

News Release

City Review: Aberdeen Compiled by Christie + Co

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According to the latest city review by Christie + Co, using data provided by STR Global, Aberdeen hotels achieved a 6.9% increase in RevPAR for the first half of 2008 compared to the same period last year, despite reduced levels of occupancy. Preliminary figures from STR Global for July 2008 show a modest 1.0% growth in RevPAR for the month compared to July 2007, with occupancy down by 7.2 percentage points.

Commonly known as the 'Oil Capital of Europe' or the 'Granite City', Aberdeen is Scotland's third largest city, and one of the most prosperous parts of the UK. Since the 1970s, the North Sea oil and gas industry has fuelled the economic growth of the city, which is today home to about 900 energy companies.

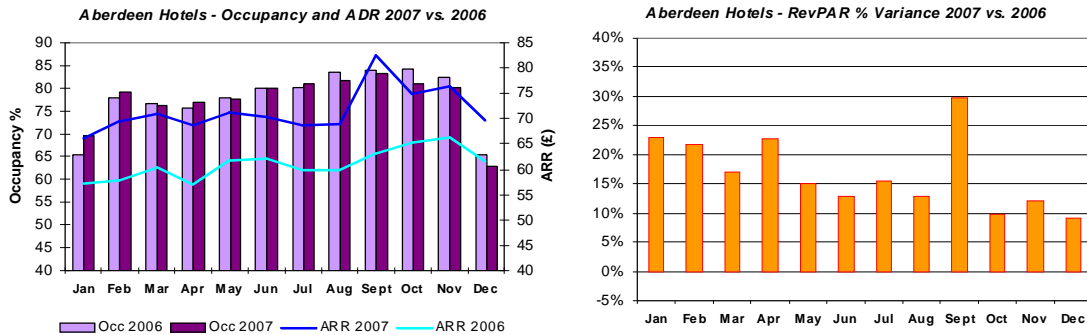
The city's hotel market is driven heavily by weekday demand created by the North Sea oil and gas industry, complemented by events at the Aberdeen Exhibition and Conference Centre ('AECC'). Weekday hotel demand tends to outstrip supply and during key AECC events, visitors often have to look out of town for hotel accommodation. In terms of leisure demand, Aberdeen has yet to become a major weekend city break destination.

Trends in Hotel Market Performance

The following graphs present data sourced from STR Global, highlighting the impressive double-digit growth in RevPAR between 2007 and 2006. Thanks to the prosperous energy industry, Aberdeen was the fastest growing UK city in terms of RevPAR in 2007, well ahead of London.



STR Global Trend Report - Aberdeen Full Year 2007 vs. Full Year 2006 (£)



STR Global Trend Report – Aberdeen 2007 vs. 2006									
	2007			2006			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts	ARR %	RevPAR %
Full Year	77.4	71.6	55.4	77.8	61.1	47.5	-0.4	17.2%	16.6%

Note: the above graphs and table are based on audited monthly and daily data received by STR Global for a consistent sample of 17 hotels, totalling 2,118 rooms.
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Aberdeen hotels appear to be trading close to capacity, registering occupancy levels in the region of 80% in most months. Such strong performance has enabled them to grow ARR by 17.2% between 2006 and 2007. A record 31% increase in ARR was achieved in September 2007 as a result of the biennial Offshore Europe Oil and Gas conference and exhibition held at the AECC.

Year-to-date results for the first seven months of 2008 show a downward trend in occupancy rates but ARR growth remained very strong, resulting in positive RevPAR growth compared to the same period in 2007.

STR Global Trend Report - Aberdeen 2008 YTD vs. 2007 YTD (£)									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts	ARR %	RevPAR %
Jan	64.9	75.2	48.9	69.7	66.0	46.0	-4.8	13.9%	6.2%
Feb	74.4	79.5	59.2	79.2	69.3	54.9	-4.8	14.7%	7.7%
Mar	70.3	76.1	53.5	76.2	71.0	54.1	-5.9	7.2%	-1.1%
Apr	76.6	80.7	61.8	77.0	68.7	52.9	-0.4	17.5%	16.9%
May	73.1	78.2	57.2	77.7	71.2	55.4	-4.6	9.9%	3.3%
Jun	76.8	79.5	61.1	79.9	70.3	56.2	-3.1	13.1%	8.8%
YTD Jun	72.6	78.3	56.8	76.6	69.5	53.2	-3.9	12.7%	6.9%
Jul	76.1	82.0	62.5	83.3	74.3	61.9	-7.2	10.5%	1.0%

Note: the above table is based on monthly and daily data received by STR Global for a consistent sample of 17 hotels, totalling 2,118 rooms, except for July figures which are based on 'unaudited' daily data as available on the 4th of August for a smaller sample of 8 hotels, mainly positioned in the four-star segment.
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Trends in Hotel Supply

Local authorities report a 'chronic' shortage of quality hotel accommodation, costing the city c. £16 million in lost tourism income in 2007. They are keen to see new hotels opening in the Granite City.

Indeed, the Aberdeen hotel market has seen no real growth in supply over recent years. The most recent hotel openings date back to 2006; however, this did not impact the city's hotel supply, as both were refurbishments of existing properties. The 50-room boutique Carmelite hotel (previously called the Imperial and the Grampian Hotel) opened in the city centre in April and the conversion of the former Westhill Hotel into the Holiday Inn Aberdeen-West was completed in October.

Furthermore, over recent years, a number of small private hotels have been sold for conversion to residential or office schemes.

However, during the next 18 to 24 months, the city is set to witness somewhat of a surge in new hotel stock. During the remainder of 2008, two new properties are due to open in Aberdeen and one is due to re-brand. European Development Company (Hotels) Limited, the owners of the Express by Holiday Inn Aberdeen City Centre and the Holiday Inn Aberdeen-Bridge of Don, are currently developing a 135-room newly rebranded Holiday Inn Express hotel adjacent to the existing Holiday Inn at the AECC. This hotel is due to open next month. Lifestyle hotel operator - Malmaison - continues its expansion and Aberdeen's Mal will be unveiled in November, following MWB's acquisition of the former Queen's hotel through Christie + Co. Finally, following a major renovation programme, the 168-room Patio Hotel Aberdeen City Centre will become the third Doubletree by Hilton hotel in the UK, with rebranding planned by the end of September.

2009 will also see several new hotel openings. A 203-room Jurys Inn hotel was recently confirmed as part of Hammerson's £250 million Union Square retail and leisure development in the city centre. Furthermore, a 184-room Park Inn hotel on Justice Mill Lane in the city centre and a 181-room Courtyard by Marriott hotel at the airport are scheduled for completion in late 2009.

'The Courtyard by Marriott Aberdeen Airport will be the first ever Courtyard by Marriott hotel in Scotland. We are extremely excited about developing this brand in Aberdeen, as it is a market which has shown tremendous growth over the course of the past two years and which promises to remain robust, despite the proposed additions to hotel supply over the near to mid term'

Tim Walton, Vice President Development - UK & Ireland for
Marriott International



Another 119-room hotel, with no confirmed operator yet, has received planning permission on Justice Mill Lane. Additionally, the first Radisson Edwardian hotel in Scotland, offering 222 rooms, is planned to open in 2009/2010 at the AECC. Finally, a 107-room Ibis Hotel will soon be developed on Ship Row and is planned for opening in early 2010.

Interestingly, despite the reported lack of hotel accommodation by the local authority, a joint application for two new branded hotels (a 172-room Hilton Garden Inn and a 102-room Premier Inn) at the airport was recently rejected. An appeal has since been submitted.

It is hoped that the provision of new hotel supply will enable the city to further grow business tourism, notably large conferences and events.

Scotland is known as the home of golf and some major schemes based around the sport are being considered for development near Aberdeen. Ury Estate, near Stonehaven, recently received the go-ahead for a £40m Jack Nicklaus Signature Golf Course and luxury resort hotel, while Donald Trump is awaiting the result of a public enquiry on his plans for a golf course and resort project on the Menie Estate, near Balmedie.

Trends in Hotel Transactions

Hotel transactional activity in Aberdeen has been buoyant over recent years and a large number of hotels have changed ownership.

- + Three of Aberdeen's major hotels transacted over the last two years as part of large portfolios - the Aberdeen Marriott hotel, The Dyce Skean Dhu hotel at Aberdeen Airport, now rebranded as a Menzies hotel, and finally the former Macdonald Ardoe House Hotel now reflagged under the Mercure brand.
- + As mentioned earlier, Christie + Co acted on the sale of the Queens Hotel to MWB in late 2006.
- + In spring 2007, the Holiday Inn Aberdeen-Bridge of Don was acquired by European Development Company (Hotels) Ltd.
- + In April 2008, the 50-room Simpson's hotel was sold off a guide price of £12 million to Manorisms LLP, whilst a month later, a 50% stake in the Carmelite hotel was acquired by hotelier Martin Kemp.
- + Finally last June, the Patio Hotel was purchased on a sale-and-leaseback basis by Invesco's European Hotel Real Estate Fund for £35 million. Simultaneously, a franchise agreement was signed with Hilton Hotels to operate the hotel under the Doubletree by Hilton brand.



As oil prices reach new record levels, Aberdeen hotels are set to benefit. However, as the city enters the ‘second half’ of North Sea oil production, economic diversification is vital and Aberdeen city officials are proactively pursuing development opportunities into complementary sectors, including renewable energy.

The Granite City is set to see significant changes over forthcoming years and is certainly a market worth keeping on your radar.

A spokesperson for VisitScotland said

‘We recognise the shortage of accommodation in the city and welcome the ongoing investment and that planned for the next few years, which we consider to be vital in terms of helping to achieve the ambition we share with the industry to increase revenues from tourism by 50% by the year 2015’

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Notes to Editors

Christie + Co uses desk-based research and experienced local industry specialists to produce bi-monthly city reviews. Hotel trading data is provided by STR Global.

Founded in 1935, Christie + Co is the leading firm of surveyors, valuers, consultants and agents specialising in the hospitality, leisure, retail and care sectors. Currently employing close to 400 professional and specialist staff, it has 17 offices throughout the UK – with valuation, agency, investment and consultancy teams focused on its key sectors. Christie + Co’s international operations are based in Barcelona, Berlin, Frankfurt, Hamburg, Helsinki, Dusseldorf, London, Madrid, Marseilles, Munich, Paris and Rennes.



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