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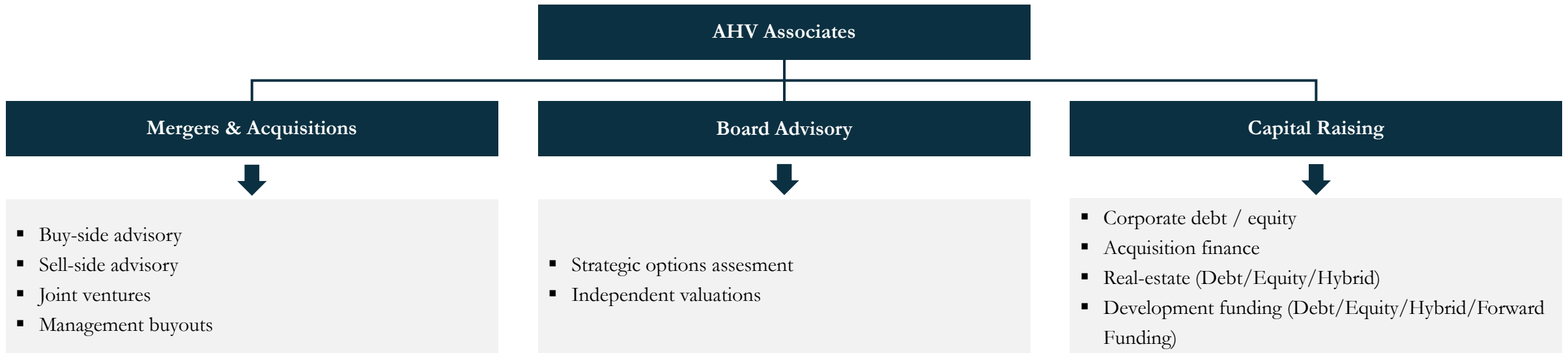
Hospitality M&A and Capital Raising Specialists

Operational Real Estate: Where we are and where we are going?

March 2025

AHV Associates – An Introduction

Co-founded in 2001 by Andrew Harrington, AHV Associates LLP ('AHV') is an award-winning boutique investment bank focused on advising private companies across a range of M&A and advisory assignments



AHV specializes in hospitality and has worked with companies that own and/or operate hotels, apart-hotels, serviced apartments, hostels and mixed-use resorts



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- Hotel trading performance
- Transaction activity
- Macroeconomic indicators
- Public capital markets

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Definition

- ✓ Operational real estate involves proactively managing properties that offer customised services and amenities to tenants/clients
- ✓ The owner generally has direct exposure to the risks and rewards of the operational activities, via direct ownership of the operating company or management contracts

Characteristics

- ✓ Traditional real estate relies primarily on rent, with direct exposure to tenant(s)'s financial covenant quality. As this is affected by the overall economic and credit market conditions, that may not be directly relevant to a property's underlying market
- ✓ Operational real estate focusses on creating an enhanced and more versatile product to a targeted group, and ancillary services which open up additional revenue streams. As the owner has a business-type P&L exposure, asset management style is more active, requiring enhanced skills and larger reliance on operational performance
- ✓ The business model often requires adequate scale to ensure size economies, competitive pricing, client affordability and hence business viability

Sub-sectors



(Apart)Hotels & Serviced Apartments



BTR



PBSA



Senior-Living



Co-Living




Platform Transactions

Notable Transactions

Acquirer	Target	Seller	Date	Asset Class	Asset(s)	Location	Size
Blackstone			Q2 2020	PBSA	28,000+ beds		£4.7bn
			Q2 2022	PBSA	23,000 beds		£3.3bn
			Q3 2022	Hotels	10 Resorts		€2.3bn
			Q2 2024	PBSA	8,192 beds		£1.0bn
Blackstone			Q2 2024	Hotels	33 Hotels		£800m
			Q4 2023	Hotels	39 Hotels		€800m

Platform Transactions

Notable Transactions

Acquirer	Target	Seller	Date	Asset Class	Asset(s)	Location	Size
		n/a	Q1 2019	Hotels	n/a	 	€500m
			Q1 2017	Hotels	39 Hotels	 	€450m
			Q1 2018	Serviced Apartments	30,000+ units (18 freehold properties)	International	£430m
		n/a	Q2 2021	Serviced Apartments	19 properties		€104m
		n/a	Q4 2024	Hotels	25 Hotels		Undisclosed
		Consortium led by Dieter Muller	Q1 2025	Hotels	99 Hotels	 	Undisclosed

Successful Exits (1/3)

Selected case studies: exit via a Financial Buyer



In Mar 2014 KSL Capital Partners acquired Village Urban Resort (now Village Hotels), a collection of 25 hotels with 3,100 rooms and three pipeline assets all in the UK. The transaction amount was reportedly valued **£435m**

In Jun 2024 Blackstone has acquired Village Hotels, comprising 33 hotels with 4,400 rooms across the UK. The transaction amount was not officially disclosed but it was rumoured to be in the region of **£800m**



Blackstone



In Jan 2017 TPG Real Estate, the real estate platform of TPG acquired a&o hostels and hostels for **€250m**. Under the agreed terms, TPG Real Estate acquired 31 leased and owned assets, with more than 20,000 beds located primarily in Germany and Austria

In Nov 2023 StepStone Group and Proprium Capital Partners acquired a&o hostels from TPG Real Estate for approximately **£800m**. At the time of the acquisition, a&o operated 39 properties, with 13 owned and the remainder leased



Successful Exits (2/3)

Selected case studies: exit via an OpCo & PropCo structure



EST. 1898
PRINCIPAL
HOTEL COMPANY LTD



In Feb 2013 Starwood acquired Principal Hayley a collection of 23 hotels with 4,000 rooms and 500 meeting across UK and EU. The transaction amount was not officially disclosed but it was rumoured to be in the region of **£360m**

In May 2018 Covivio Hotels (ENXTPA:COVH) signed an agreement to acquire Portfolio of 14 four and five-star Hotels from Principal Hotel Company Ltd for approximately **£860m**



COVIVIO



EST. 1898
PRINCIPAL
HOTEL COMPANY LTD

IHG
HOTELS & RESORTS



COVIVIO



In May 2018 Covivio has agreed to sign long-term FRI leases for 13 of the properties with InterContinental Hotels Group (IHG) for an undisclosed amount. IHG will rebrand and operate the hotels as part of its luxury and upscale brands portfolio

 **LONE STAR FUNDS**



**JURYS
INN**



In Jan 2015 Lone Star Funds acquired Jurrys Inn Hotel Group a collection of 31 hotels across UK and Ireland and one in Prague. The hotel group was sold for **£680m**

In Dec 2017 Pandox acquired Jurrys Inn Hotel Group a collection of 36 hotels, with Pandox reorganizing the portfolio and retaining 20 investment properties and one operating property, in the U.K. and Ireland. The transaction closed for **£800m**



 **Pandox**



**JURYS
INN**

Fattal 



**JURYS
INN**
Operational platform of



In Dec 2017 Fattal acquired the operational platform with 36 hotel operations under the Jurys Inn brand . The investment properties will be operated by Leonardo under long-term revenue-based lease agreements with Pandox, for an undisclosed amount

Successful Exits (3/3)

Selected case studies: exit via a Trade Buyer



In Dec 2021 KSL Capital Partners acquired a majority stake in Eden Hotels (Zien Group) a collection of 14 hotels with 2,000 across Netherlands. The transaction amount was not officially disclosed

In June 2024 Fattal Group acquired the entire 12-hotel portfolio of Dutch hotel brand Zien Group from KSL Capital Partners and Garden Capital Group. The transaction amount was reportedly valued **€400m**



In Mar 2015 CPP Investments acquired a 100% of the U.K. student accommodation portfolio operating under the Liberty Living brand from the Brandeaux Student Accommodation Fund. Liberty Living portfolio consists of over 40 high-quality residences with 16,700 rooms located in 17 of the largest university towns and cities across the U.K. The total consideration paid for the portfolio and management platform was approximately **£1.1 billion**

In Jul 2019 student housing provider Unite Students acquired Liberty Living from CPP Investments in a cash and stock deal where CPP takes a 20% in the new combined platform. The transaction closed for a total consideration of **£1.4bn**



Valuation Methods

- OPRE should be easier to value due to availability of data underpinning trading performance
- Valuations need to assess the viability and sustainability of corporate cash-flows and future trading potential, thereby underwriting a business and not a lease
- Bond proxy (ie ‘yield’) based valuations are not valid. Value as a business—compare to earnings yields not gilts; use EBITDA/NOI multiples and NPV

Stock Pipeline

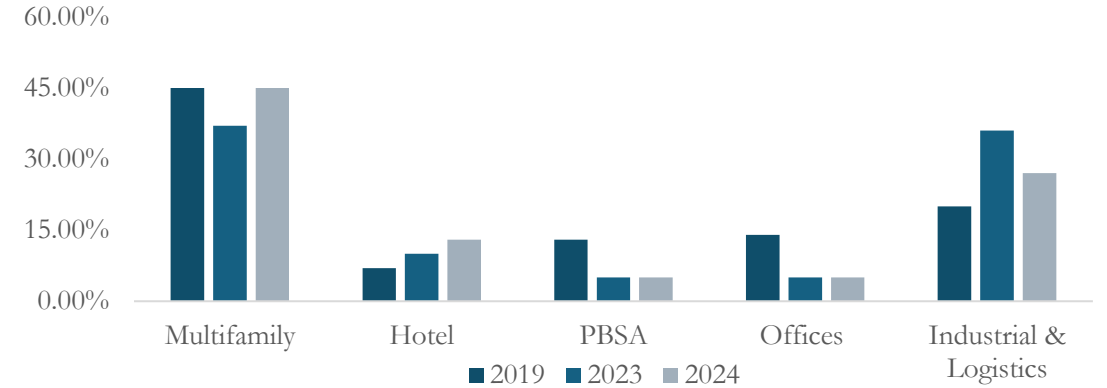
- PBSA:** The market is projected to grow at £104bn in 2028, a c.21% from 2023 levels. Student population in the UK is expected to increase by 22% by 2034
- Hotels:** In 2025 global hotel supply is forecast to grow by just 2.0%, which 220bps below long-term average
- BTR:** The UK’s operational BTR stock is over 126,000 homes, up by 21% YoY, but with significant growth potential
- Co-Living:** 87% increase in planning applications in 2024 vs 2023, a record year, with 9,000 Co-Living units submitted and 6,200 permissions

Regulations

- Data Transparency:** the European Parliament passed a new regulation imposing data-sharing obligations on short-term rental platforms to aid local governments in enforcing existing regulations
- ESG:** Tightening sustainability and energy performance standards, the revised EU energy directive (EPBD) sets mandatory benchmarks for improved energy efficiency, requiring existing and new buildings—hotels, BTR, PBSA
- Supply restrictions and city caps:** Cities like Amsterdam impose a 30-night annual limit on entire-home rentals, and Barcelona enforces strict licensing regimes and moratoriums in central districts—both efforts designed to reduce over tourism and protect local housing supply

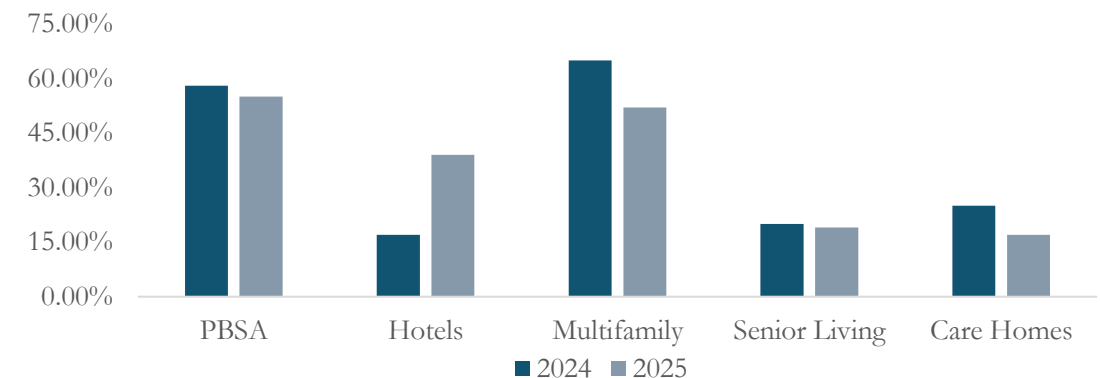
Where Investors Are Looking: Investment Trends

Global Fundraising by Asset Class



Investor appetite for hotel operational real estate (OPRE) is gaining momentum as the improving macroeconomic environment and strong secular trends enables investors to underwrite more risk

EU: Share of Investors willing to invest in OPRE



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