

Christie & Co Company Presentation

Chinese Investments in the
International Hotel Sector:
Europe – The Land of Opportunity?

November 2016

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UK OFFICES

BIRMINGHAM
BRISTOL
CARDIFF
EDINBURGH
EXETER
GLASGOW
IPSWICH
LONDON
LEEDS
MAIDSTONE
MANCHESTER
NEWCASTLE
NOTTINGHAM
READING
WINCHESTER

EUROPEAN OFFICES

AIX EN PROVENCE
BARCELONA
BERLIN
BORDEAUX
DUBLIN
FRANKFURT
HELSINKI
LYON
MADRID
MUNICH
PARIS
RENNES
STOCKHOLM
VIENNA
WARSAW

Christie & Co Introduction

Creating value, retaining value, recovering value

Christie & Co was founded over 80 years ago, and has been publicly listed on the Alternative Investment Market (AIM) for more than 10 years.

Christie & Co Today

- We are the leading valuers, consultants and brokers across Europe in our specialist sectors
- We have more than **250 professionals** across **31 offices**
- We act on behalf of:
 - ✓ Major, regional and multiple operators
 - ✓ International developers and investors
 - ✓ UK and European lending banks
 - ✓ International lending and investment banks
- We complete **450 valuations** annually and currently have more than **400 hotel sale instructions**
- In July 2016 Christie & Co was named as a “Business Superbrand” by The Centre for Brand Analysis (TCBA) in a survey commissioned by Estates Gazette



Agency & Brokerage

- Sales and PR Strategy
- Maximise Pricing
- Marketing of the Asset
- Manage Deliverability
- Disposal Process Control

Valuation & Consultancy

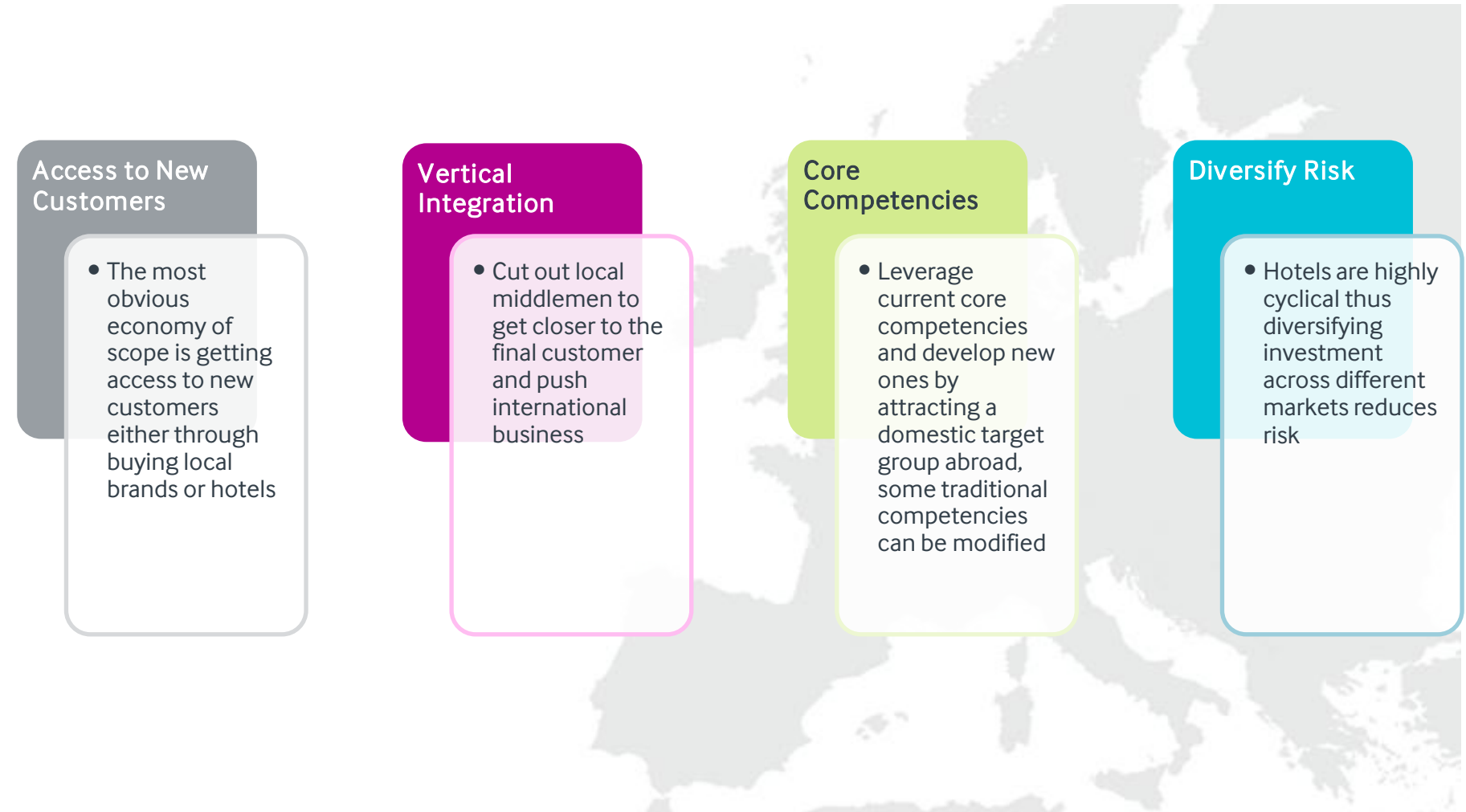
- Operational/Performance Review
- Strategic Advice
- Commercial Due Diligence
- Feasibility Studies
- Fully RICS Compliant Valuations
- Landlord & Tenant Advice

Investment & Development

- Securing Forward Funding and Forward Sales
- PropCo/OpCo/JV Structures
- Lease, Franchise, Management Contracts
- Investment Sales & Acquisition
- Operator Search and Selection
- Site Sales & Acquisitions

Favourable Market Conditions and Investment Strategies

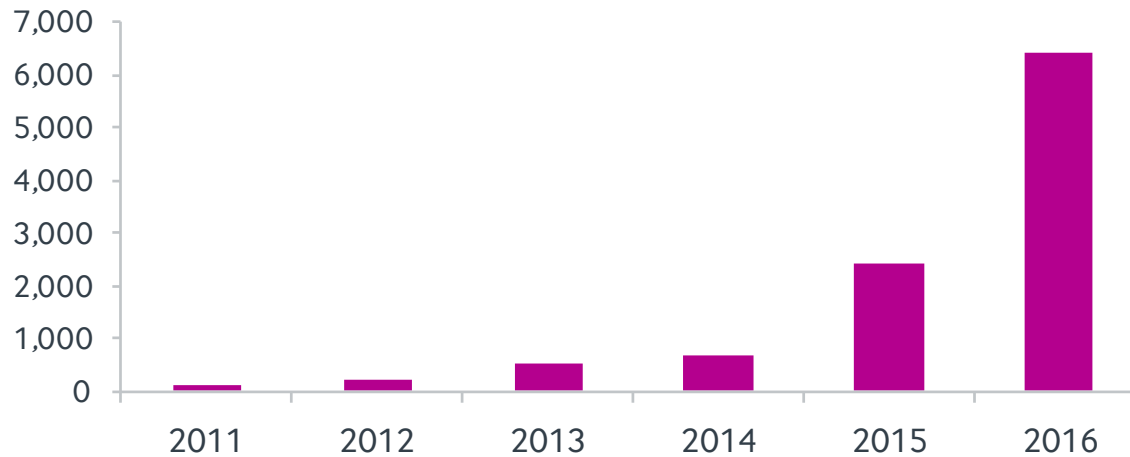
Factors behind Europe's attractiveness beyond increased demand from Asian guests



European Transactions by Asian Investors

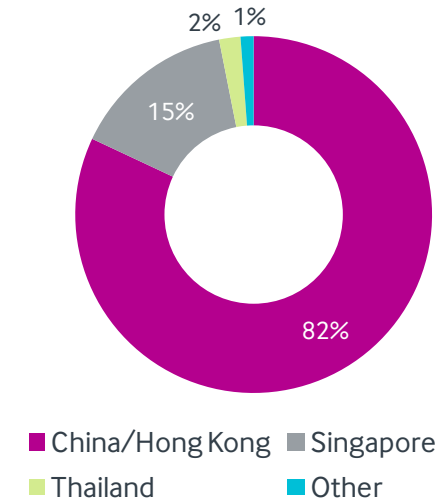
€6.4bn of European hotel investment completed by Asian buyers to date in 2016

European Hotel Transactions by Asian Buyers between 2011 and YTD-Oct. 2016 (€m)



Source: Christie & Co Research and Analysis

Asian Buyers Country of Origin



European Hotels Transactional Outlook – Asian Investors

- European hotel investment has reached about **€6.4bn** from Asia capital in YTD-October 2016
- Asian buyers represented about 10% of the European hotel deal volume in 2015
- Deceleration in UK transactions caused by **uncertainty created by the vote to leave the European Union**
- Some **Asian investors view the current market conditions as a rare opportunity**

European Investment Timeline

Hotel investment has accelerated significantly since 2014

2014

Changing Rules & Regulations

- Threshold for overseas investment of over \$100m was lifted

2015

Year of Chinese Hotel Acquisitions

- In 2015, China is the third biggest capital contributor in the global hotel investment market

The First Wave

- Chinese tour operators vertically integrating their businesses

2016

The Second Wave

- Major Chinese companies gained permission to invest in industries outside of their own field
- Move to strategic investment in major players to capture the international market

First Mover

- Anbang Insurance Group, bought Waldorf Astoria New York for almost \$2bn



Vertical Integration

- HK CTS acquires Kew Green, a portfolio of 44 owned and 10 managed hotels

Brand Expansion

- Jin Jiang International Holdings acquired the French Groupe Du Louvre valued at \$1.5bn
- Shanghai-based Fosun won control over Club Med



Investments to Capture the International Market

- HNA Group acquires the US-based Carlson Hotels
- In October 2016, HNA acquired a 25% share in Hilton Worldwide from Blackstone for \$6.5bn



C&Co Sales Activity Timeline 2015/16

Notable transactions – Christie & Co involvement with Asian capital

2015

Arora Hotel London Heathrow

- 350-room hotel
- Acquired by **Singapore-based real estate investment firm M&L**
- Achieved sale price of £45m



Swire Hotels Portfolio

- Portfolio of four hotels with 267 keys
- Acquired through share transfer by Singapore-based **Frasers Hospitality**
- Achieved sale price of £36m



Bay Glenburn Hotel

- 121-bedroom hotel in Scotland
- Acquired by **Malaysian investor**
- Achieved sale price of £1.8m



Radisson Blu Resort & Spa Dubrovnik Sun Gardens

- 408-bedroom resort & spa
- Acquired by **ADC GmbH**, a Chinese investment vehicle for Europe
- Achieved sale price around €90m



Kew Green Hotels

- Portfolio of 44 owned and 10 managed UK hotels
- Portfolio analysis and individual asset assessments
- Vendor due diligence on behalf of the seller (**Kew Green Hotels Group**) followed by a commercial due diligence on behalf of the buyer (**HK CTS**)



2016

Swan's Nest Hotel

- 68-key hotel located in Stratford-upon-Avon
- Acquired by **Chinese investor, CL Capital**
- Achieved sale price of £7.5m



Dominvs Portfolio (Project License)

- Portfolio of three properties with 229 keys
- Acquired by **Thai investor, Fico Corporation**
- Achieved sale price of £12m



European View on Asian Hotel Investors

Overcoming differences and adapting to different culture

Timing is an issue. Asian decision making processes are much longer

Cultural barriers and language issues need to be overcome

With mainland Chinese, once the deal is struck, that's the deal you end up with; it is about honor and face

They have a strong preference for doing direct deals and not participating in competitive bidding situations

Chinese investors approaching [...] European hotel markets for the first time need to get to grips with a diverse marketplace, a competitive transaction environment and a large pool of highly-experienced global investors

Jin Jiang has given us the power to continue to develop on our own in Europe [...]. Plus they gave us €2.5bn to spend over the next three years, which can be spent in niches such as hostels and clinics

Asian Players Motives for European Investment

Common routes for investing in Europe

Rebrand acquired hotel properties in order to expand their own Chinese hotel brand overseas

Acquire existing hotels as trophy assets

Acquire third-party hotel management businesses in order to vertically integrate Chinese tour operators

Acquisition of a single hotel as a flagship property, aiming to utilize its name to create a hotel brand back in China

FDI in constructing hotel assets

(Cross-)Shareholding in global hotel groups e.g. HNA in NH, Carlson Hotels & Hilton Worldwide, and AccorHotels & Hua Habitat Hotel

Case Study: HK CTS Acquires Kew Green

Snapshot of the buyer and seller

HK CTS



China's number one tourism group since 2009

- Type: Hotel group
- Headquarter: Hong Kong, China
- Backed by state-owned China National Travel Service Group
- Its hotel management company operates over 63 hotels with its own brands (Metropark and Travelers Inn)

Kew Green



Leading UK hotel management company

- Type: Hotel operator & franchisee
- Headquarter: Richmond, United Kingdom
- Formed to operate high-quality hotels in the UK
- Operates over 50 hotels under franchise agreements with some of the world's leading hotel brands (i.e. Holiday Inn)

Investment Rationale

1. Geographic expansion
2. Leveraging operating platform & reputation
3. Branded portfolio

Case Study: Frasers Acquires Chapter Hotels

Snapshot of the buyer and seller

Frasers Hospitality

Strong UK precedence

- Type: Hotel group
- Headquarter: Singapore
- Hotel arm of the real estate company Frasers Centrepoint Limited
- Manages more than 22,800 apartment and hotel rooms in more than 80 cities under their lifestyle brands



Swire Hotels



Hotel division of a giant UK/HK conglomerate

- Type: Hotel group
- Headquarter: Hong Kong, China
- Hotel division of Swire Properties, a mega real estate development subsidiary of Swire Pacific Limited
- Swire Hotels owns three hotel brands: The House Collective, East and Chapter Hotels in the UK

Investment Rationale

1. Geographic expansion
2. Reduced competition
3. Strategic expansion

Tips for a Successful Deal

Small things can make a big difference in closing a deal

