



THE EUROPEAN SHORT-STAY ACCOMMODATION REPORT 2023

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European Short-stay Accommodation

1. Introduction

This report provides an overview of the current state of short-term accommodation in Europe and the prospects for investment in the sector. Part 2 of the report highlights key issues that are impacting investment in the sector. Part 3 details the various components of Europe's short-term accommodation stock and highlights the key players in each market segment. In Part 4, the investment value of each component of European short-term accommodation is estimated. In a final Part 5, the outlook for investment in European short-term accommodation assets is assessed in terms of interest rate trends, key players, liquidity, yield and availability of financing.

Key findings

- **Business travel is changing. Now there are less trips, but they are longer. Bleisure (trips that combine business and leisure) and workations (working remotely from a resort location) are ongoing trends.**
- **Hybrid working which combines remote working with in-office time is here to stay.**
- **Travel managers increasingly expect to be able to book accommodation and co-working together.**
- **In response to the trend towards remote working, bleisure and workations, major hotel chains and investors are rushing to secure capacity in leisure and resort locations.**
- **Hotels have an interest to cater to bleisure and workations through providing ample meeting and co-working space, equipment rentals, flexible F & B offerings and round-the-clock availability of amenities like gyms, pools, etc.**
- **The top-ten hotel chains in Europe have roughly a 21% share of the overall hotel market.**
- **The lines between different types of short-term accommodation (e.g., hotels, hostels, extend stay, co-living, student lodging) are increasingly blurred, as individual properties seek to attract as broad a client base as possible.**
- **Respecting ESG criteria is a necessity for preserving the value of real estate and operating businesses.**
- **The two big European branded hostel chains, a&o and Meininger, continue to gain share in the market.**
- **Serviced apartment operators are increasingly including co-living in their offerings.**
- **There are an estimated 7mn private rental properties in Europe, (i.e., listed on sites, such as Airbnb, Booking.com Vrbo, etc.) Of this total, over two-thirds (4.8mn) are listed on Airbnb.**
- **While three-quarters of Airbnb's 1mn- odd hosts in Europe list only one property, a quarter of hosts list over 16 properties, on average. Thus, overall, the average Airbnb host in Europe lists more than four properties.**

- **The total value of short-term accommodation in Europe is estimated to be about €586bn, of which hotels account for over 60% (€360bn) of the total.**

2. Issues in the market

Hotel analyst has identified five key issues which are impacting investment in European short-term accommodation, including: the changing nature of business travel; the blurring of the lines between various types of short-term accommodation, such as hotels, hostels, extended stay, co-living, etc.; the rush to secure capacity in leisure and resort destinations on the part of major hotel chains and investors; the rise in importance of ESG as an investment criterion; and regulation of rentals & planning challenges.

Business travel is changing

The character of business travel has changed since the pandemic. Remote working, including hybrid arrangements, are here to stay. Also, business trips are getting longer on average and less frequent than pre-Covid. There is as well a trend towards combining business with leisure in trips which can be termed as bleisure or workations. The concept of bleisure has been around for a while and has been reinforced by the pandemic and its aftermath. Bleisure is typically characterised as a business trip with a day or two of leisure tacked on at the end. Meanwhile, the ‘workation’ is a more recent phenomenon, growing out of the pandemic when employees were forced to work remotely, which opened up the possibility of staying in resorts or leisure destinations for more extended periods.

Hybrid working is here to stay

A June 2022 survey of business travel managers in Europe, Canada and the US by the GBTA (Global Business Travel Association) and the German OTA, HRS, highlights the role of hybrid workforces as the return of corporate travel accelerates. According to the survey, 54% of those polled say that business travel has rebounded faster than expected and 77% report that they are spending more time troubleshooting traveller issues.

According to the GBTA/HRS survey, 67% of respondents believe that, once all their offices are open, hybrid work scenarios will dominate. Only 9% anticipate that all their colleagues will return to the office full time. Forty percent report that their companies have reduced their office space and 39% state that their company is hiring more remote workers than they did prior to the pandemic. Almost 80% of travel managers responding stated that remote working policies boost employee morale, while 72% believe these policies help with to recruit and retain talent.

Furthermore, according to Deloitte’s Global State of the Consumer Tracker, 53% of all employed adults say that they can do their job remotely. This is not just a matter of whether they can, but also whether they prefer to do so. When asked how many days a week they would like to work from home (if their employer allowed it), 49% of Dutch employees responded ‘2-3 days’. 27% even responded ‘4 or 5 days from home’. In addition, when asked ‘for my next vacation, I will likely visit a destination that...’, 7% responded with a destination ‘I can work from’. This is a significant number, considering that other response options included: ‘has a deal on airfare’; ‘is near a major attraction’; and ‘offers an activity I like’.

The challenge of sourcing co-working space

Meliá Escapes has launched

In late November 2022, Palma de Mallorca – based Meliá, the only major hotel chain which traces its roots to holiday accommodation, took a further step towards bolstering its leisure offering by launching Meliá Escapes in partnership with the Spanish OTA, Logitravel. The new platform provides members of MeliáRewards, the group’s loyalty program with the possibility of booking hotel packages, including flights and destination experiences. The new offering also includes the option to book car rental, transfers, excursions, park attractions and theatre tickets. Initially, the product will be available in nine countries: Spain, the UK, Italy, France, Germany, Portugal, Mexico, Canada and the US. Expansion into more markets is expected to follow. Through this initiative, Meliá hopes to strengthen its loyalty program through offering the services of a tour operator and responding to increasing traveller focus on experiences. Logitravel makes its technology available to Meliá through its Partnership Solutions division, a unit that offers technological solutions adapted to specific client needs.

Radisson to expand in Spain

Radisson, a quintessential business traveller chain, intends to triple its footprint in Spain by 2027, according to a late November 2022 press release. Indeed, the chain plans to grow its Spanish portfolio from 8 to 25 hotels by 2027. Radisson is working on new openings, both in the urban and leisure segments, to expand its presence in Madrid and Barcelona, but also to new destinations, such as Malaga, Cadiz, Valencia, Levante, the Balearic Islands and the Atlantic coast. The group has just opened its eighth hotel in Spain, the second one in Madrid, in addition to those in Barcelona, Bilbao and Seville, as well as the three holiday hotels it already owns, two in Gran Canaria and one in Lanzarote.

In Spain, Radisson has more leases than management contracts and only one franchise agreement in the country, where the group is exploring a variety of projects, going from new-builds to renovations and conversions.

Union Investment enters the resort market

In mid-November 2022, one of Germany’s biggest hotel owners, Union Investment, the property arm of the DZ Bank Group, acquired the Marriott Autograph Collection boutique hotel on the Tegernsee (lake) in southern Germany. Following refurbishment of the interior, the property is scheduled to reopen in spring 2023 and will have 100 double rooms, 11 junior suites, 14 standard suites, a 90-seat restaurant, a rooftop bar with a capacity to host 180 people, event facilities and a wellness area with a pool. Four Peaks Hospitality GmbH has signed a 20-year lease on the establishment. Once opened, the hotel will operate under the name Caro & Selig, Tegernsee, Autograph Collection. Since the pandemic, Union Investment has continued to invest in hotel real estate and now holds a portfolio of 90 properties with an estimated value of €6.7bn.

ESG as an investment criterion

Over the last half decade or so, respecting ESG criteria has gone from being a ‘nice-to-have’ to being a necessity in order to maximise the value of real estate or an operating business. The topic of ESG was at the forefront during the recent edition of Expo Real 2022, Germany’s biggest property fair, held in October. Investors and operators realise that compliance with ESG criteria is inevitable. What

Co-living runs up against some regulatory barriers

The ongoing blurring of lines between co-living and transient accommodation, which increasingly are cohabiting under the same roof, is throwing up challenges from a planning perspective. Dublin and Liverpool City Council have already limited the number of new properties by either introducing a moratorium on co-living developments or insisting on adhering to residential planning policies in terms of minimum standard spaces and length of rental (minimum of six months in the case of Liverpool). Other cities with tight residential rental markets are likely to follow suit.

3. The European short-stay accommodation landscape

The European short-stay accommodation landscape includes a number of other types of lodging beyond traditional hotels, including: hostels, serviced apartments, short-term rental properties, campgrounds and caravan parks and cruise ships.

Hotels

Leading hotel chains in Europe

The European hotel market is heavily dominated by the top-four players, led by Accor with a 29% share of top-ten rooms, and including Jin Jiang, Marriott and IHG. Indeed, these four leading chains account for over 65% of total top-ten room capacity. The consultants, Horwath, estimate that there are 146,616 hotels, with roughly 6mn rooms, in 22 European countries (excluding Austria, Belarus, Belgium, Bulgaria, Finland, Romania, Russia and Ukraine). Furthermore, Horwath estimates that there are 18,575 chain hotels with 2,289,879 rooms, which indicates chain penetration of the overall rooms in the market of 38%. Thus, it can be estimated that the top-10 chains account for over half (55%) of total chain-branded rooms in Europe and almost 21% of the total hotel market

FIGURE 3: TOP-TEN HOTEL CHAINS IN EUROPE, 2022

Hotel Group	# of hotels	% of top-10	# of rooms	% change in rooms 2021-2022	% of top-10 rooms	Rooms/hotel
Accor	3,116	31.5%	357,174	3.1%	28.5%	115
Jin Jiang	1,590*	16.1%	202,424*	0.9%	16.2%	127
Marriott Int.	675	6.8%	132,875	4.2%	10.6%	197
IHG	783*	7.9%	125,582*	0.5%	10.0%	160
Hilton	484	4.9%	98,346	5.1%	7.8%	203
Whitbread	883	8.9%	89,786	7.4%	7.2%	102
Best Western	1,150	11.6%	86,250	3.4%	6.9%	75
B&B Hotels	662	6.7%	59,580	19.0%	4.8%	90
Meliá	234	2.4%	52,172	6.7%	4.2%	223
Minor	302	3.1%	48,718	-2.4%	3.9%	161
Total Top-10	9,879	100.0%	1,252,907	3.5%	100.0%	127

and hairdryer; a rainfall shower; a mini-fridge; and most importantly, a stronger Wi-Fi connection. (From the author's experience, Premier inn's standard Wi-Fi is quite weak.)

Best Western

Does Best Western really belong on the list of the top-10 chains? This is the perennial question. The group has some of the attributes of an integrated chain, like a frequent guest scheme and centralised reservation platform. But, at the same time, it also resembles a consortium with its loose, decentralised, non-profit structure and more basic brand standards. One indicator of the outlier status of Best Western compared to the other chains on the list is the much smaller average room count per hotel of only 75, as compared to an average of 127 for the ten chains overall.

Also, for example, there can be a wide gulf in terms of quality of accommodation between some fairly luxurious hotels outside the US, on the one hand, and some rather older more run-down properties stateside. Nonetheless, the chain has made efforts in recent years to fine-tune its brand portfolio, with differentiations like Best Western Plus, Best Western Premier, SureStay, as well as boutique lifestyle flags, like GLō, Vīb, Sadie and Alden.

New Best Western hotels in Europe

The following hotels joined the Best Western network in Europe during 2022.

- Sadie Best Western Hotel, Luton (Luton, UK)
- Best Western Plus Celebrity Suites (Vienna)
- Best Western Plus Market Square (Lviv, Ukraine)
- Best Western Le Relais du Vigneron (Vertus Blancs Coteaux, France)
- Best Western M-Treize Paris Asnieres (Asnieres-Sur-Seine, France)
- Best Western Parkhotel Brehna-Halle (Sandersdorf-Brehna, Germany)
- Sure Hotel by Best Western Hilden-Dusseldorf (Hilden, Germany)
- Palazzo Gatto Art Hotel & SPA, BW Premier Collection (Trapani, Italy)
- Ten Hotel, BW Signature Collection (Upplands Vasby, Sweden)

WorldHotels

In February 2019, Best Western announced the purchase of the global hotel brand, WorldHotels, a collection of some 300 independent hotels and resorts worldwide. WorldHotels continues to be maintained as a separate distinct brand within the Best Western network. The WorldHotels Collection is classified into four tiers, including: WorldHotels Luxury, WorldHotels Elite and WorldHotels Distinctive, and World Hotel Crafted, which attempt to capture the spirit of the destinations they serve. In September 2021, WorldHotels added 4 new properties in Europe, including: the Ten Hill Place, WorldHotels Distinctive Collection in Edinburgh; the 40-key Murrayshall Country House Hotel WorldHotels Distinctive Collection, in Perth, Scotland; the WorldHotel Casati 18, WorldHotels Distinctive Collection in Milan; and the Hotel Haarhuis WorldHotels Crafted Collection in Arnhem, the Netherlands.

Currently, there are 67 World Hotels in 15 European countries as follows: Austria (1); Belgium (1); Croatia (1); Estonia (1); France (7); Germany (10); Italy (7); Luxembourg (3); Netherlands (3);

Norway (1); Spain (2); Sweden (8); Switzerland (6); Turkey (1); and the UK (15).

B&B Hotels

B&B Hotels is no doubt the fastest growing major hotel chain in Europe and opens one new hotel per week according to the company. The chain, which operates in the budget sector, was founded in Brest, France in 1990 and today has some 680 hotels in 14 countries, including: Austria, Belgium, Brazil, Czech Republic, France, Germany, Hungary, Italy, Netherlands, Poland, Portugal, Slovenia, Spain and Switzerland. All but six of the group's hotels are located in Europe.

In mid-2019, Goldman Sachs acquired a majority stake in the chain for about €2bn. At that time the chain had about 500; thus, it has grown the number of hotels by some 36% in the last three and a half years, in spite of Covid.

Key Dates in the history of B & B Hotels

1990: First hotels in Brest and Saint-Malo, France

1998: First hotel open in Germany

2007: Acquisition of the Village Hotels group including 60 hotels in France and 2 in Germany

2009: First hotels open in Italy

2010: First hotel in Poland

2012: 200 hotels in France

2013: 4 hotels acquired in Spain

2015: B&B Hotels opens in Disneyland Paris

2016: Acquisition of the Sidorme group with 19 hotels in Spain

2017: First opening Brazil

2019: Opening of the 500th hotel in Palermo, Italy

2021: Plans for 70 new hotel openings

Although the chain is present in 13 European countries, 78% of its hotels are concentrated in two countries, France and Germany

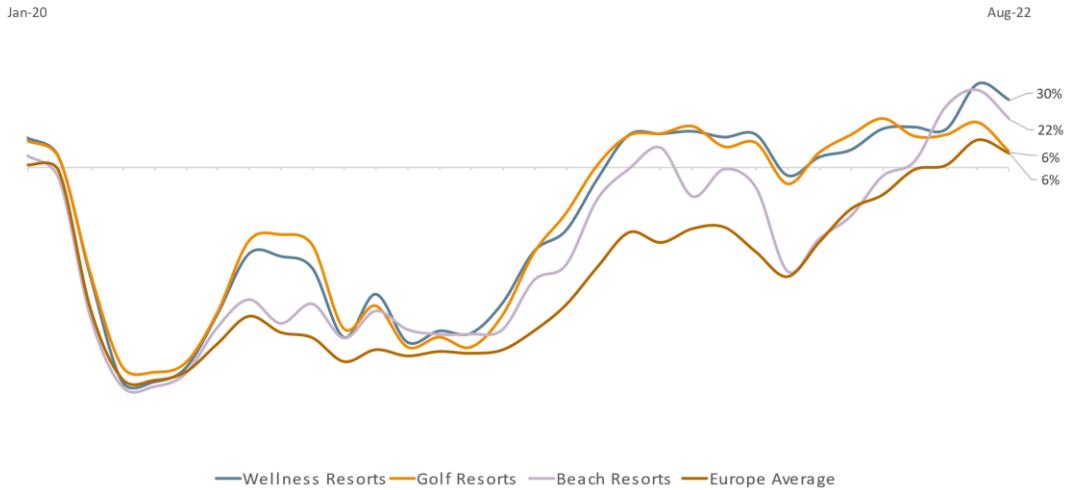
FIGURE 12: B & B HOTELS BY EUROPEAN COUNTRY, 2022

Country	# of hotels	% of total
Austria	7	1.0%
Belgium	7	1.0%
Czech Republic	1	0.1%
France	360	53.4%
Germany	166	24.6%
Hungary	1	0.1%
Italy	58	8.6%
Netherlands	1	0.1%
Poland	10	1.5%
Portugal	10	1.5%

That Recovery Graph

HOTSTATS
Hotels, Hospitality & Intelligence

Month to Month Index vs 2019 – Total Revenue Per Available Room – Europe



SOURCE: HOTSTATS

Margins by type of European hotel

Luxury and resort hotels have achieved higher margins for the period February- July 2022 than they did in 2019, bolstered by strong leisure trading. Meanwhile, select and limited-service hotels are lagging due to the slower recovery in corporate travel.

FIGURE 25: MARGINS BY TYPE OF EUROPEAN HOTEL, 2022 VS 2019, % CHANGE ROLLING SIX MONTHS, FEBRUARY-JULY

Hostels

Given their offering of shared accommodation and emphasis on partying and events, hostels were particularly hard hit by the pandemic, but now they are bouncing back. According to Statista, there are 4,378 hostels in Europe. However, for the purpose of this report, traditional non-profit youth hostels are excluded from coverage in this section of the report and only the newer branded hostel chains, which tend to operate like hybrid accommodation, i.e., offering single and double en-suite rooms, in addition to dormitories, are profiled. However, for the purposes of overall investment valuation at the end of the report, the total 4,378 properties are taken into account. In the pre-Covid era, the profit potential of the segment attracted the interest of private equity funds, which purchased several of the chains.

One indicator that the hostel sector has entered the mainstream of the lodging sector universe is that STR, the leading provider of performance data for hotels and other transient accommodation, tracks the segment. In fact, the consultancy issued STR hostel data reporting guidelines already in 2016, which provide the following definition of what is to be considered a hostel for company's reporting purposes:

- A minimum of 30 beds;
- Bookings available on a per-bed basis (with per-room bookings sometimes available);
- Provides guests with the option to share a room/dormitory with a stranger;
- Provides accommodation for guests 365 days a year, with some seasonal exclusions; and
- Social space provided by way of designated lounges, restaurants and bars.

It can be noted that STR differentiates between hostels and hybrid hotels. Hostels can include both private and dormitory-style rooms. While all hybrid hotels are considered to be hostels by STR, not all hostels are hybrid hotels. For example, a traditional hostel with only dormitories would not be considered to be a hybrid hotel.

Revenue management

Just as in hotels, revenue management techniques can be applied to hostels in order to maximise revenue and profit. The first step, as with hotels, is to segment the customer base, including studying behavioural patterns, price elasticity (willingness to pay) and booking lead time (how far ahead do different customer segments tend to book).

Besides customer segmentation, the physical product attributes need to be taken into account, so as to effectively differentiate the accommodation offer. Each category (mixed dorms, male-only dorms, female-only dorms, private single or double room with en-suite shower + WC, etc.) will have different price structures. Product price increments should be demand driven; people are willing to pay more for popular preferences.

Hostels tend to sell from the bottom up, according to Patrick Landman of Xotels, a revenue management consultancy, meaning that the cheapest (large mixed) dorm rooms sell first, and private rooms are the last to sell, or go unsold, during lower-demand days. This is something that can easily be leveraged into profit maximisation so as to boost yields on cheaper beds during high-demand times, through striking the correct balance between supply and demand.

Source: Generator

Hip Hop Hostels

Hip Hop operates 21 hostels or combined hotel/hostel properties in central Paris. Many of them are located in the vicinity of the Gare du Nord, which has been a low-rent district, but is now in the process of being gentrified as a 'hip quartier'. Over the last couple of years, the group has added four more properties to its portfolio, which now includes:

- Hotel Caulaincourt Square, situated in Montmartre;
- Le Montclair, located on Montmartre Hill only a few blocks from the steps leading to Sacre Cœur;
- The Village Hostel, Montmartre;
- Le Regent Hostel and Budget Hotel, Montmartre;
- Plug-Inn Boutique Hostel, Montmartre;
- Le Vintage Hostel, located within a few minutes walking distance from Gare du Nord;
- Woodstock Hostel, also located in the vicinity of the Gare du Nord;
- Loft Hotel and Hostel, located in the Belleville neighbourhood near the Gare du Nord, the property bills itself as a 'design boutique hostel';
- AbsoluteBudgetHotel, located near Bastille at the Metro République;
- Oops! Budget Hotel, located on Avenue des Gobelins at the start of the Latin Quarter;
- Young & Happy, located in the heart of the Latin Quarter, the property opened over 20 years ago and was the first independent youth hostel in Paris;
- 3 Ducks Hostel, centrally located at a 10-minute walk from the Eiffel Tower;
- Aloha Hostel, centrally located, within walking distance of the Eiffel Tower, Arc de Triomphe, the Champs Elysées;
- Arty Paris, located in Montparnasse nearby the exhibition grounds of 'La Porte de Versailles' where the main shows and trade fairs are held; and
- Smart Place, located in the city's 10th arrondissement 100m from Gare du Nord.
- Le Rocroy Hotel, within walking distance of the Gare du Nord.
- Hotel Villa Garibaldi in the 15th arrondissement
- Avalon Hotel, near the Gare du Nord
- Avalon Suites has studios that can accommodate up to 4 , located in the 10th arrondissement
- On the Road Pub in 18th arrondissement
- Hôtel Eiffel Rive Gauche, located in the triangle of the Eiffel Tower, Invalides and the Champs Elysée

The chain places great emphasis on media and social networking, with direct links to videos and Facebook pages from the individual properties.

Safestay

As opposed to most of the branded hostel groups, which have tended to expand organically, Safestay has been acting as a consolidator in a highly fragmented sector. The company is unique in being the only publicly quoted pure-play hostel company in the world, having listed on the London AIM

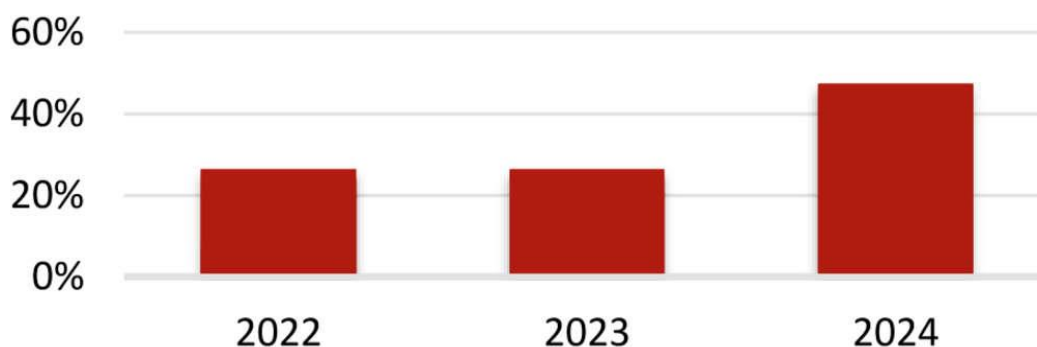
Serviced apartments

As of the end of December 2021, Europe had 236,000 serviced apartment units in 4,619 locations, an increase of 11.5% and 11.3%, respectively, over the prior two years previous, according to the Global Serviced Apartment Industry Report (GSAIR) 2022, which notes that Europe is the second largest region for serviced apartments, accounting for 18% of global supply. Over the period 2019 - end 2021, 31,566 new serviced apartment units were added to European supply, with the UK and Germany leading the way, followed by Ireland and Austria, according to GSAIR. The pipeline, which includes some projects delayed during the pandemic, should see supply rise by 21% over the coming two years, according to Marie Hickey, director, commercial research, Savills. London remains the biggest growth market by number of units with just under 3,000 new units coming online, followed by Munich, Istanbul, and Manchester. Meanwhile, Stuttgart and Belfast should see the fastest growth rates, with the number of units increasing by 372% and 337%, respectively, by yearend 2024, according to GSAIR, albeit starting from a lower base.

Operator sentiment

Despite a substantial pipeline of openings in 2021, operators are still in ‘expansion mode’, according to the 9th edition of the annual HVS Serviced Apartment report, “The Serviced Apartment Sector in Europe 2022 – Navigating the Headwinds”, by Arlett S Hoff and Maria Coll, who noted that “growth is the number one goal for 2022 amongst our surveyed operators. The way to grow portfolios differs amongst players, with management agreements in first place, closely followed by leases”. While expanding their portfolios, operators are also paying attention to stabilising performance and operations after two years of difficult trading conditions. Over a quarter (26%) of survey participants expected to reach pre-pandemic cashflows in 2022 and another 26% by 2023. The remainder forecast cashflow coming back to 2019 levels by 2024, as shown below.

FIGURE 37: YEAR THAT NET OPERATING CASH FLOW IS EXPECTED TO RETURN TO PRE-PANDEMIC LEVELS (% OF OPERATORS SURVEYED)



SOURCE: HVS RESEARCH

Despite retaining a positive outlook, operators viewed staffing as an ongoing challenge (both for operations and head office functions). In addition, increased operating expenses for energy, food and

SOURCE: HVS RESEARCH

Stacycity

Stacycity has the largest pipeline, with a unit development pipeline split approximately 60%/40% between its brands Wilde (around 1,700 units) and Stacycity (around 1,000 units). More than half of the units in the pipeline will be located in the UK, and the rest distributed between Ireland, France, Portugal and Germany. The latest opening was in Amsterdam in early December 2022. According to Stacycity Group CEO and co-founder, Tom Walsh, “Stacycity now has nearly 6,000 apartments across 32 properties with our growth plans soon to take in Portugal as well as additional sites in London, Paris, and Munich, so we’re delighted to be adding the Netherlands to our portfolio.” Other properties in the pipeline include Stacycity Les Sablons St Helier on Jersey in the Channel Islands, Stacycity Aparthotel Cambridge Park Street in the UK and Wilde Aparthotel by Stacycity Nuremberg Hallplatz in Germany.

Adagio

Adagio, the 50/50 joint venture between Accor and Pierre et Vacances Center Parcs is second-ranked for pipeline, with more than 20 projects and 2,600 units. Germany (880 units) and the UK (630 units) account for the greatest share of the brand’s future supply. Aparthotels Adagio is by far the European market leader in medium to long-term stay accommodation, with a network of 124 properties, offering 14,000 apartments, located in 13 countries, of which ten are in Europe. There are three grades of serviced apartments, including: Adagio premium, Adagio and Adagio access. Unsurprisingly, the group’s capacity is heavily concentrated in France, where 78 of its aparthotels are located, including 17 in Paris alone.

FIGURE 44: ADAGIO’S APARTHOTEL PORTFOLIO, DECEMBER 2022

Austria	1
Belgium	4
France	78
Germany	10
Italy	1
Malta	1
Netherlands	1
Russia	2
Switzerland	3
UK	8
Rest of world*	15
Total aparthotels	124

Note: *includes aparthotels in Brazil, Morocco, Qatar, Saudi Arabia and UAE

SOURCE: ADAGIO

edyn

Third-ranked on the list is edyn, which is backed by Brookfield, the large Canadian property investment group, and continues the European expansion of its Locke brand, as well as introducing its newest brand, Cove, which trades at a lower price point. With its 23 operating properties, edyn is a relatively newcomer to the European serviced apartment sector, but growth is picking up with three

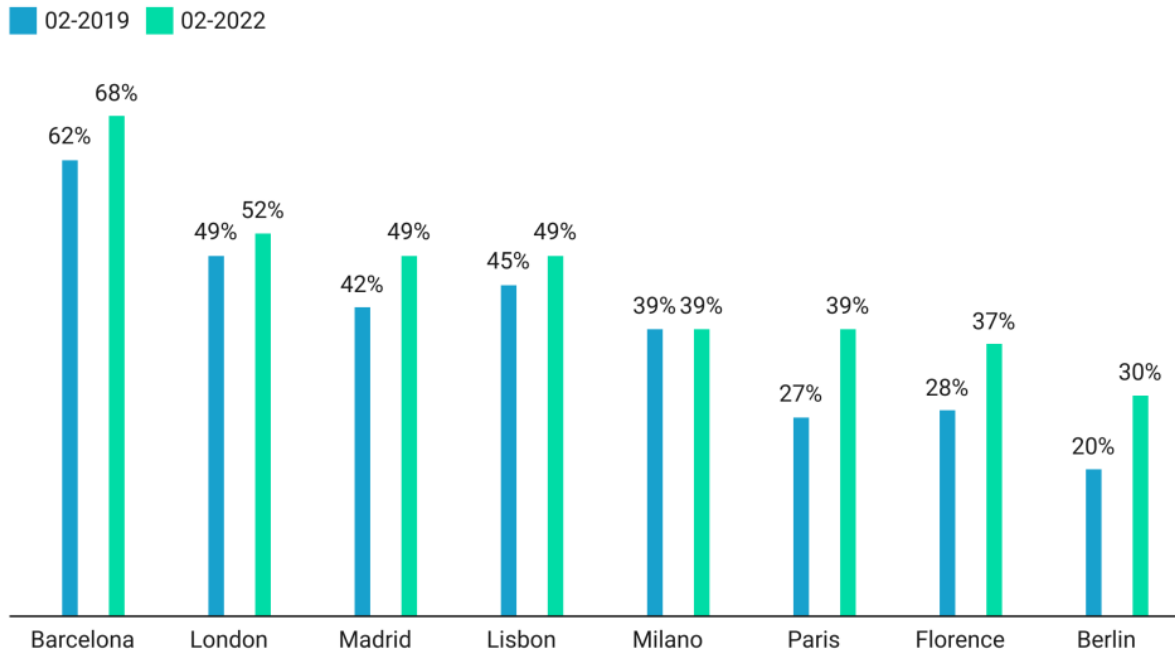
Professionalising short-term rentals

A major drawback of short-term rentals, as opposed to serviced accommodation like hotels or hostels, is the lack of consistency and reliability. Thus, there has been a trend towards professionalizing short-term rental stock. The sector has grown by leaps and bounds over the past decade. While this has offered improved choice for travellers, it also had resulted in a more competitive environment for short-term rental properties, which increasingly seek to compete for the business traveller trade. Also, generally, professionally managed supply represents an increase in high occupancy stock. The ratio between professionally (i.e., accommodation where the owner has outsourced property management) and non-professionally managed rentals can impact destination revenues and also be an indicator of a destination's willingness to accept regulation. Overall, professional supply in Europe is up by 21% since 2018, accounting for 35% of total supply, according to Transparent. Even so, Europe has a lower proportion of professionally managed stock than most other major world regions, such as North America 47% or Asia 42%, which would imply that there is room for the percentage to rise in the coming years.

This trend of professionalisation in short-term rentals is particularly evident in European cities. The most professionalised European cities are Barcelona and London, with a 68% and 52% of inventory professionally managed, respectively. For example, Paris, where supply actually shrank by 27% since 2019, has witnessed a 12 percentage-point increase in the proportion of professional stock over the same time period. In terms of countries, Croatia and Spain have the highest percentage of professionally managed supply at 54% and 41%, respectively.

As traveller demand broadens in home-stay style short-term rentals, the line between the two main type of tourist accommodation is blurring. Hotels are moving to offer aparthotel-style lodging and adapting their hotel-based products, while players in short-term rentals are seeking to provide a more standardized, professional service.

FIGURE 52: PERCENTAGE OF SHORT-TERM RENTALS PROFESSIONALLY MANAGED, FEBRUARY 2019 VS FEBRUARY 2022



SOURCE: TRANSPARENT

Online rental platforms

Airbnb

EMEA is a very important world region for Airbnb. Figures published in the company’s 10K report for the year ended December 2021 showed that gross annual bookings in EMEA amounted to US\$14.6bn, which represented 31% of the firm’s total. And revenue generated in EMEA amounted to US\$1.9bn, 32% of the total. Average nights per booking, excluding experiences, for 2021 were 4.4 nights for EMEA, which was just above the company’s worldwide figure of 4.1 nights. In fact, the share of EMEA bookings should rise going forward, as 2021 figures were suppressed by Covid-related lockdowns, which had more impact on travel and tourism in the region than in North America. Also, the removal of Covid-related travel restrictions on the Chinese should boost demand for rentals in Europe during the coming years. Otherwise, the company notes that 85% of its 4mn-odd hosts are to be found outside the US. The EU is home to over one million hosts on Airbnb – more than any other region in the world – and nearly three-quarters of them share just one home, according to Nathan Blecharczyk, one of Airbnb’s co-founders and is chief strategy officer. However, since there are 4.8mn listings, it can be established that, on average, there are more than 4 listings per host. So, in fact, it can be surmised that, while there about 750,000 hosts sharing only one property, there are an additional 250,000 who are listing on average about 16 properties per host. $(4.8mn - 0.75mn) / 0.25$

€70, the approximate value of this capacity in France can be estimated. However, given the seasonality of this type of accommodation a multiple of 800 has been used instead of 1,000, which figured in the hotel valuation detailed above. Thus, the calculation is $178,500 * €70 * 800 = €10bn$. Italy also has substantial vacation village capacity. According to the ISTAT, there are 2,946 villaggio vacanze in Italy with 79,685 living units. Assuming a lower ADR of €60, an estimate can be calculated as follows: roundup to 80,000 * €60 * 800 = **€3.8bn**.

To finish the Europewide estimate, add $€10bn + €3.8bn = €13.8bn$, and then increase this total by 50% to take account of the rest of Europe, including the UK, Benelux, Spain, Greece, etc. So: $€13.8bn * 1.5 = €21bn$, a roughly estimated total for Europe overall.

Caravan parks/camping

There are 25,226 caravan parks/campsites in Europe. After inspecting several websites where caravan parks and campsites are offered for sale (for example: <https://www.campings-a-vendre.com/fr/liste.htm?filtre74=74#vlc=1&ListeViewBienForm=text&filtre74=74>), an average value of €1mn/site appears reasonable, which yields a total of **€25.2bn**.

Cruising

Ocean

An example of second-hand cruise ship for sale: built: 1996, capacity of 2,400 Passengers – estimated sales price (<https://www.qpsships.com/>): $US\$100,000,000 / 2,400 = US\$417,000/berth * 150,000$ berths in European fleet = $US\$62.6bn / 1.08 = €58bn$

River

Example of reiver cruiser for sale: 110m river cruise ship for sale €4,600,000, 164 berths (<https://commercial.apolloduck.com/boats-for-sale/commercial/cruise-ship>)

$€4,600,000 / 164 = €28,000/berth * 80,000$ berths in Europe = **€2.2bn**

5. Investment Outlook

Macro outlook

As once candidly observed by Yogi Berra, the iconic catcher of the New York Yankees, “It’s tough to make predictions, especially about the future.” In fact, more than ever, the outlook for investment in short-term accommodation assets in Europe is dependent on worldwide macro-economic factors. The era of easy money is over, as major central banks (CBs) have entered a phase of tightening monetary conditions. While there is almost a unique focus on policy rates, it should not be forgot that CBs are also beginning to practice quantitative tightening (QT), a sharp reversal of their decades’ long practice of massive purchases of government debt, along with other types of bonds, like mortgage-backed securities (MBS), as was the case with the US federal Reserve, which astoundingly continued to buy