



## **Investments in tourism and hospitality business Adriatic region**

**Marina Franolić, Adria Hotel Forum**

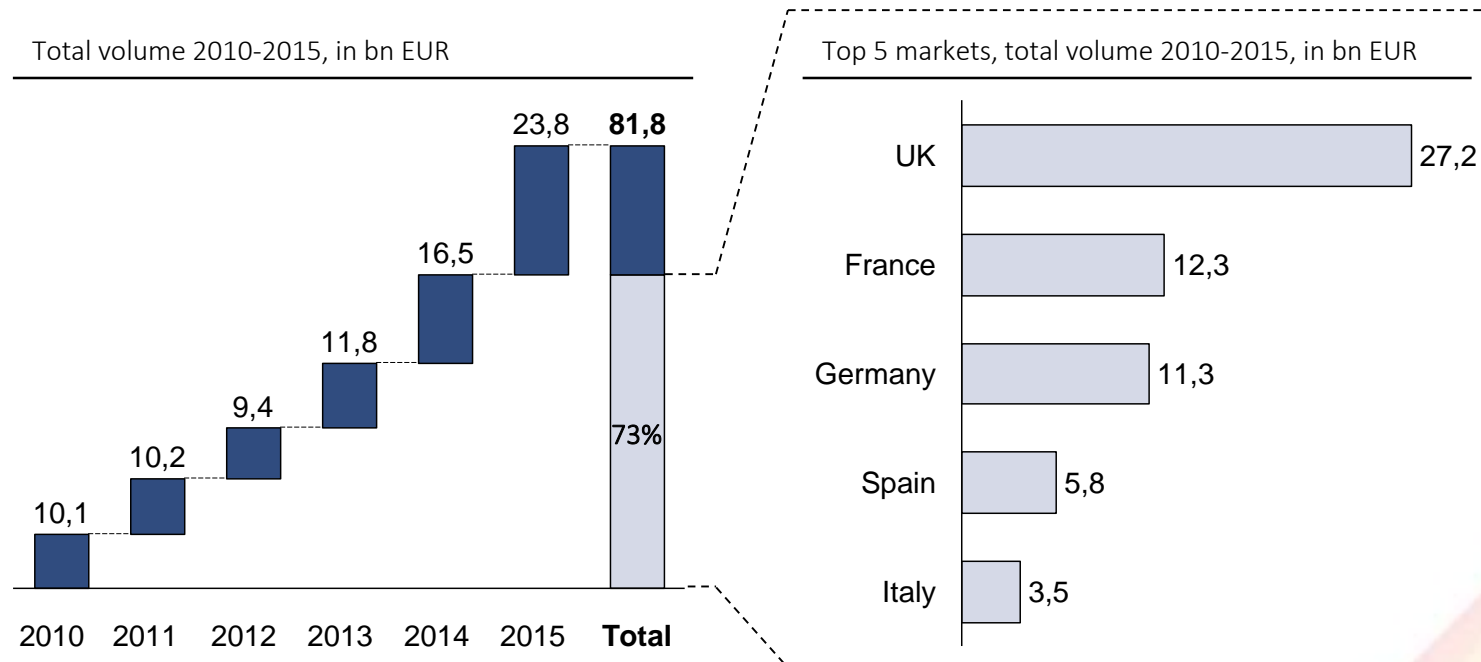
**Zagreb, June 2nd, 2016**

# Content

- 1 Hotel transaction market: Eastern Adriatic within Europe
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# Concentration of European hotel transaction volumes at 5 markets

Hotel transaction market in Europe<sup>1</sup>

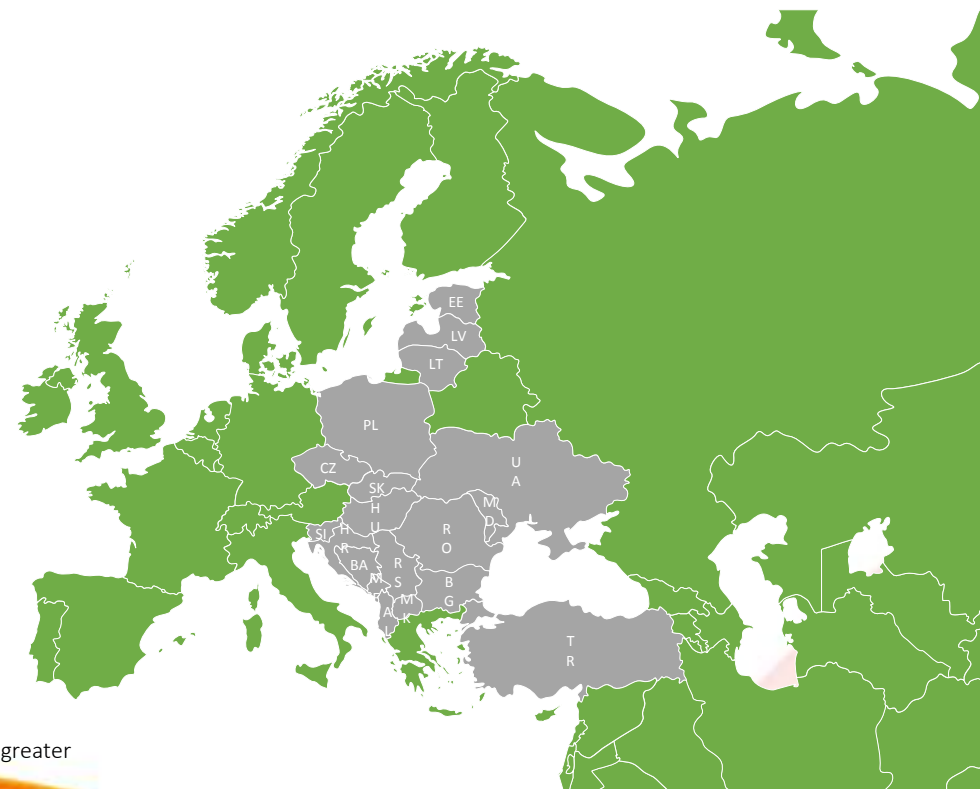
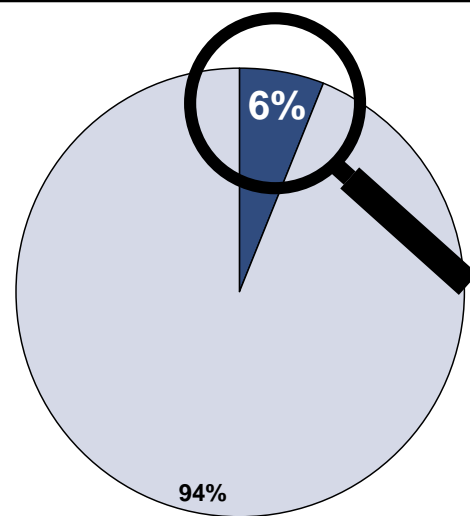


<sup>1</sup>) Based on independent reports of properties and portfolios 5 million EUR and greater  
Source: Real Capital Analytics, Horwath HTL analysis

## Central and Eastern Europe – low share in total European hotel transaction volume

Hotel transactions in Central and Eastern Europe<sup>1</sup>

% of total transaction volume in Europe 2010-2015

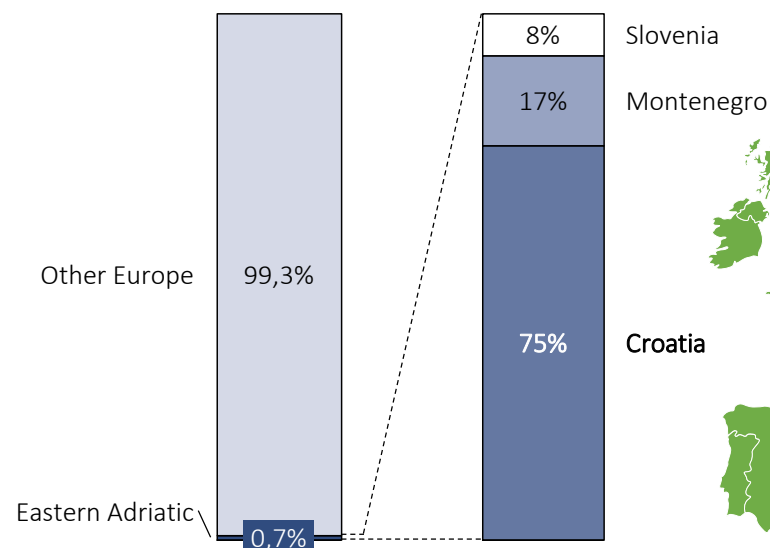


1) Based on independent reports of properties and portfolios 5 million EUR and greater  
Source: Real Capital Analytics, Horwath HTL analysis

# Eastern Adriatic coast generated less than 1% of total European hotel transaction volume

Hotel transactions on the Eastern Adriatic<sup>1</sup>

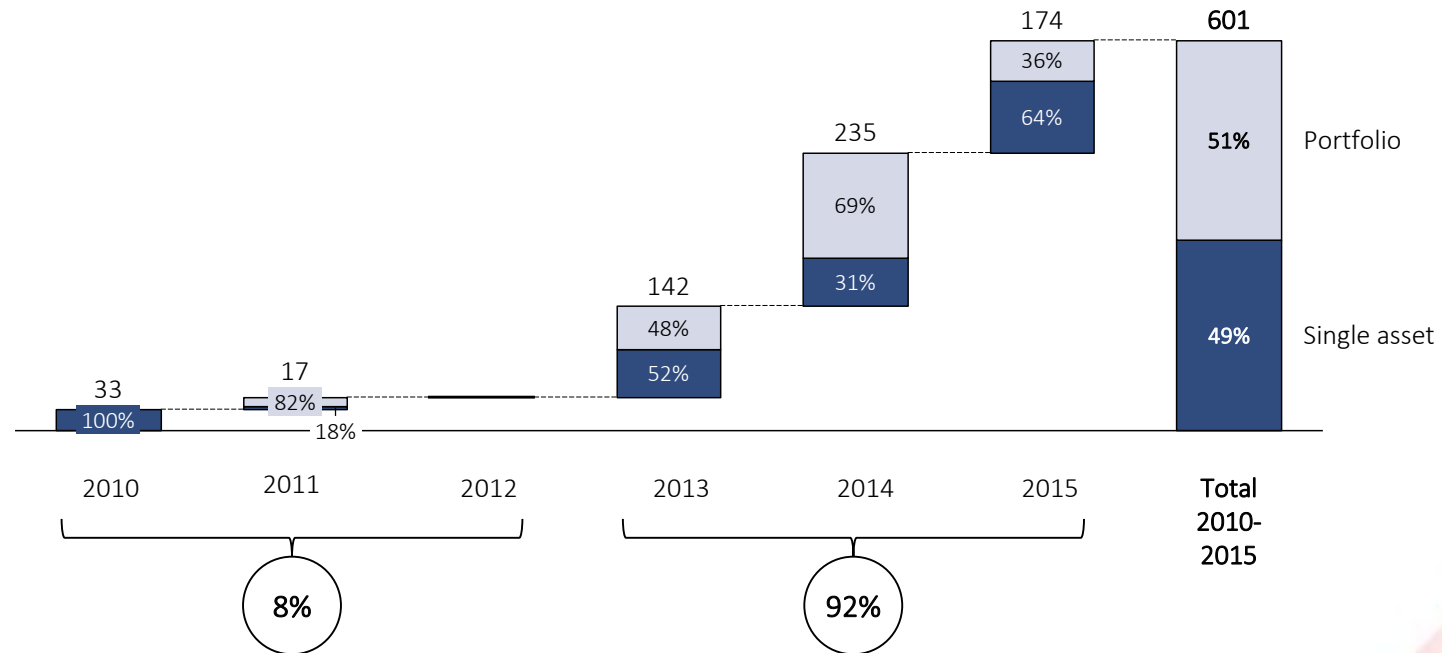
% of total transaction volume in Europe 2010-2015



1) Based on independent reports of properties and portfolios 5 million EUR and greater  
Source: Real Capital Analytics, Horwath HTL analysis

# Increase of Investors' interest in hotel transactions on the Eastern Adriatic over the last 3 years

Transaction volume on the Eastern Adriatic, in mn EUR

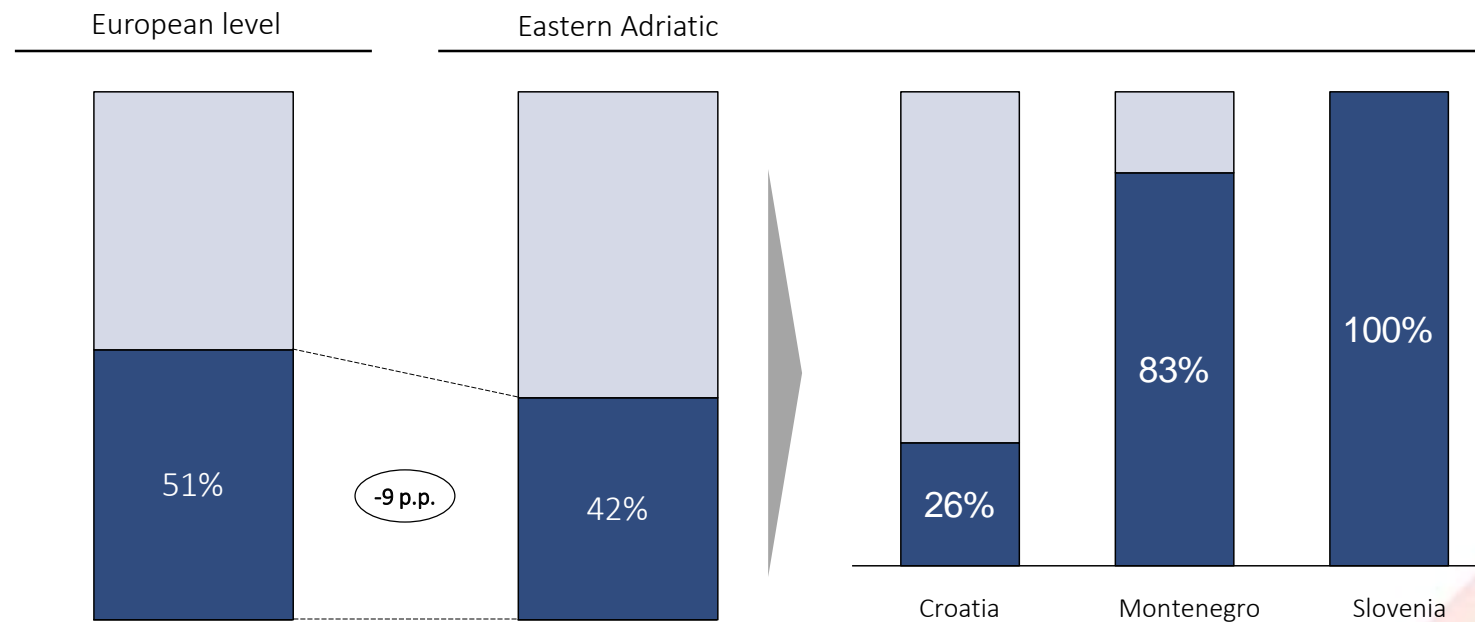


1) Based on independent reports of properties and portfolios 5 million EUR and greater  
Source: Real Capital Analytics, Horwath HTL analysis

# Lower share of cross border capital in Eastern Adriatic hotel transactions compared to European level

Cross border capital, % of total hotel transactions 2010-2015

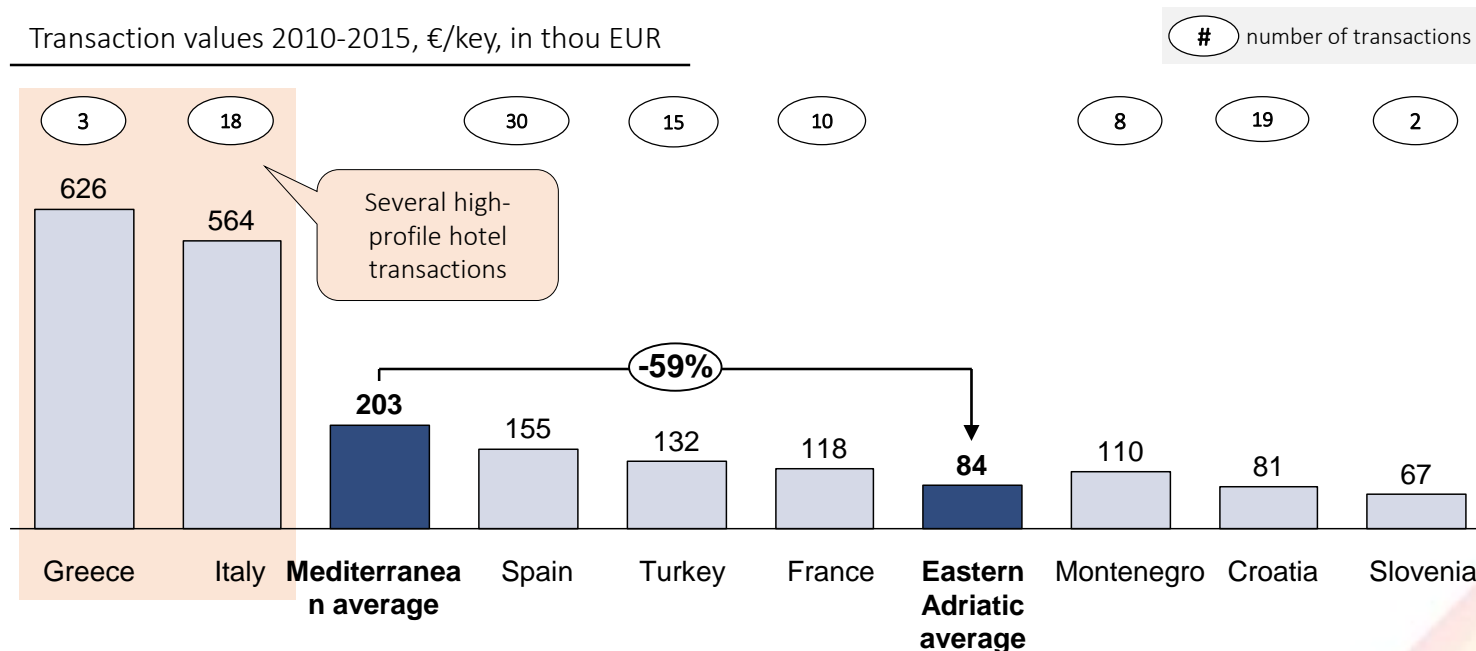
Domestic capital Cross border capital



Source: Real Capital Analytics, Horwath HTL analysis

# Hotels transaction values per key on the Eastern Adriatic are significantly lower than the Mediterranean average

Hotel transaction values on the Mediterranean coastal destinations<sup>1</sup>



1) Including single property and portfolio transactions; Only resort type properties along the Mediterranean coast; excluding capitals.  
Source: Real Capital Analytics, Horwath HTL analysis



# We must identify with investors' needs

...always know your customer...

Institutional (pension) funds: security, lower yield (6-7%)

Private equity sector: less security, greater returns

# Facing Our Challenges- Understanding our starting position

## Investors' Perspective

- Desired return on capital invested
- Global crisis intensifies the need for more detailed pre-investment analysis...making values more scrutinized in markets with greater macroeconomic risks
- Yields may be compared with capital market yields
- Emerging markets are expected to provide greater returns
- Seasonality is generally not perceived well
- Stop talking and start the action

## It all comes down to...OpHis



...the one, the unavoidable **Operating History**...

- Hotels are non-convertible assets
- Hotel often cannot substantially outperform its true competitive set
- ...therefore,
- Operating history of hotel, competitive set, or market, greatly affects **hotel value** – “the appetite of investor”

## We must...

- **Realize** that operating (under)performance can easily deflate hotel's value below its replacement cost
- **Understand** that whenever Asking Price is significantly higher from value derived from Operating History, the appetite of a prudent investor for acquisition is diminished
- **Focus** onto our real and substantive challenge – how to improve our market performance
- **Be aware** of the fact that general market data shows that this region is not producing highly profitable hotels

## Adria Hotel Forum (AHF)



International hotel investment conference with focus on SEE region

- brings national, regional and international experts to encourage communication and development of investments in the hotel industry
- presents opportunities for foreign investors to invest in the region
- in one place, it gathers relevant actors with the main goal:  
**to develop hotel industry, raise the quality level and follow the global trends**

## Adria Hotel Forum (AHF)



International hotel investment conference with focus on SEE region

- Organized in 2013 for the first time, held annually
- Gathers leading experts and government representatives from hotel industry
- Panel discussions with emphasize on development
- Meeting point of hoteliers, hotel investors, government representatives, consultants, financial institutions, developers

AHF 2017 – 8.-9. February 2017, Zagreb

## Adria Hotel Forum (AHF)



International hotel investment conference with focus on SEE region

Each year, Adria Hotel Forum increases it's visibility in international environment

- 2015 - we became partner to international investment conference organized by Bench Events
- 2016 – our media sponsor was [www.ehotelier.com](http://www.ehotelier.com), one of the top websites for hotel industry globally

Thank you for your attention!

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[www.adria-forum.eu](http://www.adria-forum.eu)