Core asset, prime location	



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# HOTEL EXPERTISE



*Hamburg, Sofitel Alter Wall*



*Cologne, Maritim Hotel*



*Vienna, Harry's Hotel, Millennium Tower*



*Berlin, Motel One Alexanderplatz*



*Florence, 25hours*



*Frankfurt, Le Méridien Parkhotel*

The [REDACTED] team combines many years of experience in market leading companies and in-depth know-how in the hotel real estate industry :

- Entrepreneurial investment approach
- Broad contact network and access to exclusive investment opportunities
- Know-how in all common market contract structures
- Manager selection
- Hotel life cycle management
- Flawless track record

# EXPERTISE AND TRACK RECORD

## HOTEL INVESTMENT HISTORY



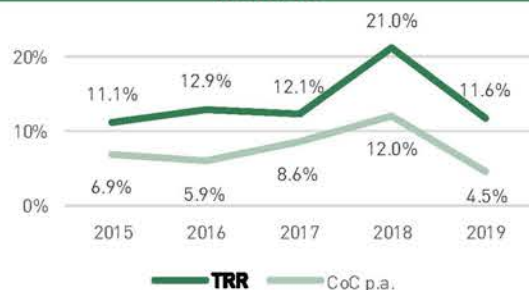
has secured to date more than € 6+ bn of AuM since its incorporation

Hotel MtC Fund	
Year launched	Q3 - 2013
<b>Investment Strategy</b>	<b>Manage to core</b>
Nr of assets	11
Net investment value	€ 410m
Gross investment value	€ 740m
<b>IRR since launch (target IRR 9%)</b>	<b>12.8%</b>
CoC since launch (target CoC 6%)	7.7%

Core Budget Hotel Fund	
Year launched	Q4 - 2016
<b>Investment Strategy</b>	<b>Core</b>
Nr of assets	12
Net investment value	€ 66m
Gross investment value	€ 120m
<b>IRR since launch (target IRR 6%)</b>	<b>7.7%</b>
<b>CoC since launch (target CoC 5%)</b>	<b>5.4%</b>

### Returns

### Returns



**Sale of 25 hours Hotel Florence**  
Sourcing of further investment opportunities

**Acquisition of a total of ten hotels (approx. € 360 m):**  
Maritim Hotel Köln, WCCB Bonn, Moxy Köln Bonn Airport, Ibis Styles Hamburg, Bootshafen Kiel, etc.

**Acquisition of two hotels (approx. € 100 m):**  
25 hours Florence, Maison Messmer Baden;  
**Sale of:** Le Méridien Frankfurt, Ruby Munich & Mercure Leipzig

**Launch of AIREF Core Budget Hotel Fund**  
**Purchase of three hotels (approx. € 200 m):**  
Ruby Munich, Dorint Mannheim, Nikko Düsseldorf

**Purchase of 13 hotels (approx. € 320 m):**  
Sofitel Hamburg, B&B Portfolio, Novotel Erlangen, Pullman Cologne, Le Méridien Frankfurt, Holiday Inn Express Stuttgart Airport

**Purchase of two hotels (approx. € 40 m):**  
Mercure Leipzig, Motel One Berlin

**Launch of AIREF Hotel Manage-to-Core Fund**  
Steigenberger Bad Homburg (€ 20 m) as first investment for the hotel MTC fund

2019

2018

2017

2016

2015

2014

2013





# INTERNATIONAL TRACK RECORD (GROUP LEVEL 1/2)



50+ projects  
across Europe

- Hotel investment and development projects in prime locations across Europe
- In-house Development, Investment and Operating Team
- More than € 1.0bn of hotel assets under management

## Selected examples of group level track records



Sofitel Hamburg

- The 5 star property is located in the heart of Hamburg in proximity to the city hall and has direct water access to Alsterfleet
- The hotel is equipped with 241 rooms and 102 parking spaces
- Project included long-term investment, property extension



St. Regis  
Mardavall  
Mallorca

- Luxury beach-front resort hotel with a first-class reputation internationally
- Complex redevelopment project with an investment of ca. € 85m
- Michelin-starred restaurant



Le Méridien  
Parkhotel  
Frankfurt

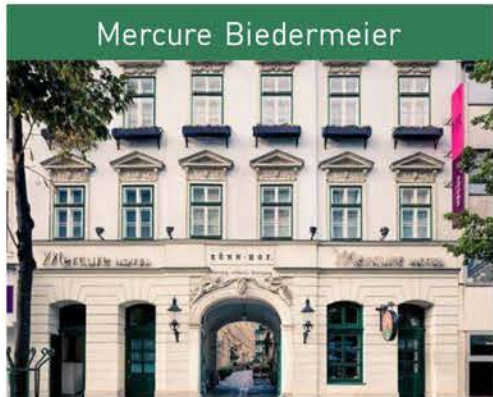
- A 5-star business hotel well-connected by public transport
- The Le Méridien Parkhotel features 300 rooms and has a rare belle époque charm
- Project involved acquisition of insolvency, restructuring of operations, renovation and refurbishment



Dolder Grand,  
Zurich

- €500m project management with technical direction for the Dolder Grand Hotel in Zurich
- The renown Dolder Grand is a 5-star luxury hotel in Zurich, constructed in 1899
- The hotel covers over 40,000 sqm and offers 173 rooms and suites, 2 restaurants, a bar, 13 conference rooms, and a 4,000 sqm spa
- The first Swiss luxury hotel to accept cryptocurrency as payment from May 2019

# INTERNATIONAL TRACK RECORD (GROUP LEVEL 2/2)



Mercure Biedermeier

Mercure Grand Hotel Biedermeier, Vienna  
(30m - Asset Management, disposed)



25hours Florence

25hours Florence, Florence  
(100m - Acquisition, project development)



MotelOne Alexanderplatz

MotelOne Alexanderplatz, Berlin  
(Largest MotelOne in Europe, mezzanine holding, development)



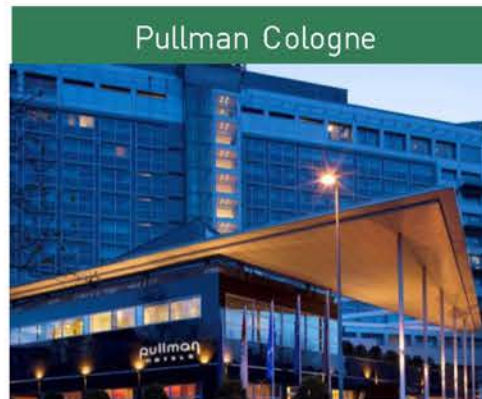
Meliá Valencia

Meliá Valencia, Valencia  
(45m acquisition proposal)



Ramada Schiphol

Ramada Amsterdam Schiphol Airport, Amsterdam  
(Valuation, operator search)



Pullman Cologne

Pullman Hotel Cologne, Cologne  
(Off-market acquisition, long-term investment incl. refurbishment)



...and many more:



# OUR UNDERSTANDING OF SUSTAINABILITY



## Environmental

Resource conserving development of new projects and focus of increased resource efficiency in the management of existing properties. Achieving sustainable building certification as a fundamental goal for new construction and existing buildings.



## Social

Development and management of real estate with the highest possible social environmental benefit. Responsible handling of the capital entrusted to us as well as the interests and rights of investors. Creation of sustainable values for investors, tenants, partners and neighbours.

## Profitable

Investment exclusively in good locations of metropolises and economic centres, as only these enable sustainable value creation. Active management within the framework of the Manage to Core approach in order to improve the quality and value of the property.

## Sustainable Management

Ensuring continuity in the personal support of investors through an owner-managed corporate structure with long-term agreed cooperation and through the long-term participation of employees in the company's success.

## Responsible employment

Numerous further training options and flexible working hours for all employees, to enable further personal development and retention of in house expertise as well as the compatibility of career and family in the sense of a balanced lifestyle.

## Governance

Extension of internal and external control and monitoring mechanisms to include BVI conduct of business rules, which outline a standard for good and responsible management of capital and investors' rights and interests.





# BVI CODE OF CONDUCT



BVI conduct of business rules, which are relevant for [REDACTED] and are observed:

I	[REDACTED] does not charge unreasonable costs and fees and does not harm investors' interests through abusive market practices.
II	[REDACTED] observes clear execution principles that ensure market-driven settlement and fair treatment of investors.
III	[REDACTED] informs clearly, comprehensively and coherently.
IV	[REDACTED]'s management and supervisory board work towards a good corporate governance.
V	[REDACTED] takes responsibility in ecological and social matters as well as for good corporate management.



# AGENDA



I Executive Summary

II Why European Hotels?

III Investment Strategy

IV Track Record & Team

V Contact Details

VI Appendix

# AGENDA



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# GLOSSARY



ADR or ARR	<ul style="list-style-type: none"><li>▪ <i>Average Daily Rate or Average Room Rate</i></li><li>▪ Average Room Rate: net accommodation income excluding VAT and breakfast per room sold</li></ul>
F&B	<ul style="list-style-type: none"><li>▪ <i>Food &amp; Beverage</i></li><li>▪ Dining and drinks in catering sector</li></ul>
FF&E	<ul style="list-style-type: none"><li>▪ <i>Fixtures, Furniture &amp; Equipment</i></li><li>▪ Built-in or loose inventory, such as kitchens, furniture, decoration, etc.</li></ul>
GOP or IBFC	<ul style="list-style-type: none"><li>▪ <i>Gross Operating Profit or Income before fixed charges</i></li><li>▪ Operating income, i.e., after overheads and before deduction of property/investment related costs</li></ul>
MICE	<ul style="list-style-type: none"><li>▪ <i>Meetings, Incentives, Conference and Events</i></li><li>▪ Business events (business tourism)</li></ul>
NOP	<ul style="list-style-type: none"><li>▪ <i>Net Operating Profit</i></li><li>▪ Operating result before income taxes or GOP less fixed costs (e.g. lease/rent, operating taxes and levies, elementary insurance, FF&amp;E reserves, interest and depreciation)</li></ul>
OCC	<ul style="list-style-type: none"><li>▪ <i>Occupancy</i></li><li>▪ Room occupancy shows the share of sold rooms as a percentage of the total number of rentable rooms</li></ul>
RevPAR	<ul style="list-style-type: none"><li>▪ <i>Revenue per available room</i></li><li>▪ Room proceeds per available room, product of ADR and OCC, key performance indicator of the hotel business</li></ul>
USALI	<ul style="list-style-type: none"><li>▪ <i>Uniform System of Accounts for the Lodging Industry</i></li><li>▪ Standardised, internationally used and uniform self-service accounting system by many hotel companies</li></ul>

# CASE STUDY: MARRIOTT GROSVENOR SQUARE (1/2)



## Asset information

Location	Grosvenor Square, Mayfair, London, UK	Tenure	Leasehold, expiring in 2057
Guestrooms	237	GFA	18,379 sqm
Contract	Management Agreement with Marriott until 2024	Amenities	Fitness centre, executive lounge, business centre

## Investment strategy

- The hotel is operated by Marriott International under the terms of a long-term management contract expiring at the end of 2024
- The hotel benefits from stable existing cash flow which has grown at an inflation-beating CAGR of 2.9% since 2010
- The hotel is expected to benefit significantly from the completion of Crossrail (Elizabeth Line) which is expected to bring 24 million more passenger movements to the nearby Bond Street station and is due to open in December 2019
- The hotel's facilities are dated and the hotel also faces increasing competition from new and existing premium hotels. ADR for 2017 is less than half of the ADR level for the premium London hotels. Following refurbishment and relaunch, the hotel will be rebadged as St. Regis, the luxury brand of the Marriott Group
- A planned £6 million room refurbishment programme commenced in Q1 2019 will enable the hotel to capture a higher proportion of London's thriving luxury demand and drive substantial revenue gains
- For the in-house restaurant, the hotel currently has a lease agreement in place with the British celebrity chef, Gordon Ramsay, whose company operates 35 restaurants globally, with a total of 7 Michelin stars



# CASE STUDY: MARRIOTT GROSVENOR SQUARE (2/2)



FCF Projection (GBP in tsd)	Historical		Projected				
	2018	2019	2020	2021	2022	2023	2024
<b>OPERATING REVENUE</b>							
Rooms Revenue	20,734	22,383	23,508	24,423	24,884	25,442	
Food & Beverage Revenue	5,479	5,499	5,605	5,722	5,830	5,950	
Other Operated Departments Revenue	1,385	1,390	1,417	1,447	1,474	1,504	
Miscellaneous Income'	-	-	-	-	-	-	
<b>Total Operating Revenue</b>	<b>27,598</b>	<b>29,272</b>	<b>30,530</b>	<b>31,592</b>	<b>32,188</b>	<b>32,896</b>	
<b>DEPARTMENTAL EXPENSES</b>							
Rooms Expenses	4,139	4,154	4,234	4,323	4,404	4,495	
Food & Beverage Expenses	2,254	2,274	2,315	2,359	2,404	2,452	
Other Operated Departments Expenses	-	-	-	-	-	-	
<b>Total Departmental Expenses</b>	<b>6,393</b>	<b>6,428</b>	<b>6,549</b>	<b>6,682</b>	<b>6,808</b>	<b>6,947</b>	
<b>Total Departmental Income</b>	<b>21,205</b>	<b>22,844</b>	<b>23,981</b>	<b>24,910</b>	<b>25,380</b>	<b>25,949</b>	
<b>UNDISTRIBUTED EXPENSES</b>							
Administrative & General	1,890	1,945	1,993	2,038	2,076	2,119	
Information & Telecommunication	224	231	236	242	246	251	
Sales & Marketing	1,931	1,987	2,036	2,082	2,121	2,164	
Property Operations and Maintenance	737	759	777	795	810	826	
Utilities	675	695	712	728	741	757	
<b>Total Undistributed Expenses</b>	<b>5,457</b>	<b>5,617</b>	<b>5,754</b>	<b>5,885</b>	<b>5,994</b>	<b>6,117</b>	
<b>Gross Operating Profit</b>	<b>15,748</b>	<b>17,227</b>	<b>18,227</b>	<b>19,025</b>	<b>19,386</b>	<b>19,832</b>	
<b>Management Fee</b>	<b>1,979</b>	<b>2,513</b>	<b>2,647</b>	<b>2,756</b>	<b>2,808</b>	<b>2,872</b>	
Base Mgmt. Fee	828	878	916	948	966	987	
Incentive Mgmt. Fee	1,151	1,635	1,731	1,808	1,842	1,885	
<b>Income Before Non-Operating Income &amp; Expenses (NOI)</b>	<b>13,769</b>	<b>14,714</b>	<b>15,580</b>	<b>16,269</b>	<b>16,578</b>	<b>16,960</b>	
<b>NON-OPERATING INCOME &amp; EXPENSES</b>							
Total Non-Operating Income & Expenses	2,035	2,067	2,101	2,136	2,176	2,219	
Replacement Reserves (FF&E)	1,380	1,464	1,527	1,580	1,609	1,645	
<b>EBITDA</b>	<b>10,201</b>	<b>10,354</b>	<b>11,183</b>	<b>11,952</b>	<b>12,553</b>	<b>13,096</b>	
Growth	1.50%	8.01%	6.88%	5.03%	1.91%	2.37%	
Capex	5,297	0	0	0	0	0	
<b>Adjusted EBITDA</b>	<b>5,057</b>	<b>11,183</b>	<b>11,952</b>	<b>12,553</b>	<b>12,793</b>	<b>13,096</b>	
Interest Expense on Debt (-)/+	[2,500]	[2,402]	[2,302]	[2,199]	[2,094]	[1,986]	
Debt Principal Repayment (-)/+	[3,915]	[4,013]	[4,113]	[4,216]	[4,321]	[4,429]	
<b>Debt Balance</b>	<b>100,000</b>	<b>96,085</b>	<b>92,073</b>	<b>87,960</b>	<b>83,744</b>	<b>79,423</b>	<b>74,994</b>
<b>Cash Flow to Equity Investors</b>	<b>[1,358]</b>	<b>4,768</b>	<b>5,537</b>	<b>6,138</b>	<b>6,378</b>	<b>6,681</b>	

Assumptions (GBP in tsd)				
Acquisition date:	12/31/2018	Going-In EBITDA multiple:	20x	5.10%
Acquisition price:	200,000	Exit EBITDA multiple:	20x	5.00%
Acquisition costs:	6.50%			
Cost of debt:	2.50%			
LTV:	50%			
Loan amortization period:	20			
Exit price:	261,920			
Selling costs:	1%			

Sources and Uses (GBP in tsd)			
	Source of funds		Uses of funds
Debt	100,000	Acquisitions price	200,000
Investor Equity	113,000	Acquisitions fee	13,000
<b>Total</b>	<b>213,000</b>	<b>Total</b>	<b>213,000</b>

IRR Calculation							
(GBP in tsd)	2018	2019	2020	2021	2022	2023	2024
<b>Project Cash Flows (Unleveraged IRR)</b>							
Proceeds from Sale of Property	-	-	-	-	-	-	261,920
Selling Costs	-	-	-	-	-	-	[5,238]
Adjusted EBITDA	-	5,057	11,183	11,952	12,553	12,793	13,096
Property Acquisition Price	[213,000]	-	-	-	-	-	-
<b>Total Project Cash Flows (Unleveraged IRR)</b>	<b>[213,000]</b>	<b>5,057</b>	<b>11,183</b>	<b>11,952</b>	<b>12,553</b>	<b>12,793</b>	<b>269,778</b>
<b>Unleveraged IRR</b>	<b>8.0%</b>						
<b>Cash Flow to Equity Investors</b>							
Proceeds from Sale of Property	-	-	-	-	-	-	261,920
Selling Costs	-	-	-	-	-	-	[2,619]
Cash Flow to Equity Investors	[1,358]	4,768	5,537	6,138	6,378	6,378	6,681
Debt Principal Payment	-	-	-	-	-	-	[74,994]
Initial Equity Investment	[113,000]	-	-	-	-	-	-
<b>Total Project Cash Flows (Unleveraged IRR)</b>	<b>[113,000]</b>	<b>[1,358]</b>	<b>4,768</b>	<b>5,537</b>	<b>6,138</b>	<b>6,378</b>	<b>190,988</b>
<b>Leveraged IRR</b>	<b>11.6%</b>						



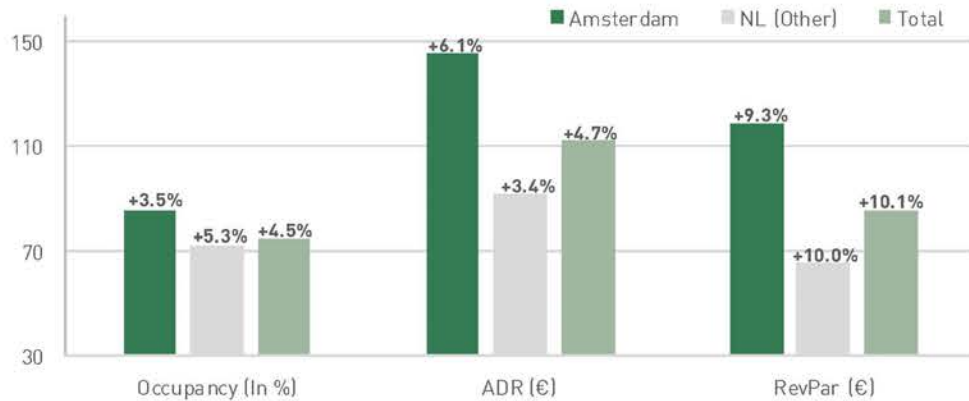
# INVESTMENT TARGET CITIES: AMSTERDAM



## Market overview

- **Continuous tourism growth:** The Dutch tourism market has seen annual growth rate of 7% over the last 5 years in terms of the number of (international) tourists, hotel guests and overnight stays
- **Stable economy:** The Netherlands is in the 19<sup>th</sup> consecutive quarter of GDP growth; the Dutch economy continues to outperform Eurozone averages
- **Brand penetration:** The Netherlands currently has 130,000 rooms. Whilst a mere 20% of Dutch hotels are brand affiliated, branded hotels account for almost 60% of all Dutch hotel rooms
- **Investment market:** The Dutch hotel market continues to attract investors, most of which are international. Prime yields have compressed 450 bps since 2014, due to the "hunt for yield" on the market

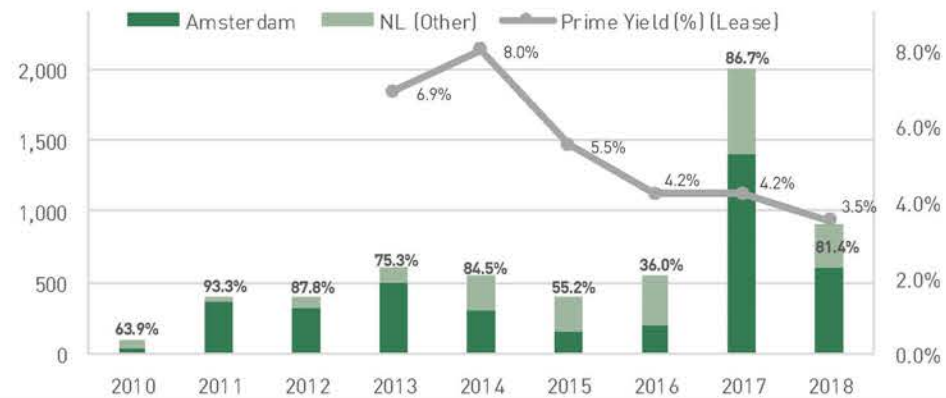
## Tremendous YoY performance for all hotel indicators<sup>1</sup>



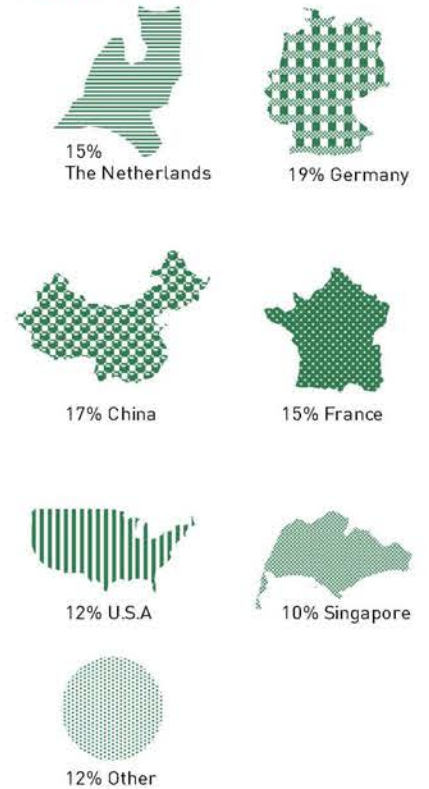
## Hotel investment outlook

- ✓ **Continuous growth** in hotel demand is anticipated, further increasing hotel performance and investment values in 2019
- ✓ **Process of internalisation and chain affiliated** hotels is anticipated to persist, branded hotels are preferred by investors due to their full-service provision
- ✓ **New hotel developments restriction** has been imposed by the municipal council of Amsterdam due to an increasing overflow of tourists, further driving up demand ahead of supply

## Hotel investments volume and yields



## Origin of hotel capital inflows to the Netherlands 2017 & 2018



➔ The majority of Amsterdam's hotel pipeline will be completed during 2019 and 2020, after which it will virtually disappear. Growth in RevPar is expected to substantially rise after 2020.

Source: [Redacted]  
<sup>1</sup>FY 2018 vs FY 2017 comparison

# INVESTMENT TARGET CITIES: BARCELONA



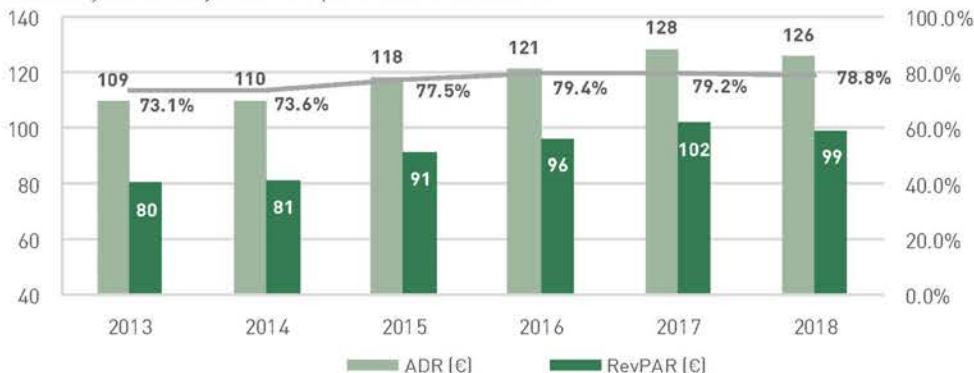
## Market overview

- **Leisure tourism growth:** Barcelona has established itself among the world's 10 most popular cities according to TripAdvisor. In 2018, tourists increased 5.2% compared to 2017. 86.5% were international tourists
- **Lower levels of business tourism:** corporate tourism has declined to 30% of total demand in 2018, compared to 50% in 2013
- **Supply of hotel accommodation** continued to grow in 2018 (+3.4%), but growth of supply in city centre over the next few years will be non-existent
- **4\* hotels still predominate** the hotel supply (55%); 5\* segment is the one that saw the biggest growth in supply in 2018 (+9.3% YoY)



## Hotel performance

In 2018 RevPAR reached a turning point and fell for the first time since 2009, due to political instability and the city's loss of reputation as a destination



## Transactions market

	2013	2014	2015	2016	2017	2018
No. of transactions	15	11	16	10	16	10
Hotels in operation	4	3	14	7	14	9
No. of rooms	729	744	1,371	1,348	2,144	884
Total investment [€]	380.28	285.2	397.8	246.3	400	232
Average selling price/room [€k]	521,503	383,230	290,096	182,723	186,581	262,574

## Investment outlook

- ✓ **New hotel projects restriction:** The Special City Development Plan for Tourist Accommodation puts a halt to the opening of new hotels in the city centre and has encouraged the development of hotels in surrounding areas
- ✓ **Market expected to recover in 2019:** As political disputes subside, 2019 is proving more conducive to investment; 2018 was marked by a scarcity of hotel deals due to lack of products on the market
- ✓ **Management contracts to gain increasing importance:** Due to the impossibility of developing new hotels, international brands are looking to enter into agreement with small and medium sized operators who wish to increase their revenue-generating capacity

Relevant openings planned  
1 (5\* & 4\*)



NOBU HOTELS

KIMPTON<sup>®</sup>  
HOTELS & RESTAURANTS





# INVESTMENT TARGET CITIES: BERLIN



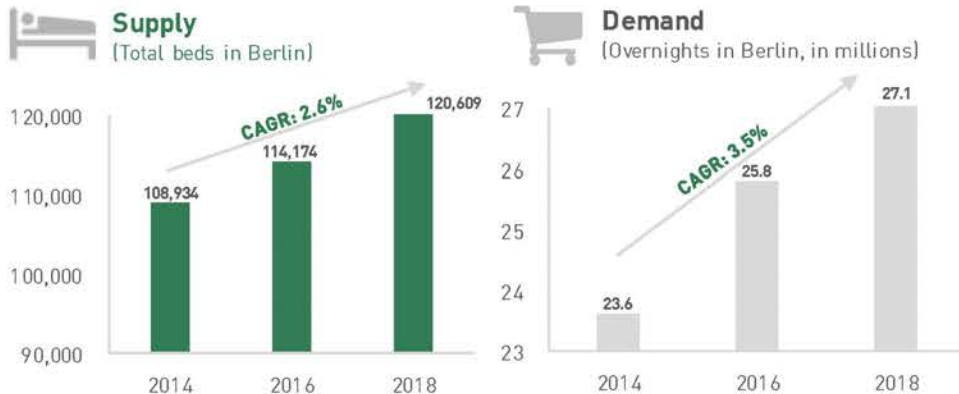
## Market overview

- Berlin is the **4<sup>th</sup> most popular convention destination** in the world, the 3<sup>rd</sup> most visited city in Europe
- In the last **5 years, demand growth outpaced additions to supply**, indicating a healthy market development
- Overnights increased by 14.9% whereas bed supply grew by 10.7%
- Current pipeline comprises ca. 12,000 rooms and remains one of the country's largest which will **likely keep future ADR growth in check**
- Recent key transactions
  - Hilton Berlin, 601 keys, €297m
  - Dorint Adlershof Berlin, 111 keys, € 15m
  - Vienna House Easy, 152 keys, € 15m

## Historical hotel performance

	2016	2017	2018
Occupancy (%)	77.0%	76.5%	78.0%
ADR (€)	94.0	96.5	101.0
RevPAR (€)	72.0	73.9	79.0
<b>% growth on previous year</b>			
Occupancy	0.7%	(0.6%)	2.0%
ADR	2.0%	2.6%	4.7%
RevPAR	2.7%	2.6%	6.9%

## Supply is lagging behind demand



## Investment outlook

- ✓ **New hotel projects restriction:** The Special City Development Plan for Tourist Accommodation puts a halt to the opening of new hotels in the city centre and has encouraged the development of hotels in surrounding areas
- ✓ **Market expected to recover in 2019:** As political disputes subside, 2019 is proving more conducive to investment; 2018 was marked by a scarcity of hotel deals due to lack of products on the market
- ✓ **Management contracts to gain increasing importance:** Due to the impossibility of developing new hotels, international brands are looking to enter into agreement with small and medium sized operators who wish to increase their revenue-generating capacity





# INVESTMENT TARGET CITIES: MADRID

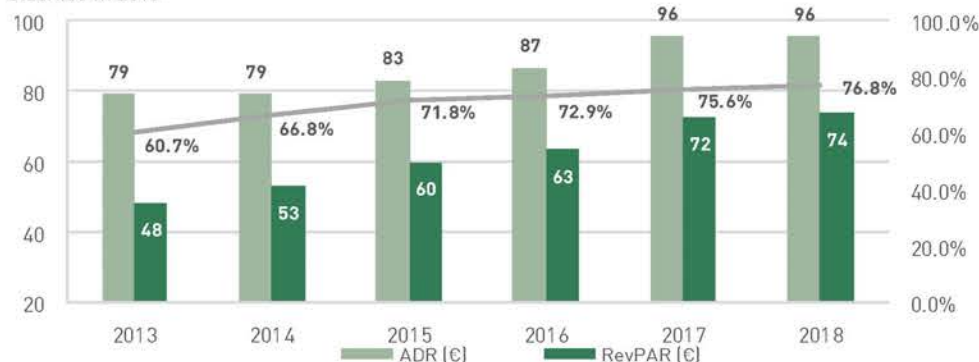


## Market overview

- **Historic record** of both overnight stays (19.7 m) and occupancy levels (76.8%) in 2018
- **Tourism demand** performed positively in 2018, though the growth rate slowed compared to previous years (3.2% growth in 2018 vs CAGR 5.2% over 2013-2018)
- **The supply** of hotel accommodation grew 2.2% in 2018, showing more vigorous growth than in recent years
- **Significant luxury hotel openings** are expected in 2019, increasing the current 5\* supply in Madrid by approximately 10%
- **Overall, the supply has adapted to the increase in demand**

## Hotel performance

Key performance indicators have been growing over the past 5 years, however, growth started to stabilise in 2018



## Transactions market

	2013	2014	2015	2016	2017	2018
No. of transactions	4	11	20	23	16	19
Hotel in operation	0	9	17	22	13	17
No. of rooms	922	1,167	2,423	2,888	2,558	2,290
Total investment (€)	166.3	224.3	637	573.4	636.9	632.1
Average selling price/room (€k)	180,325	192,119	262,949	198,542	248,968	276,004

## Investment outlook

- ✓ **Tremendous business tourism potential:** Madrid has made a qualitative leap in its capacity to host large events. The exodus of companies from Catalonia and the uncertainties of Brexit have helped Madrid position itself as a key venue for business meetings
- ✓ **Regulatory constraint on supply:** Passing of the Special Plan Regulating Lodging Uses in March 2019 created barriers to the growth of hotel supply, benefiting existing hotels
- ✓ **Investor appetite remains high:** Madrid's growing status as a business and leisure destination, the current context of high liquidity on the investment market and low interest rates make investors optimistic about the level of Madrid's hotel investment in 2019

## Relevant openings planned

<sup>1</sup> (5\* & 4\*)



# INVESTMENT TARGET CITIES: MILAN



## Market overview



- Milan is one of the most important Italian cities not only for business but also for international fashion and fairs, and has been gaining popularity as a leisure destination
- Hotel demand is forecast to remain high over the coming years with circa 1,500<sup>1</sup> rooms expected to enter the market
- The legacy of EXPO 2015, new large-scale developments, an expanding economy, international events and increasing leisure demand are all expected to contribute to the continued growth of the Milan market
- RevPAR in 2019 is expected to grow by 2.6%

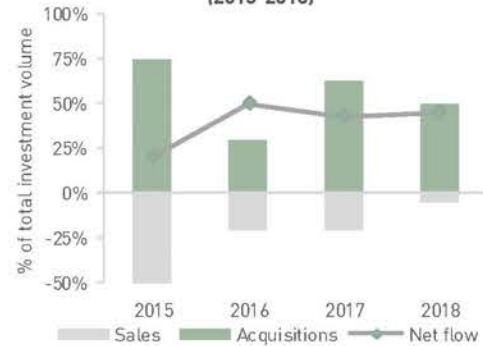
## Italian hotel performance in major cities

City	Occupancy	ADR(€)	RevPAR (€)	RevPAR Change 2018 <sup>1</sup> vs. 2017
Rome	73%	179	131	6.5%
Milan	70%	149	104	3.1%
Florence	74%	142	106	0.6%
Naples	77%	88	68	0.5%
Venice	73%	225	165	[10.1%]

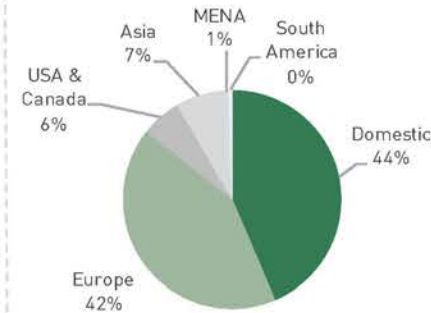
Source: [Redacted]  
<sup>1</sup>Rolling 12 months to November 2018

## Italian hotel investment overview

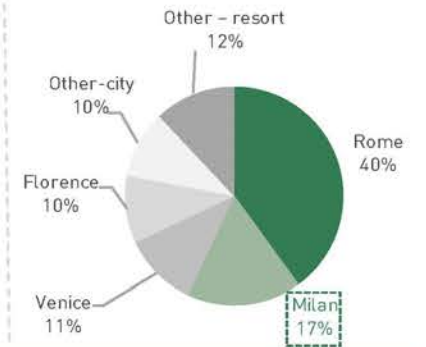
Cross-border capital flows (2015-2018)



Hotel Investment by buyer origin (2018)



Hotel Investment by destination (2018)



## Investment outlook & investor profile

- ✓ **Recovery of the Italian economy** continued into 2019 and has driven private consumption and supporting growth
- ✓ **International and national hotel chains** have shown growing interest in Milan in recent years, mostly in the 4 and 5-star categories
- ✓ **Milan still has a good amount of land and developable area** possible for real estate projects

Hotel investors in Italy register a more balanced mix, with a slight prevalence of institutional investors in 2018





# INVESTMENT TARGET CITIES: LONDON



## Market overview

- **Supply maintains momentum** : London has seen around 20,000 new rooms over the past 5 years (34% in upscale sector) and will see a further 10,000 new rooms open in 2019 and 2020



- **Demand keeps growing, albeit the pace has slowed** due to Brexit uncertainty and slowing economic growth

- **International leisure travel still held up** in 2018, supported by the weak pound

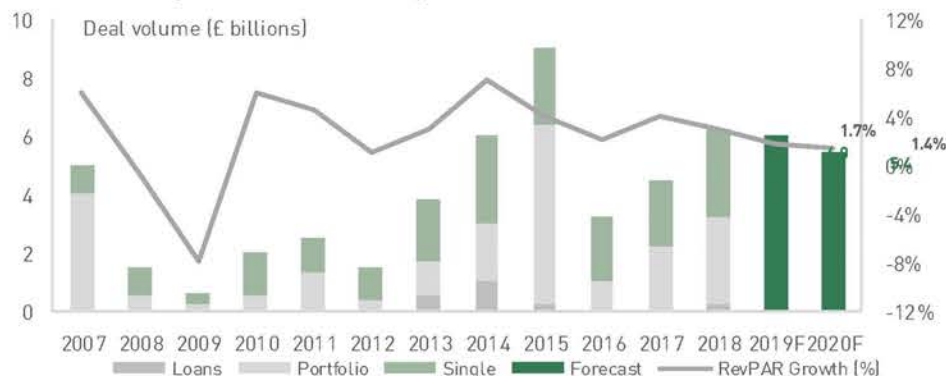
- **Hotel performance continues to grow** against the uncertain macro- and geopolitical backdrop

## Hotel market performance & forecast

	2018A	2019F	2020F
Occupancy [%]	83.3%	83.6%	83.7%
ADR (£)	148.8	150.9	152.9
RevPAR (£)	124.0	126.1	128.0
<b>% growth on previous year</b>			
Occupancy	1.9%	0.3%	0.1%
ADR	1.0%	1.4%	1.4%
RevPAR	2.9%	1.7%	1.4%

## Transactions market

Further softening in deal volumes is anticipated in 2019 & 2020



## Investment outlook

- ✓ **Hotel demand continues to grow** as international leisure is benefiting from the relative advantage of the UK pound against the euro; occupancy rate in London still remains to be one of the strongest among global major cities
- ✓ **Investors shift from North America and UK** to Europe and Far East, attracted by the essentially strong market fundamentals in the UK and the weaker pound
- ✓ **Longer term investments** are still being pursued in London despite the uncertainty of Brexit

Relevant openings planned  
1 (5\* & 4\*)

