



Switzerland

Market Snapshot

Introduction: Strategic Hotel Consulting

- An independent, international management consulting firm
- Specialising in hotel and tourism related projects
- Advisory services for owners, investor, developers, managers
- Based in Switzerland with satellite office in United Arab Emirates
- Key Markets: Europe, Middle East, Asia
- Managing Director – Tea Ros



Strategic Hotel Consulting – Key Services

- **New Developments** – market and financial feasibility studies, optimal component analysis, opportunity assessments, management company selection and negotiation of contracts
- **Existing Assets** –Operational assessments, repositioning, redevelopment, rebranding, acquisition due diligence



Setting the Scene



*“A Third (some 1,000) of Swiss Hotels
Will Close in the Next Ten Years”*

Guglielmo Brentel

President, Swiss Hotel Association

August 2010



Challenging Environment – Why?

- Disparity: 40 % of hotels account for 80 % of room nights
- Aging assets: requiring heavy renovations / investments
- Structural demand changes – Inability to anticipate / respond to market changes (demand segmentation)
- Lagging product / service development (arrogance)
- High operating costs: Even with healthy top-line, bottom-line remains modest



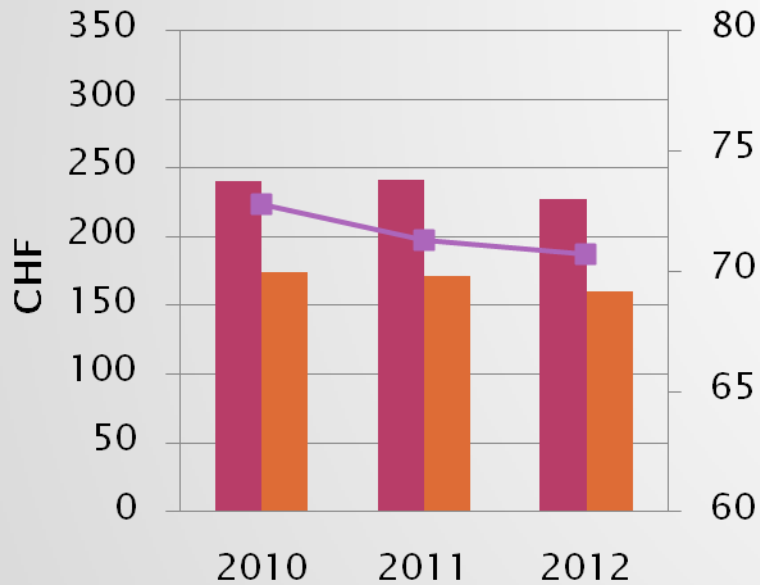
Still a Market with Many Positives

- Stability – both political and economical
- Established tourism destination
- Competitiveness: World number 1 in Global Competitiveness Index (GCI) over the past 5 years
- Strong (“safe haven”) currency
- Flexible and highly qualified labour force
- High level of disposable income
- Quality of life: Zürich, Bern and Geneva all rank in top 10 places to live in global ranking 2012



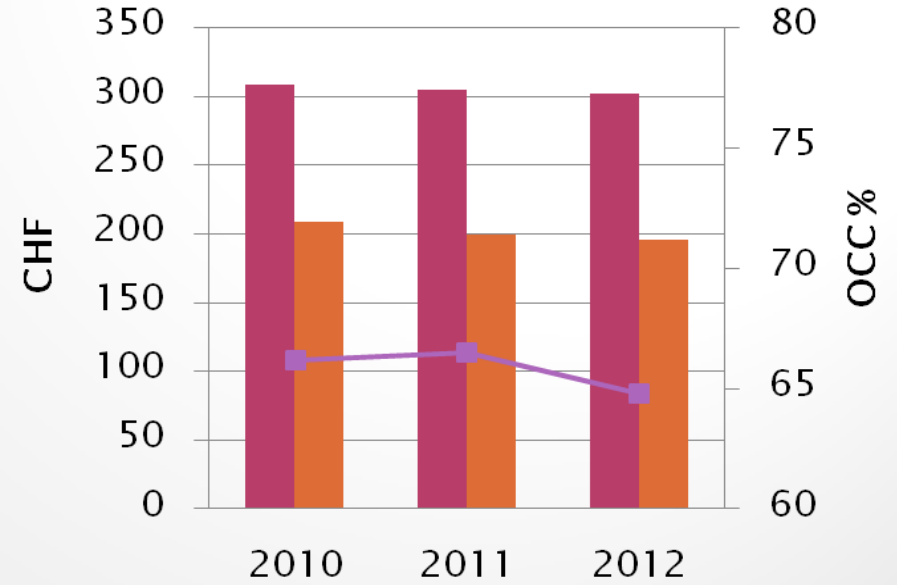
Hotel Performance

Zurich



Source: STR

Geneva

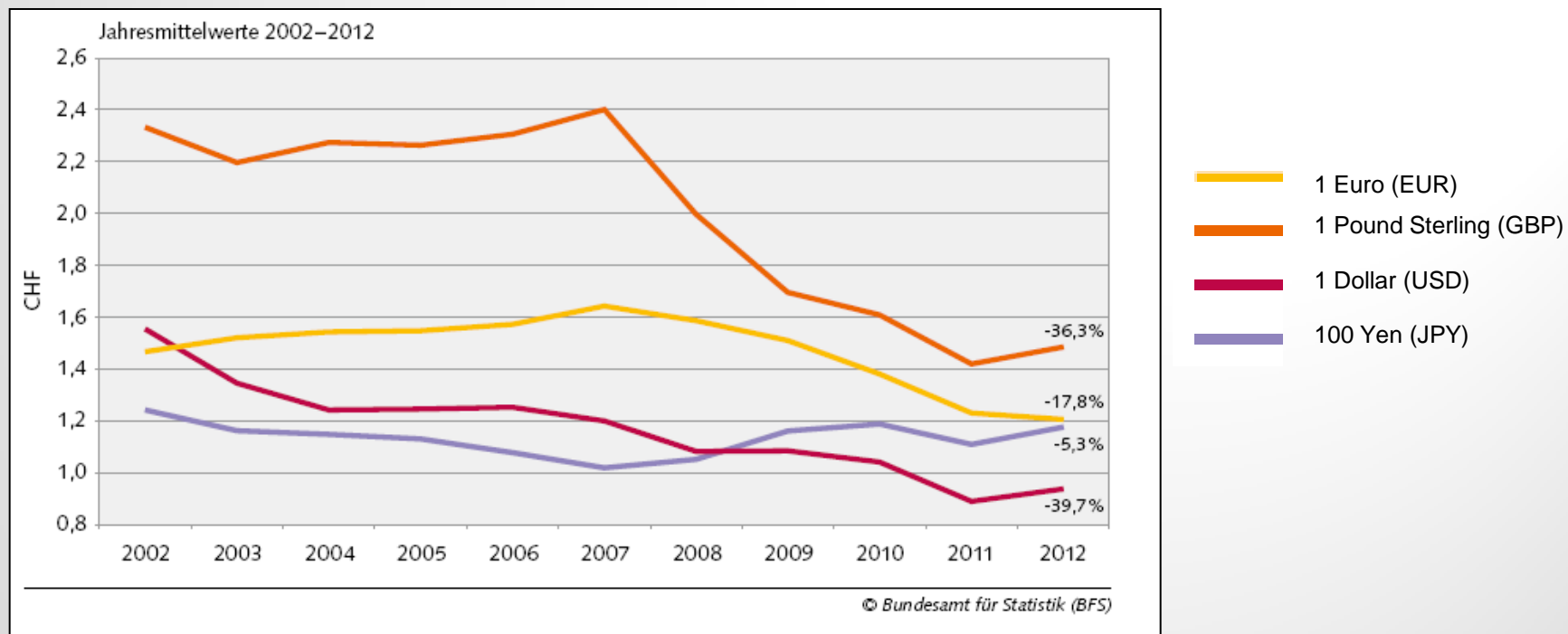


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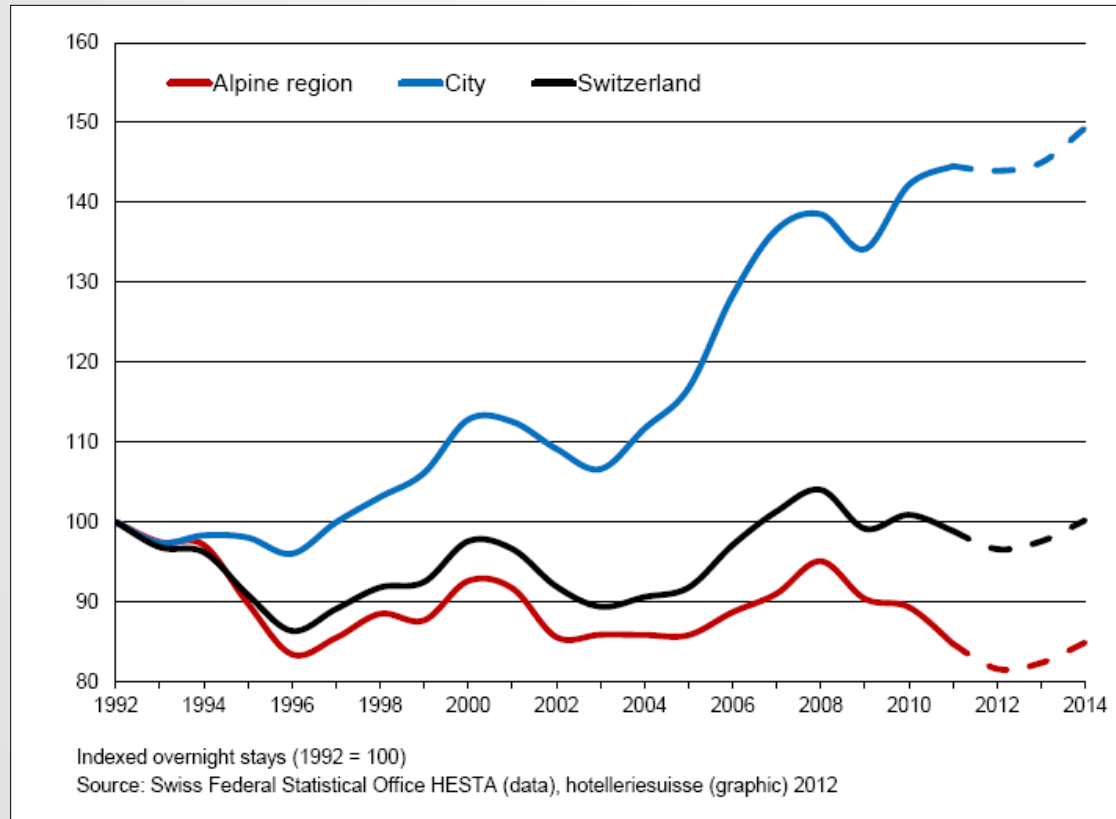


Hotel Performance – Impact of the Swiss Franc

CHF vs. Other Currencies - Yearly Average 2002 - 2012



Hotel Performance – Cities versus Mountains



➔ Growth in the cities, stagnation in the mountains

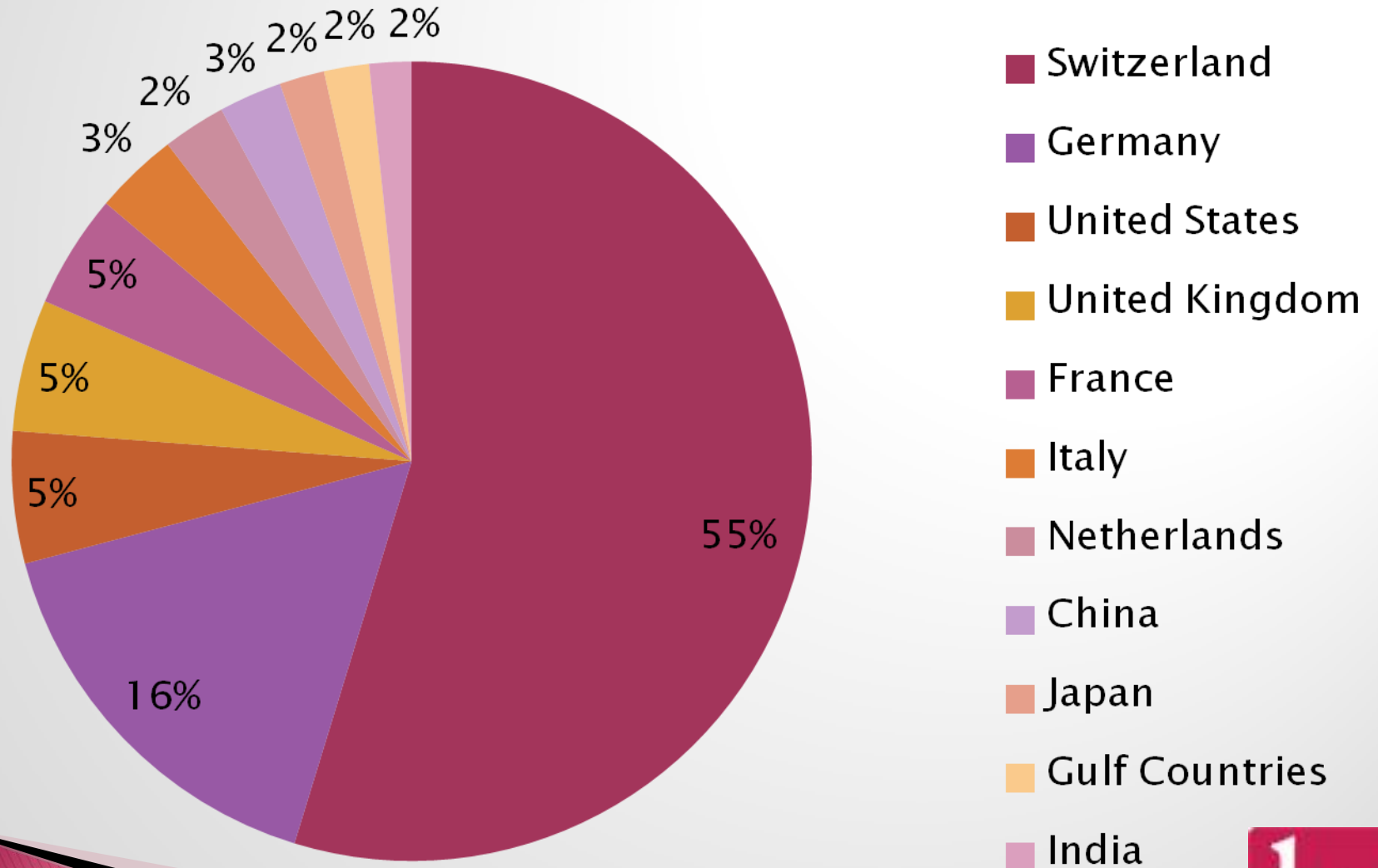
Hotel Performance – Countrywide

- Occupancy in 2012: 50.5 % (down from 51.6 % in 2011)
- RevPAR in 2011: CHF 94.5
 - 5-star hotels CHF 284.3
 - 4-star hotels CHF 128.2
- Average Length of stay reducing: 2.1 in 2012
- Seasonality remains a key issue and not only in mountains: Ticino winter occupancy 32.8 % and Luzern region 37.1 %



Many hotels, in particular smaller family owned properties outside key cities, are struggling

Demand is Changing: Top Markets – 2012

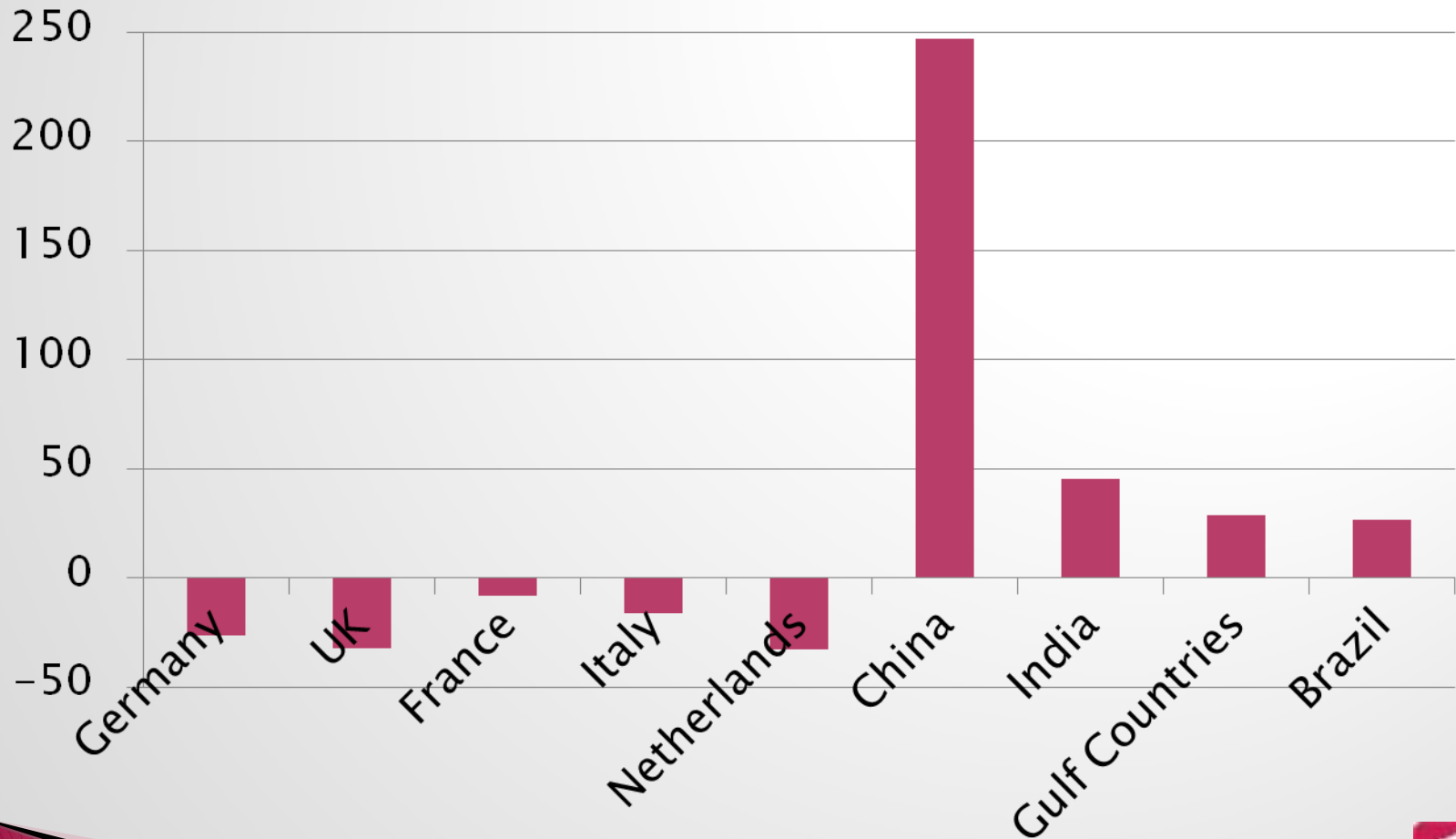


Source: Bundesamt für Statistik



Changing Demand Dynamics

Overnight Stays 2008 – 2012



Source: Bundesamt für Statistik



Good and Bad News

Bad News:

*The Hotel Scene in Switzerland is changing...
and over 200 hotels HAVE closed since 2010.*

Good News:

“Change brings opportunity”

Nido Qubein



New Profile of Investors

- International (ME) investors with large development projects



Orascom - Andermatt



Katara – Bürgenstock

New Profile of Investors

- International investors with acquisitions of existing assets



Usaha Tegas
Le Richemond Geneva

MPS Puri
Nira Silvaplana



Yunfeng Gao –
Engelberg Europäischer Hof
Malchsee-Frutt Frutt Lodge

Transactions – Prices Per Room

Hotel	Year Sold	Price (CHF)	Price Per Room (CHF)	Price Per Room (USD)
Movenpick Zürich	2010	155.2 M	1,041,950	1,001,356
Le Richemond – Geneva	2010	166.3 M	1,525,637	1,466,198
Frutt Lodge Melchsee–Frutt	2012	49.0 M	803,278	885,846
Radisson Blu St. Gallen	2012	62.6 M	508,943	561,257

HVS Value per Room – 2012			
	EUR	CHF	USD
Zürich	492,163	594,162	648,899
Geneva	451,263	544,786	594,974

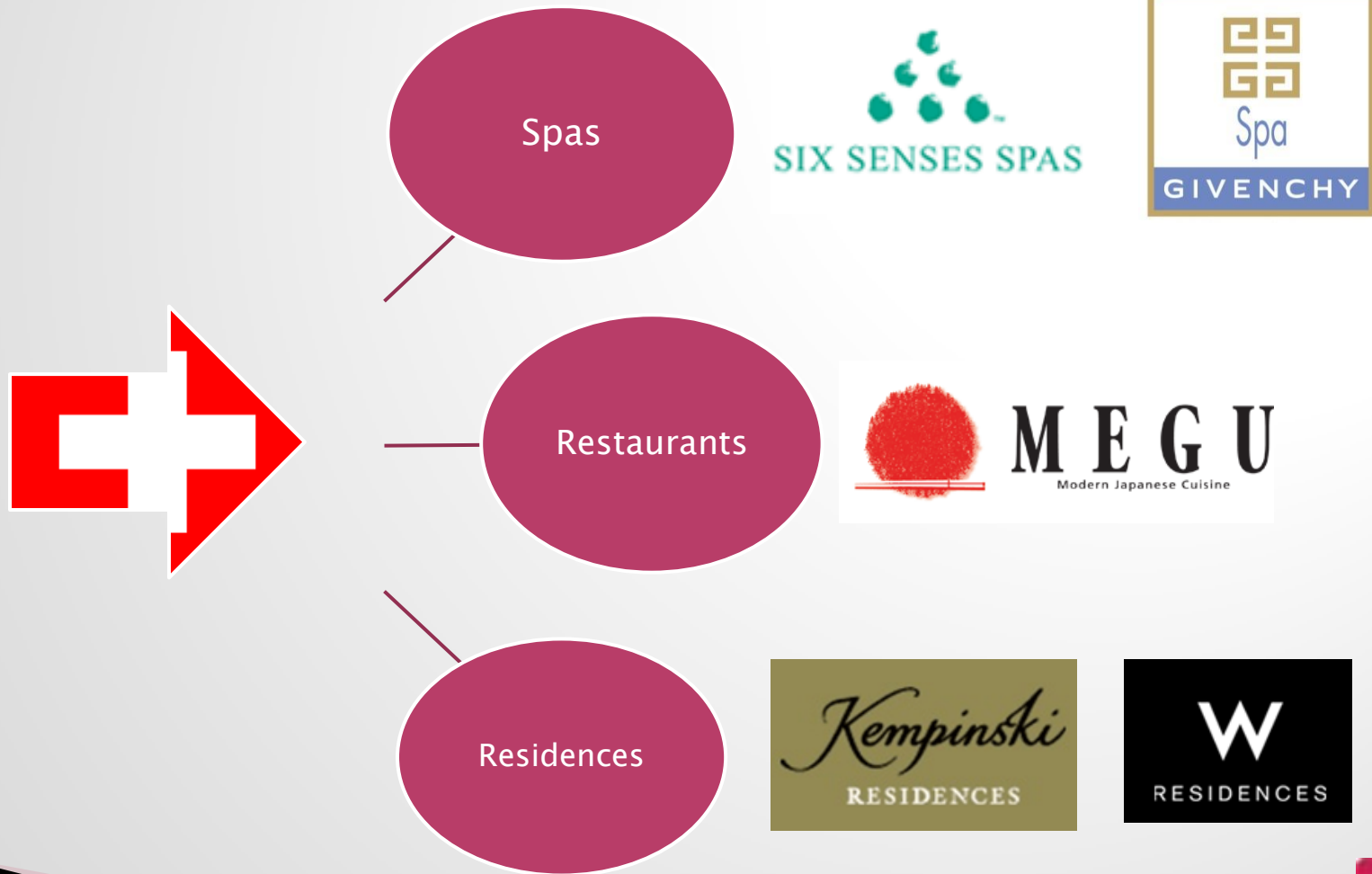
Places 3 & 4 in Europe after Paris and London



New Management – Increasing Operator Presence



Not Only New Management of Hotels



New Development Concepts

- Residential Sale (Operator Rental Pool) Concepts



Orascom - Andermatt



SDG - Leukerbad



Aminona - Crans Montana

Case Study: Sale and Leaseback Investment Concept



Mont Cervin Palace – Zermatt

Case Study: Structural Changes in Mountain Hotels



Mürren - Bernese Oberland

St. Moritz - Graubünden



Topics for Discussion

- Should one invest in hotels in Switzerland?
- What / where are the best opportunities?
- Who is selling?
- What type of returns could be expected?
- Who can invest / are there restrictions?
- What are the tax / cantonal considerations?
- Is there financing available and what are usual terms?



For Further Information

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Thank You.

25th October 2013