10

COPENHAGEN HOTEL

MARKET REPORT 2010

Sadolin | ALBÆK

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INTRODUCTION

Currently, the Danish economy is recovering from what has been called the worst economic crisis since the 1930s. In 2009, Danish GDP dropped by 4.8% and consumer spending by 4.6%. Trends in the hotel market are closely correlated to macroeconomic key figures, and the economic slump has therefore had severe repercussions in the Copenhagen hotel market. Nevertheless, on account of the first signs of economic recovery, both GDP and consumer spending are generally believed to improve in the next two years.

The crisis hit Denmark after a prolonged period of strong growth. In this boom period the hotel market thrived. A steep increase in demand drove up room rates and room occupancy rates alike. In turn, this served to attract considerable investor interest and new players to the hotel market. As a result, room supply has increased quite remarkably: at year-end 2009 alone three new large hotels opened in Copenhagen. There is a pipeline of additional hotel development projects, with new hotel openings scheduled for 2010 and 2011. Needless to say, the surge in room supply is posing a serious challenge to the hotel industry, which is struggling with weaker demand due to the economic slowdown.

Overall, this heralds a somewhat gloomy outlook for the hotel market. The excess supply forecast for the coming years is likely to foster fierce competition in the industry, probably leading to some exits in the hotel operator community, with small private operators in particular struggling to weather the downturn.

Sadolin & Albæk expects the adverse market conditions to motivate consolidations and efficiency improvements in the hotel industry. This may very well give rise to interesting opportunities for well-established operators to enter the market, provided they are able to act swiftly and have the capital necessary to engage in a consolidation of the Danish hotel market.

In recent years, Copenhagen has established itself as one of the most popular conference cities in the world due to its easy accessibility, general level of efficiency and low crime rates. In addition, Copenhagen offers short distances between hotels and conference facilities, state-of-the-art meeting facilities and a rich cultural offering compared to many other European cities. In terms of conferences, 2009 was in fact a great year for the Copenhagen hotel market with numerous conventions and more than 100,000 delegates, including the 121st IOC session & XIII Olympic congress and the United Nations Convention on Climate Change – COP 15. Hopefully they served to underpin Copenhagen's position as a leading conference city for many years to come.

This 2010 hotel market report offers an overview of the Scandinavian hotel property markets with particular emphasis on the Greater Copenhagen hotel market, including occupier and investment market information with transaction details. Additionally, it offers a long-term outlook on demand as well as supply in Copenhagen. For a listing of special terms and definitions used in this report please see Terms and definitions, pages 38-39.

The report has been compiled to guide you in your planning and decision-making in respect of hotel property. It is based on data and market information that we believe to be reliable. Whilst every effort has been made to ensure that the information supplied in this hotel market report is both accurate and complete, Sadolin & Albæk cannot assume any responsibility for factual errors.

All decisions involving hotel property aspects – leasing, acquisitions, disposals, financing and development activity – include important long-term financial commitments. Such decisions should always be based on both detailed and updated knowledge and an in-depth understanding of the market.

If you have any queries concerning this report or any other hotel property-related issues, Sadolin & Albæk is at your full disposal.

Copenhagen, June 2010
Sadolin & Albæk

THE COPENHAGEN HOTEL MARKET

- *Demand is weakening irrespective of strong MICE activity*
- *Boom in room supply projected for 2010*
- *All key performance indicators are deteriorating*

Spanning Zealand and Sweden's southernmost region, Skåne (Scania), including the city of Malmoe, and with a population close to 3.7 million, the Øresund region is considered one of the foremost growth centres in Europe. Copenhagen, the capital of Denmark, is the largest city of the region, the number of inhabitants in Greater Copenhagen exceeding 1.8 million. One fourth of Danish and Swedish GDP combined is generated in the region.

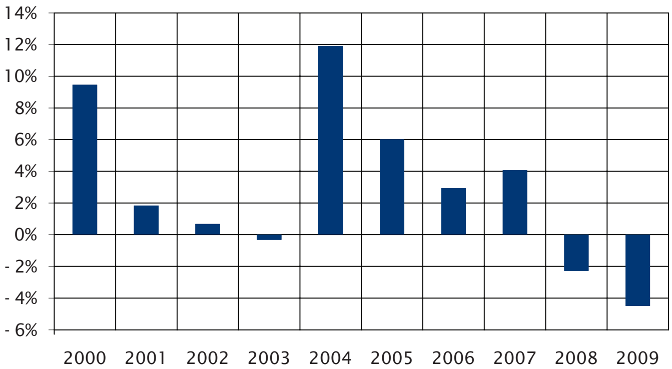
The Øresund region is one of few European cross-border regions. It is brought together to the south by the fixed link, Øresundsbron, between Copenhagen and Malmoe, and to the north by the sea link between Helsingør (Elsinore) and Helsingborg. In addition, the region's perfectly well-organised infrastructure allows for easy access to international destinations. With 127 flight destinations, Copenhagen Airport is one of the busiest airports in northern Europe.

Like the rest of Europe, Denmark was hit hard first by the credit crunch originating from the international interbank crisis, then by the ensuing economic recession. The projected 4.8% decline in Danish GDP and a similar decline in consumer spending will take their toll also on key performance indicators in the Copenhagen hotel market.

The Copenhagen hotel market enjoyed some golden years in 2004 - 2007. In this period, the number of bed nights increased by more than 14%, corresponding to a Compound Annual Growth Rate (CAGR) of 4.5%. At the same time, the Revenue Per Available Room (RevPAR) soared by more than 30%, which made many investors shift their attention to the Copenhagen hotel market. Consequently, a host of large-scale hotel development projects were initiated in 2005 - 2007, increasing the supply of hotel rooms. In 2009, the number of hotel rooms in Greater Copenhagen increased by around 4%. Given the weakening demand, the mismatch between supply and demand is therefore becoming increasingly pronounced, and while people in the hotel industry believed the crisis of 2002 to 2003 after the 9/11 2001 terrorist attacks to be a singular event, the hotel market is today experiencing a very similar slowdown.

On the back of the economic downturn the number of bed nights decreased in both 2008 and 2009. In 2007, the number of bed nights was around five million in Greater Copenhagen, but in 2008 it went down by 2.3% and in 2009 by an additional 4.5% to a total of 4.6 million. When the ranks of hotel guests are decreasing in Copenhagen, the areas outside the Copenha-

Growth in bed nights, Copenhagen



Source: Statistics Denmark

gen city centre are typically hit the hardest. The so-called suburban hotels therefore account for a far larger share of the negative overall growth in bed nights than the city hotels.

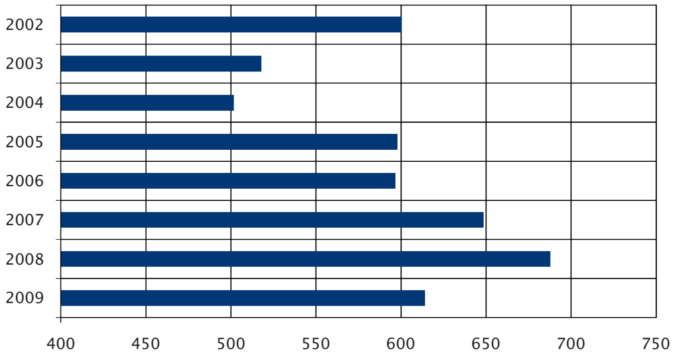
For the past three years, the supply of hotel rooms has seen an annual increase of around 3% in Greater Copenhagen, reaching a level of almost 15,500 rooms in 2009. Many decisions to build new hotels were taken in 2005 - 2007, when the market was flourishing, but it takes time to build a hotel, and meanwhile market conditions turned around. In the second half of 2009, 1,585 new rooms were put on the market, the full effect of which is yet to register in the available statistics. Since the number of bed nights has been dwindling in both 2008 and 2009, room occupancy rates have suffered a substantial decline. Having peaked at 70% in 2007, Copenhagen city hotel occupancy rates plummeted to a level of 64% in 2009.

The sharp decline in bed nights was recorded irrespective of the large-scale events hosted by Copenhagen in 2009. In October 2009, the 121st IOC session & XIII Olympic congress lasted for more than a week and summoned several thousand delegates. In December 2009 followed the United Nations Convention on Climate Change – COP 15 in Copenhagen. This convention lasted for two weeks and involved more than 15,000 participants. Overall, Copenhagen MICE events drew 100,000+ guests in 2009. Nevertheless, although they served to boost the demand for hotel rooms, the overall slump in bed nights remained substantial. As the projected 2010 number of MICE guests just exceeds the 50,000-mark, the prospects for the Copenhagen hotel market are hardly too bright.

A highly fragmented hotel owner structure as prevalent in Denmark could to some extent be argued to have a negative impact on the determination of price structures; the reason for this being that the room occupancy rate is a preferred performance measure in the hotel market. Especially during economic downturns, some hotels may be willing to substantially lower the Average Daily Rate (ADR) to obtain a high occupancy rate. Such a strategy might have severe consequences for a hotel, however, once the economy recovers.

The widening gap between supply and demand serves to intensify the competition on prices and is driving down occupancy rates. The Copenhagen hotel market has witnessed a certain sticky-price effect, that is, prices are resistant to change even if conditions dictate that they should, to the effect that prices continued to increase in the course of 2008 despite the weaker demand. Not until 2009 did room rates in fact go down. This had a detrimental effect on RevPAR, which saw a 10.7% decline in 2009.

RevPAR, Copenhagen (DKK)



Source: STRGlobal

THE SCANDINAVIAN HOTEL MARKETS

- *Impressive developments in the Malmoe hotel market*
- *Sustained strong demand for Stockholm hotel rooms*
- *New supply is putting strain on the Oslo hotel market*

Trends in the Copenhagen hotel market differ somewhat from the trends in the Malmoe, Stockholm and Oslo hotel markets. In particular demand is seen to vary quite considerably. Whereas the Copenhagen market has experienced negative growth in bed nights, both Malmoe and Stockholm have seen strong positive growth in 2008 and 2009 alike. In Malmoe, growth in bed nights exceeded the 7%-mark either year, and in Stockholm it stood at almost 7% and 4% in 2008 and 2009, respectively. Oslo has experienced more moderate increases, with growth rates standing just above the 1%-mark in both 2008 and 2009.

All four markets have seen a substantial increase in supply in the last couple of years. In Malmoe, the number of rooms went up by more than 7% in 2009, and in Oslo the increase exceeded 5% in both 2008 and 2009. Stockholm witnessed the largest boost in hotel rooms in 2008 when the increase was more than 7%. However, in 2007 and 2009 growth in supply slowed to a mere 3%. The overall supply increases have fostered fiercer competition in the hotel industry and driven down room rates.

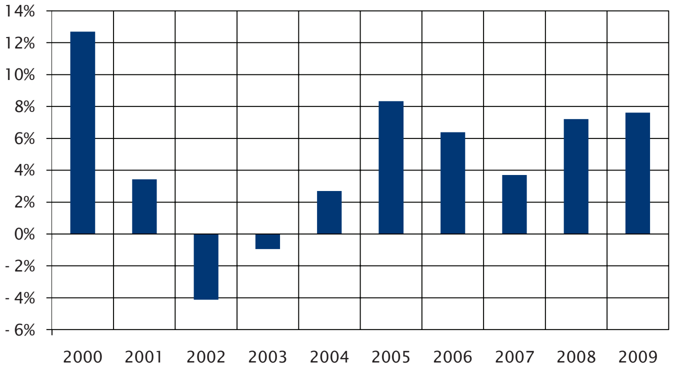
Irrespective of the dissimilar trends, all four hotel markets perform very alike. In this context, RevPAR is the interesting performance indicator that captures trends from both the supply and demand side in one figure. In all four cities RevPAR rose significantly in 2004 - 2008, with growth rates ranging from 30% to 40% in each city. Despite different growth patterns on the demand side, all cities suffered negative growth in RevPAR in 2009. In Copenhagen and Oslo, hotel operators tried to maintain high ADR levels although demand was weakening, and as a result occupancy rates fell, driving down RevPAR accordingly. In Malmoe and Stockholm an increase in room supply made the competition for hotel guests even fiercer and put downward pressure on ADR. In these cities, ADR levels were lowered in 2009, which helped to prop up occupancy rates, but in the process the declining room rates were reducing RevPAR. As mentioned above, in a historical context it has proven to be a poor strategy to lower prices to keep up occupancy rates. Instead the sound measure is to maintain the existing room rates while allowing occupancy rates to take a small dip. This also seems to be the strategy chosen by the hotels in Oslo and Copenhagen.

Taxation

The fact that demand has remained so strong in Stockholm and Malmoe in particular during the economic crisis has stirred up a renewed heavy debate about taxation in the hotel market as is typically the case whenever the hotel market is in a slump. In Denmark hotel guests pay Value Added Tax (VAT) of 25% when staying at a hotel, whereas in Norway and Sweden the VAT rate is only 8% and 12%, respectively. For private/leisure hotel guests it is therefore much more affordable to stay at a hotel in these two countries than to stay in Copenhagen. In addition, the Swedish krona has been very weak compared to the euro in 2008 and 2009. As a result, European hotel guests have found it much less expensive to visit Sweden rather than Denmark. The global recession has curbed consumer spending to the effect that most people are more aware of cutting costs, which could be one of the reasons why the Copenhagen hotel market is hit so hard by the crisis.

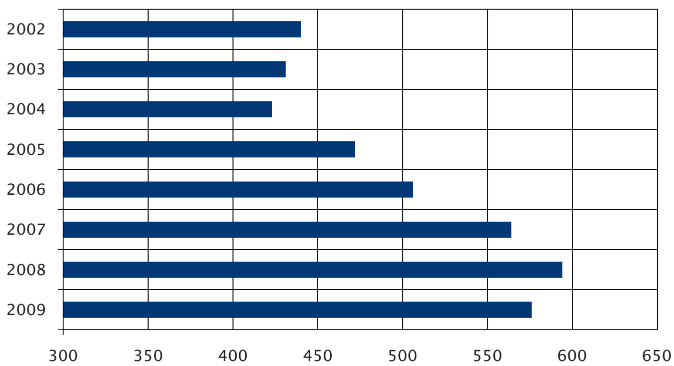
Taxation is also an issue in the business guest segment. When a Danish business guest stays at a Danish hotel, only 25% of VAT is refundable, resulting in an effective VAT of 18.75%. If staying at a Swedish hotel, the VAT is fully refundable. This provides Danish companies with a considerable incentive to opt for a hotel in Malmoe or another venue in southern Sweden for small-size conferences or events. Overall this is, all things being equal, drawing demand away from the Copenhagen hotel market.

Growth in bed nights, Malmoe



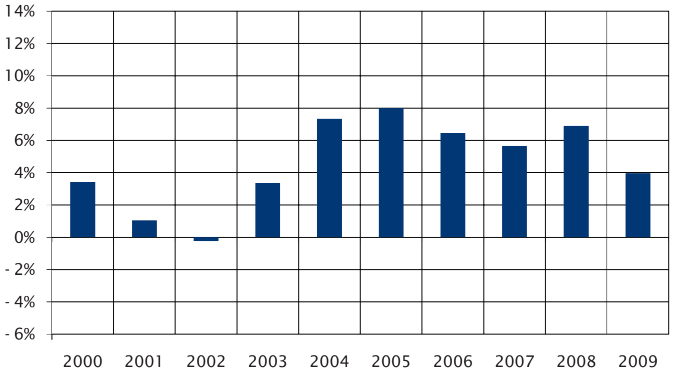
Source: TourMIS

RevPAR, Malmoe (SEK)



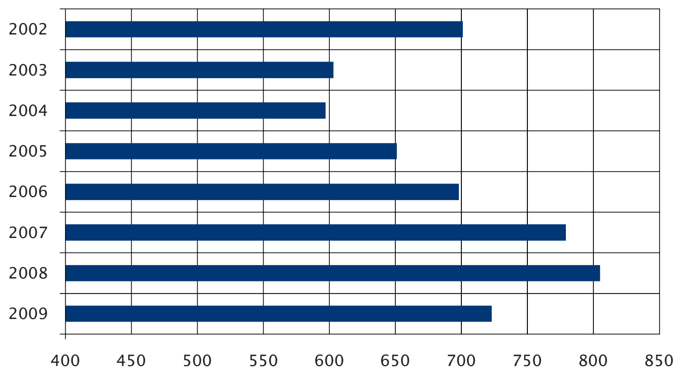
Source: SHR

Growth in bed nights, Stockholm



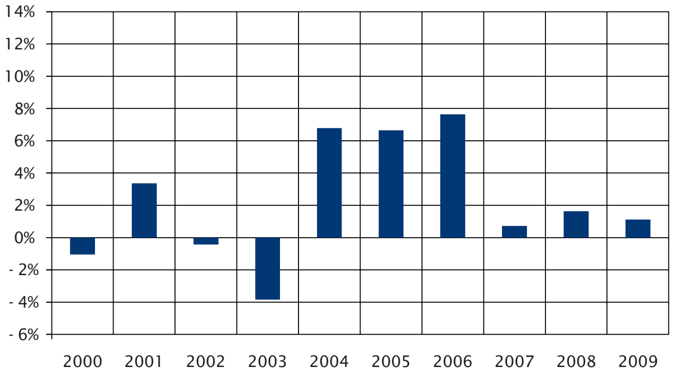
Source: TourMIS

RevPAR, Stockholm (SEK)



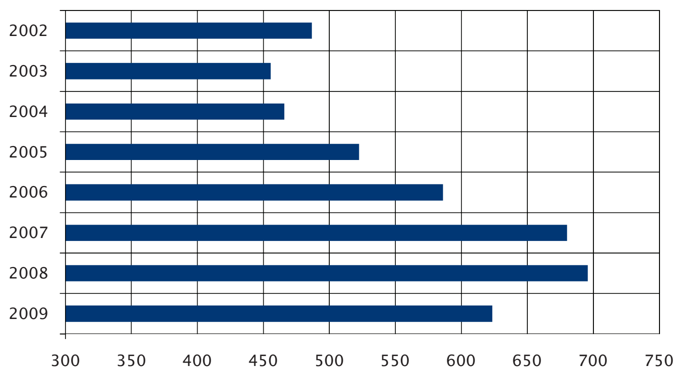
Source: SHR

Growth in bed nights, Oslo



Source: TourMIS

RevPAR, Oslo (NOK)



Source: Statistics Norway

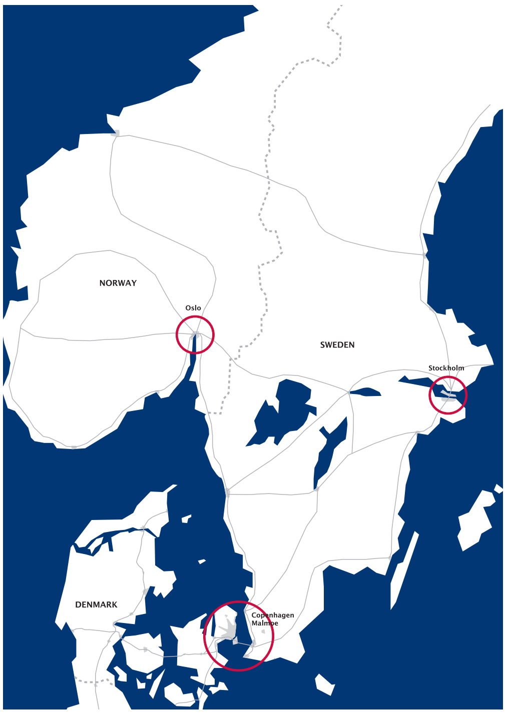
SCANDINAVIAN HOTEL MARKET DEMAND

- *High prevalence of non-domestic demand in Copenhagen*
- *Strong business demand in Stockholm, Malmoe and Oslo*

Generally speaking, the Scandinavian capitals appear highly similar when it comes to the range and supply of hotel products offered. However, when analysing the composition of the hotel demand in each single city, extensive dissimilarities become apparent.

In Copenhagen, domestic demand accounts for only 38% of bed nights, whereas in Stockholm hotel guests of domestic origin account for 60%. The corresponding figures for Oslo and Malmoe are as high as 65% and 73%, respectively.

Today's number of domestic hotel guests in Copenhagen in fact represents a substantial increase relative to previous years. In 2007, domestic demand accounted for only 27% of demand. Compared to the other cities included in this report, however, the number remains very low and is attributable to Denmark's modest geographic size and good infrastructure, which reduce the need for overnight stays in the capital. In general, domestic guests can easily return home from a visit to Copenhagen within few hours. Moreover, international demand is stronger in Copenhagen because its central location in Scandinavia makes it a regional hub. As a result, the city is a very popular destination attracting a substantial share of non-domestic tourists and business guests alike.
The fact that Copenhagen is a very popular conference city also explains the high prevalence of non-domestic demand. Since 1999, Copenhagen has been in the top-20 of conference cities in terms of the number of conferences held, and more than 100,000 delegates boosted non-domestic demand in 2009.



Another significant factor in future hotel demand is the growth in passengers passing through the Copenhagen Airport, especially in connection with international flights. An increase in the number of passengers at the Copenhagen Airport will, ceteris paribus, increase the demand for hotel accommodation in Copenhagen.

In 2009, approximately 19.7 million passengers visited the Copenhagen Airport. Of those approximately 10% were passengers on domestic flights only, leaving 90% of all passengers in the international flights category. It should be stressed that an international passenger is defined according to the destination/source of the passenger, and not his or her origin. Thus a sizable number of international passengers are domestic business or leisure travellers which are not likely to require hotel accommodation.

From 1990 to 2009, the CAGR in the number of passengers passing through the Copenhagen Airport was approximately 3.1%. This increase however covers a significant difference between international passengers and domestic passengers. While the number of international passengers increased by 3.8% throughout the period, the number of domestic passengers actually declined. Also, the growth in passengers has been extremely volatile in recent years, especially during the first three months of 2009. For instance, an increase of nearly 13% was seen between February 2007 and February 2008 compared to an overall decrease in passengers of approximately 19% between February 2008 and February 2009.

In 2009, the Copenhagen Airport suffered a severe blow as the global economic crisis caused the passenger flow to decline by more than 15% during each of the first three months of 2009 relative to the levels recorded in the same period the year before.

In Stockholm, the high prevalence of domestic demand is attributable to the considerable geographical size of Sweden, with a visit to the capital often requiring an overnight stay. Corporate headquarters prefer Stockholm as their first choice location, which also means that domestic business guests will be more inclined to stay overnight. In addition, Stockholm, like Copenhagen, has positioned itself as a centre for conferences and conventions in northern Scandinavia.

In Oslo, and even more so in Malmoe, the high prevalence of domestic demand can mainly be ascribed to either city's limited appeal to international leisure tourism.

The composition of purpose-related demand varies somewhat among the Scandinavian cities, but it also shows similarities. Stockholm and Oslo have quite identical compositions of demand, with the business segment accounting for 63% and 60%, respectively. Because of the relatively large country size of Sweden and Norway and their relatively low population density, the business centres of these two countries are concentrated in only a few cities. As a result, a large proportion of hotel stays is business related.

Even though Malmoe in relative figures attracts more business guests than Copenhagen, the two cities cannot be compared due to the dissimilarities in size and characteristics. In absolute figures, Copenhagen as a capital obviously outrivals such a basically provincial town as Malmoe.

Passenger growth, Copenhagen Airport

	Avg. annual 90-09	2007	2008	2009
Domestic	-1.2%	8.6%	2.0%	-0.7%
International	3.8%	2.0%	0.4%	-9.2%
Total	3.1%	2.5%	0.6%	-8.4%

Source: Copenhagen Airports A/S

Scandinavian hotel demand

	Inhabitants	Bed nights	Purpose-related demand		Domestic demand
			Business	Leisure	
	Thousands		Per cent		
Stockholm	2 015	6 277	63%	37%	60%
Copenhagen	1 662	4 609	51%	49%	38%
- Copenhagen CBD	614	3 923	50%	50%	35%
- Other Copenhagen	1 049	686	65%	35%	58%
Oslo	587	3 143	60%	40%	65%
Malmoe	293	1 188	71%	29%	73%

Sources: Statistics Denmark, SHR, Statistics Norway and Statistics Sweden

- *Copenhagen has the largest overall room capacity*
- *Stockholm hotels have fewer rooms per hotel than Oslo or Copenhagen hotels*
- *Oslo hotels are generally large in size*

Despite differences in the composition of demand, the hotel market supply is remarkably similar in Copenhagen and Stockholm. Copenhagen has just about the same number of quality hotels as Stockholm, whereas Oslo has fewer, although proportionate to city size, the number of quality hotels is more or less identical in all three cities.

Hotel Kong Arthur

The number of hotels per inhabitant is highest in Malmoe. The Malmoe market has two special features: firstly, it acts as a buffer for the Copenhagen hotel market, that is, it absorbs this city's excess demand, and secondly, it is a major city in a large region and therefore in effect serves as a regional capital. This creates good framework conditions for hotel operations.

Traditionally, the hotel supply has been almost the same in Stockholm and Copenhagen. In recent years, however, the hotels completed in Copenhagen have been quite large in terms of room numbers. In 2009, the *CABINN Metro* hotel and *Wakeup Copenhagen* thus opened, counting in excess of 1,200 rooms combined. In 2011, the *Bella Hotel*, the future largest hotel in Scandinavia, is scheduled to open with 800 rooms in Ørestad, continuing on the trend with large-sized hotels. In 2009, the number of rooms per hotel was 139 in Copenhagen and in Stockholm it was 117. The standard size of Stockholm hotels has remained the same since 2007 whereas Copenhagen hotels have added ten rooms on average.

By comparison, the average size of Oslo hotels exceeds that of both Copenhagen and Stockholm hotels by far. In fact, a hotel in the Norwegian capital boasts about 25% more rooms on average than one in Copenhagen and as much as 50% more than a Stockholm hotel, indicating a market dominated by relatively large-scale hotels.

In terms of characteristics, and the ratio of small hotels, the Malmoe hotel market greatly resembles the Stockholm market, but with an even larger number of small hotels.

Scandinavian hotel supply

	Copenhagen	Malmoe	Stockholm	Oslo
Hotels	111	32	132	53
Rooms	15 462	3 263	15 401	9 242
Rooms per hotel	139	102	117	174
Beds*	28 796	6 526	30 802	16 477
Beds per hotel	259	204	233	311

**) For Malmoe and Stockholm the number of beds is estimated at two per room*
Sources: Sadolin & Albæk, SHR and Statistics Norway

PLAYERS IN THE COPENHAGEN HOTEL MARKET

- *Choice Hotels, the Arp-Hansen Hotel Group and Scandic Hotels are key operators*
- *CABINN the largest operator in the low-cost/ budget segment*
- *Adverse market conditions could open up the market to international operators*

Hotel operators

When the market was booming in 2007, new hotel operators were expected to enter the Copenhagen market, but the ensuing deterioration of market conditions dampened their interest. In effect, the Copenhagen hotel operator community has remained largely unchanged over the last couple of years. However, the fiercer competition has served to marginalise the minor players while the major players have become even larger.

In Copenhagen, the three largest operators are *Choice Hotels*, the *Arp-Hansen Hotel Group* and *Scandic Hotels*. All three hotel operators have increased their number of hotels in recent years. The Arp-Hansen Hotel Group opened a new hotel in 2009, with another opening scheduled for 2010. This has made the Arp-Hansen Hotel Group the by far largest operator in the Copenhagen market in terms of hotel rooms. Choice Hotels and Scandic Hotels are expanding by taking over existing hotels. Their hotels are smaller than the average hotel in the Arp-Hansen Hotel Group, and therefore they do not match this Group's room capacity. Measured on number of hotels, Choice Hotels is the largest operator, operating 12 hotels in Copenhagen.

Nevertheless, Copenhagen still has a very high number of private operators by European standards. Many hotel operations are family-owned businesses, with the Arp-Hansen Hotel Group as the largest player. Large international operators are still to enter the Copenhagen market on a large scale, which could be attributable to the size of Copenhagen hotels. Traditionally, Copenhagen has had very few large hotels, but this is now changing. The new hotels that are built today are typically much larger than the average-sized hotels and this could represent an opening to large international operators.

The trend is quite different in the suburban hotel segment. In this segment, the large international chains of Choice Hotels and Scandic Hotels are key operators, accounting for more than 30% of total room capacity.

The concept of low-cost/budget hotels gained momentum at the beginning of the millennium and has become an established business segment. Although the Arp-Hansen Hotel Group is known for its large business hotels, it has with their new hotel, *Wakeup Copenhagen*, entered the low-cost hotel market. In this segment, *CABINN* and *Zleep Hotels* were formerly the two sole operators. In 2009, CABINN opened a new hotel with around 700 rooms, and overall the low-cost segment counts 2,000+ rooms in Copenhagen today. Operating a hotel in the low-cost segment is by no means an easy task and only the most experienced operators are able to focus intently on keeping costs at an absolute minimum while still providing high-quality services.

CABINN Metro

A slim majority of Copenhagen hotels, viz. 56%, is part of a chain network. Today, chain affiliation is most prevalent in the four-star segment where the percentage is 90%, but chain affiliation has become more commonplace in all segments in the past couple of years. The benefits of being in a chain network are appealing when competition in the market is growing.

For a complete hotel listing see *List of hotels,* pages 34-35.

Hotel owners

Copenhagen hotel owners are predominantly also hotel operators, i.e. owner-occupiers. Other types of owners include international investors, private investors, limited partnerships, property companies and institutional investors. However, these hotel owners all have one thing in common, namely that they are purely investment-driven with no influence on daily operations.

Copenhagen Marriott Hotel

Given the high ratio of owner-occupation, the overlap between hotel owners and operators in Copenhagen is significant. About 40% of the major quality hotels in the city centre are owned by operators, which leaves a relatively limited supply of hotel property investment opportunities. In the suburban market the owner-occupied share is more moderate, accounting for only 20%.

The hotel property investment market in Copenhagen differs from other segments of the property investment market in the sense that it is typically not targeted by institutional investors. Institutional investors only own very few hotels, and these are primarily located in central Copenhagen. Similarly, a very limited number of specialised hotel property investors operate in Copenhagen.

Copenhagen city hotels

Major chains	Hotels	Rooms
Arp-Hansen Hotel Group	9	2 106
Choice Hotels	9	1 349
CABINN Hotels	4	1 342
Scandic Hotels	5	1 212
Rezidor Hotel Group	4	1 165
First Hotels	3	778
Brøchner Hotels	4	422
Best Western	4	416
Marriott International	1	401
IHG/Crowne Plaza	1	366

Source: Sadolin & Albæk

Copenhagen suburban hotels

Major chains	Hotels	Rooms
Choice Hotels	3	508
Scandic Hotels	3	447
Hilton	1	382
Zleep Hotels	3	294
Golden Tulip	1	151

Source: Sadolin & Albæk

COPENHAGEN HOTEL MARKET DEMAND

- *Demand weakening in 2008 and 2009*
- *Brisk activity in the MICE segment*
- *Domestic demand mounting for city hotels*

Central Copenhagen encompasses the district of Frederiksberg and the City of Copenhagen. In administrative terms, Frederiksberg is also a municipality of its own. Hotels located in central Copenhagen, spanning a diameter of some 8 km, are in a hotel market context defined as city hotels. However, hotels located in Ørestad, which is part of the City of Copenhagen, are defined as city hotels irrespective of their more peripheral location.

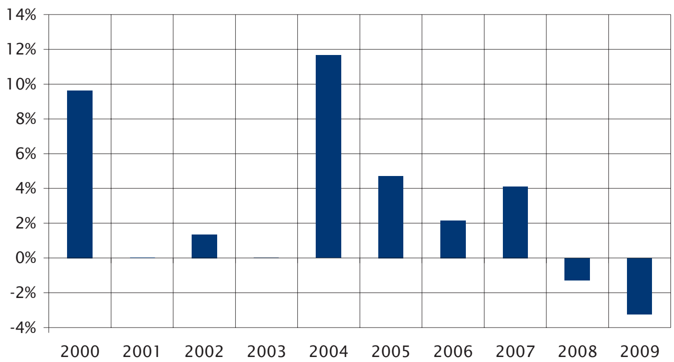
Suburban hotels are located outside the city centre, but in Greater Copenhagen. Bordering Frederiksberg and the Copenhagen city centre, these decentralised areas act as a 'buffer zone' for the city hotels, picking up excess demand when necessary.

Although the suburban hotel area cannot match the city hotel area in terms of inhabitants, its hotels offer near proximity to central Copenhagen, which from most locations can be reached within 20 car minutes outside rush hours. There is a clear distinction between city hotels and suburban hotels as regards customer target groups. For obvious reasons, suburban hotels cannot compete for the tourist segment in central Copenhagen, and they have increasingly focused on the business segment as a result.

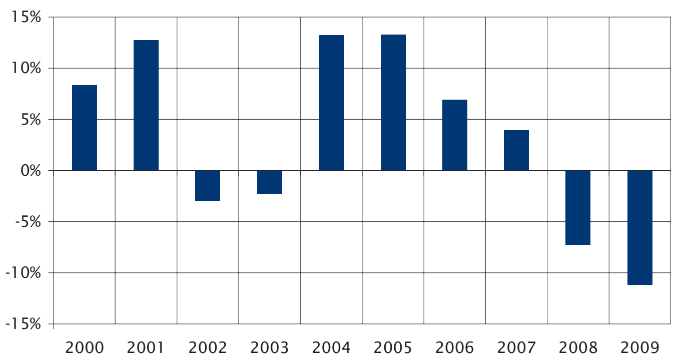
Following a period of exceptional demand growth in 2004 - 2007, market conditions turned around with a sharp decline in demand in 2008 and 2009. We predict that it will take some years for demand to return to its 2007 level.

As described above, the demand for hotel rooms in Copenhagen has been waning in recent years. Accordingly, the number of bed

Bed night growth, city hotels



Bed night growth, suburban hotels



Source: Statistics Denmark

nights plummeted by almost 7% from 2007 to 2009. This marks the first occurrence of negative growth since 1998 as far as Copenhagen city hotels are concerned. When a similar crisis hit in 2001, following the terrorist attacks of 9/11, demand edged down by less than 1%. Even so, this very modest decline had severe repercussions in the Copenhagen hotel market. The recovery from the 2001 crisis was strong, however, and in four consecutive years demand increased by 6% on average.

Hotel Skt. Petri

The demand for hotel rooms is strongly correlated with macroeconomic indicators such as GDP, consumer spending and employment levels. As a natural corollary of the slump in all these indicators in 2008 and 2009, hotel demand therefore suffered a fairly hard blow. Both the business and the leisure segments have seen a slowdown in demand. A decline in consumer spending typically entails a decline in household travel and holiday budgets, and by extension hotel stays. The decline in GDP will trickle down to business budgets, and an obvious and easy way to effect cost-saving measures is to cut travel costs and hotel bills.

As mentioned above, the suburban area acts as a ‘buffer zone’, picking up excess demand from the city hotel segment. Accordingly, when demand is weakening in the city hotel segment, this excess demand is eliminated, and the suburban hotels record a decline in the number of guests. As a result, the suburban segment experienced a plunge in bed nights, that is, a decline of 17.4% from 2007 to 2009. The slump was exacerbated by the substantial new supply of city hotels, drawing additional demand from the suburban hotels. Like the city hotels, the suburban hotels enjoyed some golden years. In 2003 -2007 the average growth rate in demand in fact exceeded the 6%-mark in this segment.

Not surprisingly, the decline in bed nights has curbed occupancy rates. In 2009, overall occupancy rates were standing just below the 65%-mark in Copenhagen city hotels. This level is well below the peak of nearly 70% seen in 2006. Around 2004, Copenhagen experienced a surge in demand, and at the same time supply was stagnant, following some tough years at the beginning of the millennium. This caused occupancy rates to soar this single year, but with the subsequent strong increase in supply and drop in demand in 2008 and 2009 occupancy rates came down just as rapidly.

Given the first signs of an economic recovery there is reason to believe that we will see positive growth in demand in the years ahead. For 2010, GDP growth of 1.8% is forecast, and for 2011 the figure is 1.9%. Similarly, consumer spending is expected to increase by around 2.5% in the next two years. This will help to strengthen the demand for hotel rooms, but as the increase in supply is currently steeper than the increase in demand, occupancy rates are projected to remain moderate for a prolonged period.

For a comprehensive overview of time series data for the Copenhagen hotel market demand, we refer to page 33.

Nationality mix

Until 2005, domestic demand accounted for less than 30% of total demand in the city hotel segment. In 2007, this percentage increased significantly, reaching 39%, followed by a slight drop to 35% in 2009. This is still a very low percentage relative to the other Scandinavian countries and is mainly due to Denmark’s moderate geographical size and well-developed infrastructure which allow domestic guests to return from virtually any Danish destination within a matter of hours, making the need for hotel stays largely redundant.

Nevertheless, Danes seem to enjoy staying at a hotel. Whenever Danes get wealthier, their propensity to stay at a hotel increases, and when the economy slows, they tend to skip the hotel. For Stockholm, the corresponding domestic figure is about 58%, whereas domestic demand in Oslo and Malmo accounts for as much as 65% and 73%, respectively.

Overall, four countries account for just above 30% of demand in the Copenhagen city hotel market, namely Sweden, the UK, Norway and the USA. All four countries were hit very hard by the credit crisis and consequently went into recession in 2008. This serves as one of the important factors in explaining the slowdown in demand in 2008 and 2009.

The actual composition of demand seems to be fairly constant in terms of nationality mix. The pro rata shares of the various countries are not changing, but when domestic demand is improving, the level of foreign demand has to go down.

In terms of demand, the suburban hotel segment differs substantially from the city hotel segment. In this segment, domestic demand accounts for the highest share of demand, that is, 57%. This percentage has been increasing steadily and today it is 12 percentage points higher than in 1992. Whereas overall growth in bed nights averaged 2.7% p.a. in 1992 - 2009, the growth in bed nights involving domestic guests exclusively was 4% p.a. Consequently, the percentage share of foreign guests saw a sharp decline in the suburban hotel area.

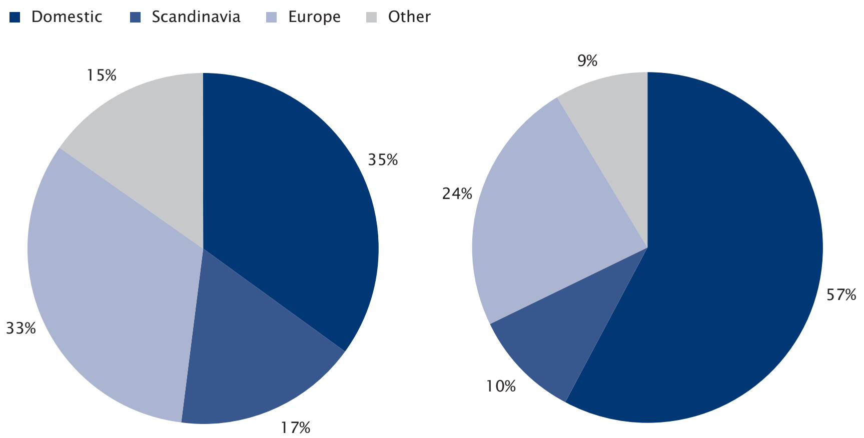
Business mix

In the context of this hotel market report, business mix is defined according to three subsegments. First, the leisure segment comprises all hotel guests whose stay is not business related. Second, the MICE segment (Meetings, Incentives, Conventions and Exhibitions) covers business-related activities involving major groups of people in one venue. Third, the business segment comprises guests for whom the stay is work-related but who are not travelling in large groups.

In terms of business mix the guests choosing to stay at a city hotel are very different from those choosing a suburban hotel. In 2009, the leisure segment constituted exactly 50% of demand in the city hotel segment against 35% in the suburban segment. In turn, business guests accounted for 53% in the suburban segment. Owing to its concentration of attractions, the Copenhagen city centre is a popular destination for leisure guests, whereas the suburban hotels attract a relatively higher percentage of business guests.

Nationality mix

City hotels **Suburban hotels**



Source: Statistics Denmark

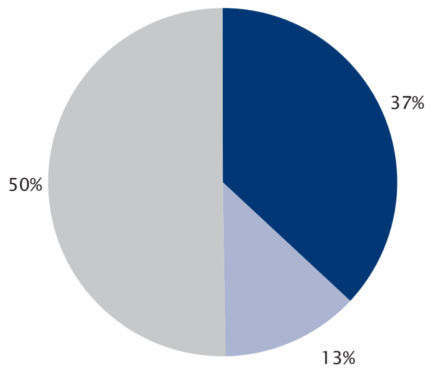
The aforementioned 50% share that the leisure segment contributes to city hotel demand has remained very constant for the past five years. By contrast, in the span of only two years, from 2004 to 2006, it went from 54% to a mere 46%. The percentage share is determined mainly by changes in the business and MICE segments. From 2004 to 2005, the percentage share of the MICE segment soared by 31%, and in the business segment it increased by 16%. An economic boom will boost demand in the business segment whereas demand in the leisure segment is less susceptible to cyclical changes. As a result, the composition of demand is seen to vary accordingly.

Thanks to a central geographical location in Denmark and Scandinavia, Copenhagen conference facilities are in strong demand, which helps to sustain a constant increase in supply. Currently, the Copenhagen area is able to accommodate 60,800 delegates a day, including 7,800 in facilities outside the city centre. The conference and meeting facilities are distrib-

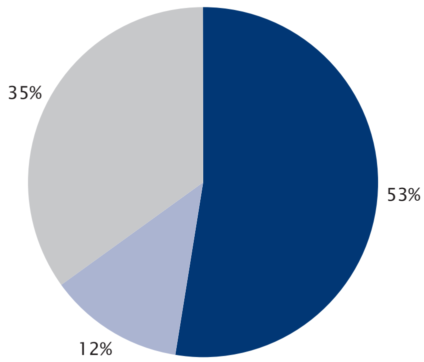
Business mix

City hotels

Business MICE Leisure



Suburban hotels

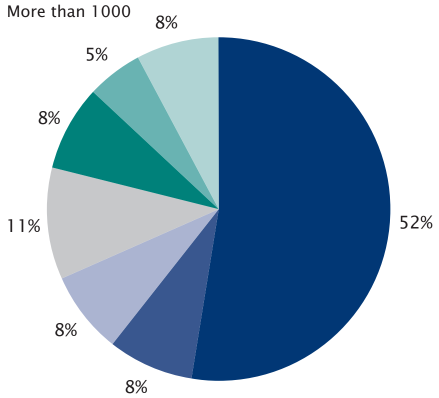


Source: Statistics Denmark

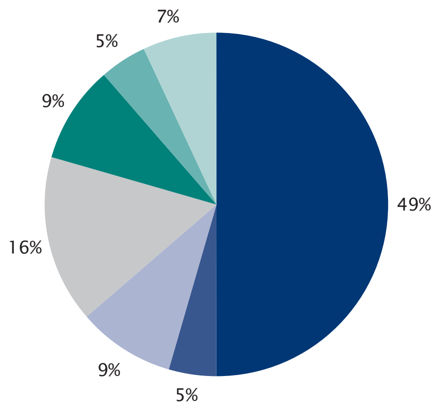
Conference capacity (maximum number of persons)

City locations (144 conference facilities)

Less than 50
51-100
101-150
151-300
301-500
501-1000
More than 1000



Suburban locations (44 conference facilities)



Source: Sadolin & Albæk

uted on 82 different venues and they vary in quality and size. Around 50% of the facilities are able to host 50 meeting participants or less. This is worth bearing in mind when considering that conferences are defined by hosting 50+ delegates. Therefore a great many smaller events do not even register in the conference statistics.

In 2009, the official tourist organisation of Copenhagen, Wonderful Copenhagen, recorded 153 conferences with more than 100,000 delegates in total. In order to qualify as a conference according to Wonderful Copenhagen, the event is to summon 50+ participants from at least three different countries, and finally the event is to last for at least two days. In 2008, the number of conference delegates was just below 63,000 and in 2010 it is predicted to total around 50,000. Clearly, 2009 stands out as an exceptional year, with extraordinary events like the United Nations Convention on Climate Change – COP 15 as well as the 121st IOC session & XIII Olympic congress. The coming years are not likely to see such high delegate numbers. Nevertheless, the MICE segment is believed to be gaining momentum.

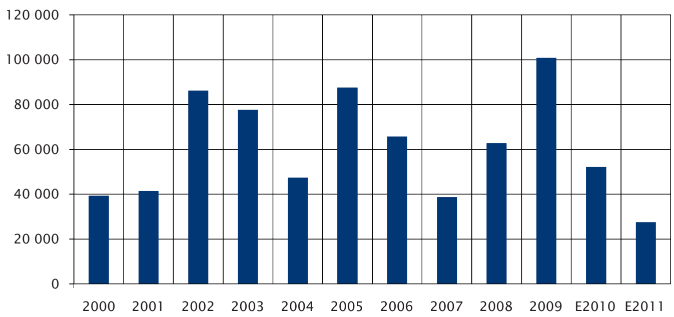
Massive investments have been channelled into new conference facilities in Copenhagen in recent years. The resulting increased supply has so far been readily absorbed, however, because of the strong demand in the market.

Bella Center in Ørestad is the largest convention venue in Copenhagen. In 2011, the largest hotel in Scandinavia is completed next to Bella Center, aimed at making Copenhagen an even more attractive conference city.

Demand in the business segment hinges very much on macroeconomic trends, in particular import and export figures. An economic downturn like seen today curbs the demand for hotel stays in the business segment. In 2009, demand therefore saw a sharp decline of almost 14% in the city hotel market, compared to a decline of around 5% the previous year. The 2009 figure represents a dramatic plunge, but then the current economic crisis is also one of the harshest since the 1930s. Similarly, when the economy prospered in 2005 and 2006, demand in the business segment increased by more than 28% in two years.

As far as the suburban hotels are concerned, the business segment accounts for more than 50% of the guests. In the city hotel market the corresponding figure is a mere 37%. In the suburban hotel market, the leisure segment accounts for a smaller share of the business mix. As a result, the competition for guests in the leisure segment only affects suburban hotels to a lesser extent. As far as the MICE component is concerned it is around 12% or 13% in both submarkets.

Conference delegates, Copenhagen



Source: Wonderful Copenhagen

COPENHAGEN HOTEL MARKET SUPPLY

- *More than 1,500 new rooms were added in 2009*
- *Large-scale hotel development projects in the pipeline*
- *In terms of rooms, new hotels are larger than the average-sized hotels*

Encouraged by the favourable hotel market conditions in 2005 - 2007 investors initiated a great many new hotel development projects in Copenhagen. Some of these have been completed, with the supply of hotel rooms going up accordingly in the ensuing years.

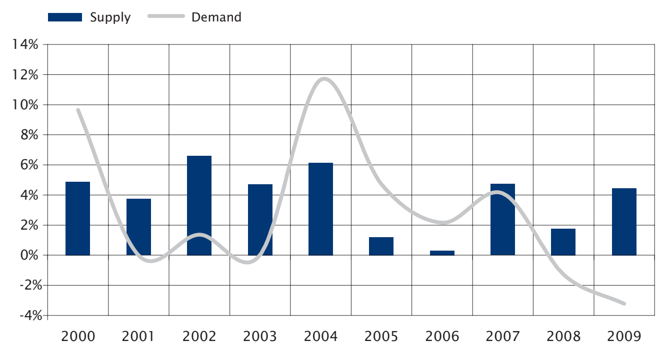
In 2009, three new hotels opened in the Copenhagen city centre, adding 1,585 rooms to the city hotel market. Firstly, *CABINN* opened a new hotel in Ørestad. With 709 rooms it is the largest hotel in Copenhagen. Secondly, the *Arp-Hansen Hotel Group* opened hotel *Wakeup Copenhagen* with a capacity of 510 rooms. Like the CABINN hotel, this hotel is categorised as a low-cost/budget hotel, where the range of services is limited in order to keep prices low. The third hotel was the *Crowne Plaza Copenhagen Towers*. Located also in Ørestad, this is a four-star hotel with 366 rooms. However, the total increase of 1,585 rooms did not hit the market until December 2009, implying that the full effect of the capacity growth is yet to register. As the annual statistics for 2009 include only around 400 new rooms, the statistics for 2010, when available, will show an addition of more than 1,000 new hotel rooms, all located in the Copenhagen city centre.

It takes time to build a new hotel or to add rooms to an existing one, and therefore supply and demand are not perfectly correlated. A peak in demand tends to spark expansion or newbuilding plans. This implies that there is a risk that once the new hotel has been completed, demand may have subsided. History shows that this is often the case, and the year 2009 serves as a good example of this. While the supply of hotel rooms in Copenhagen increased by 4.4%, demand decreased by 3.3%. In 2005 and 2006, the opposite was the case, with demand rising by around 5% and 2%, respectively, while supply edged up a mere 1.2% and 0.3%.

From 2000 to date, the number of Copenhagen hotel rooms has increased by almost 4,000, equivalent to a supply growth in excess of 50%. In the same period, however, the number of hotels has increased by only 16%, equivalent to 14 new hotel entries. In other words, today Copenhagen hotels have 139 rooms on average against 118 rooms in 2000.

There is a variety of players in the Copenhagen hotel market. Nevertheless, a third of the supply is delivered by three major hotel chains: the *Arp-Hansen Hotel Group*, *Choice Hotels* and *Scandic Hotels*. Together they have around 5,700 rooms in Copenhagen, distributed on 30 hotels. In terms of hotel rooms, the Arp-Hansen Hotel Group is the largest supplier, with around 2,200 rooms. Choice Hotels, on the other hand, has the largest number of hotels in Greater Copenhagen, that is, 12 hotels.

Supply and demand, Copenhagen city hotels



Source: Statistics Denmark

As explained, the low-cost segment has been gaining momentum in the Copenhagen market since 2000. *CABINN* completed a new hotel in 2004 and another in 2009. Combined they have just below 1,000 rooms. In 2009, the *Arp-Hansen Hotel Group* opened hotel *Wakeup Copenhagen*. This hotel is in the same low-cost segment and has 510 rooms. These hotels, together with the three hotels of the *Zleep* chain, account for more than 11% of the hotel supply in Copenhagen. Typically, the hotels in the low-cost segment have a large number of rooms, but the rooms tend to be smaller than the average hotel room and the range of services provided by the hotel is reduced to a minimum in order to keep room rates low.

City hotels

Accounting for 73% of the total hotel supply and 80% of the total number of beds, the city hotels constitute the by far largest share of the Copenhagen hotel market. At the beginning of 2010, they included 81 hotels (in this context defined as 30+ beds) with almost 12,500 rooms and some 23,200 beds in total.

The growth in supply in the Copenhagen hotel market is driven primarily by the city hotels. In general, the supply of rooms has been increasing substantially since 1999. In seven years out of the last 11, the growth rate stood above the 3.5%-mark. Although supply growth was more moderate in 2005 and 2006, demand was in fact surging. This surge fuelled expansion and newbuilding activities, translating into supply growth of 4.7% and 4.4% in 2007 and 2009, respectively.

Three-star hotels account for 49% of all Copenhagen city hotels. However, measured by room capacity, they account for some 35% only. Conversely, four-star hotels account for a mere 26% of all hotels in Copenhagen, but all of 39% of total rooms. This is explained by the average size of the hotels. The four-star hotels have 230 rooms on average, whereas the three-star hotels have only 109. In addition, the market share of five-star quality hotels, measured by the total number of hotels, is still low. Today, Copenhagen has only four five-star city hotels, with 263 rooms on average. Irrespective of their modest number, they account for 8% of rooms thanks to their large size.

The *Arp-Hansen Hotel Group* is the largest player in the market when it comes to the supply of three-star hotel rooms. The Arp-Hansen Hotel Group has four hotels in the segment and around 860 rooms. *Choice Hotels* has more hotels in the segment, but the hotels are a bit smaller, counting around 800 rooms in total. In the four-star segment, *Scandic Hotels* is the largest supplier with more than 1,200 rooms, distributed on five hotels. With four hotels, the *Arp-Hansen Hotel Group* together with Scandic

Copenhagen hotel market supply

	City hotels	Suburban hotels
Hotels	81	30
Rooms	12 414	3 048
Rooms per hotel	153	102
Beds	23 163	5 633
Beds per hotel	286	188

Source: Sadolin & Albæk
Note: Figures quoted at year-start 2010

Major hotel chains in Copenhagen

	Hotels	Rooms	Beds
Arp-Hansen Hotel Group	10	2 204	4 101
Choice Hotels	12	1 857	3 290
Scandic Hotels	8	1 659	2 997
CABINN Hotels	4	1 342	2 684
Rezidor Hotel Group	4	1 165	2 198
First Hotels	3	778	1 495
Best Western	5	510	934
Brøchner Hotels	4	422	712
Marriott International	1	401	802
City Hotels	5	401	714
Hilton	1	382	764
IHG/Crowne Plaza	1	366	732
Zleep Hotels	3	294	530
Hotel Guldsmeden	3	239	433

Source: Sadolin & Albæk

Hotels supplies around 40% of the rooms in the four-star segment. The five-star segment with four hotels does not feature any dominating players. In terms of size, the *Copenhagen Marriott Hotel* with 400 rooms is the largest hotel.

Suburban hotels

Generally speaking, the suburban hotel market has benefited from the excess demand from city hotels. There are about 3,000 rooms in the suburban hotel market, and 5,600 beds distributed on 30 hotels. The increase in supply has been more subdued in the suburban hotels than in the city hotels. While the city hotels had a CAGR of 2.7% p.a. in 1992 - 2009, the suburban hotels posted a CAGR of only 1%. After two years of zero growth, supply picked up by 3.3% in 2007. The volatility in demand renders it a fairly risky business to run a hotel in the suburban market, which tends to curb newbuilding and expansion activities. As a result, we do not foresee any significant increase in supply in this segment in the years ahead.

There is a clear distinction between city hotels and suburban hotels in relation to customer target groups. For obvious reasons, suburban hotels cannot compete for the tourist segment in central Copenhagen, and they have increasingly targeted the business segment as a result. Of the hotels outside central Copenhagen, 79% are conference hotels, while business hotels constitute up to 93%. The focus on the business segment is emphasised further by the fact that only about 18% of the suburban hotels are categorised as garni hotels.

Three-star hotels account for 50% of the suburban hotels, and with three hotels *Scandic Hotels* is the largest player by far in this segment. Scandic Hotels has 447 rooms in the suburban area, equivalent to almost 20% of all rooms available.

In terms of room capacity, the four-star segment almost matches the three-star segment. There are fewer hotels in the four-star segment, but in the suburban area their average size is 131 rooms, whereas the corresponding figure is 77 rooms for three-star suburban hotels. *Choice Hotels* is the dominant player in the four-star segment with three hotels and 500+ rooms.

Only one five-star hotel is located in the suburban area: the *Hilton Copenhagen Airport* hotel. With 382 rooms the hotel is the single largest hotel in the suburban area.

Graded hotel supply, Copenhagen city hotels

Grading	Hotels	Room type			Total	Rooms/hotel
		Single	Double	Suites		
5-star	4	73	892	87	1 052	263
4-star	21	731	3 782	311	4 824	230
3-star	40	820	3 226	310	4 356	109
	65	1 624	7 900	708	10 232	157

Graded hotel supply, Copenhagen suburban hotels

Grading	Hotels	Room type			Total	Rooms/hotel
		Single	Double	Suites		
5-star	1	0	381	1	382	382
4-star	7	208	599	108	915	131
3-star	15	132	925	101	1 158	77
	23	340	1 905	210	2 455	107

Source: Sadolin & Albæk
Note: Discounting 1-star and 2-star hotels as well as hotels with no Horesta grading

HOTEL MARKET TRENDS

- *Tenuous outlook for the hotel market*
- *Increasing supply is driving down occupancy rates*
- *Risk of even fiercer competition for hotel guests*

Demand outlook

Overall, Sadolin & Albæk predicts that demand remains weak in 2010, continuing on the trend seen in 2009 and following a marked slowdown in 2008 and 2009. As from 2010 going forward, however, we foresee a recovery in the city hotel market in particular, albeit at a slow pace. In the fifteen-year period ending in 2008 we only witnessed one year with negative growth in demand for the city hotels and we still believe this to be an expanding segment longer term.

Due to the repercussions of the economic downturn, activity in the business segment is believed to remain moderate in 2010 and 2011, impacting on the demand for hotel rooms in this segment. The downturn does not affect the MICE segment in the same way as large-scale conferences and conventions are largely held irrespectively. As far as the Copenhagen hotel market is concerned, however, the problem is that the MICE events are scheduled to take place in other cities than Copenhagen in 2010 and 2011. In fact, only 50,000 MICE delegates are expected to visit Copenhagen in 2010, about half of the 2009 figure of 100,000+. Hotel demand in the leisure segment is determined by the state of the individual foreign economies. Below we set out a trend forecast for the countries deemed of most importance for the Copenhagen hotel market.

Domestic demand accounts for 35% of total demand in the Copenhagen hotel market and, as already described, domestic demand is highly correlated with macroeconomic trends in e.g. GDP and consumer spending. When analysing the outlook for the hotel market these trends are therefore to be taken into account.

Danish GDP growth is projected at 1.8% in 2010. Although positive, this growth rate is hardly impressive. In 2009, GDP declined by 4.8%, which means that the Danish economy is recovering from a very deep slump, and at a very slow pace. It will take years before employment rates return to the high levels of 2006 and 2007, and a continued increase in unemployment is forecast until 2011. This, in turn, is expected to dampen consumer spending quite considerably. In addition to the poor macroeconomic outlook it is worth bearing in mind that hotel stays may be viewed as a largely superfluous luxury by most Danes as it is possible to get from Copenhagen to almost any corner of Denmark in less than four to six hours by road or rail, and even quicker by air. When the economy is weak, it is an easy way to save money to do without. In view of this, domestic demand is expected to remain flat in 2010. But because domestic demand is currently at such a low and because of the anticipated economic recovery, we do foresee an increase in domestic demand, commencing in 2011. For 2011 - 2014, we thus predict annual growth of around 5% in bed nights, keeping domestic demand at around 37% of total demand.

Wakeup Copenhagen

Scandinavian demand accounts for 17% of demand in the Copenhagen city hotel market. In 2009, Norway outranked Sweden as the largest contributor to demand in this segment. The Norwegian economy seems to be recovering at a faster pace than other European economies. Norges Bank, the Norwegian central bank, increased the interest rate level twice in the final months of 2009, indicative of an economic turnaround. Having retained their strong level despite the economic crisis, Norwegian housing prices hit an unprecedented high at year-end 2009. As a result, Norwegian household budgets have been largely unaffected and consumer spending is projected to increase by almost 5% in 2010. Against this backdrop, Norwegian hotel demand is expected to remain strong in 2010 going forward. In 2009, Swedish demand plummeted from its former top ranking in Copenhagen, with 17% negative growth in bed nights. The economic outlook for Sweden resembles the outlook for Denmark. However, the Swedish krona is weak compared to the euro and the Danish krone, making holidays and business trips in Denmark expensive for Swedes. Accordingly, we expect a further small decrease in Swedish demand in 2010, but believe that it will pick up again as from 2011.

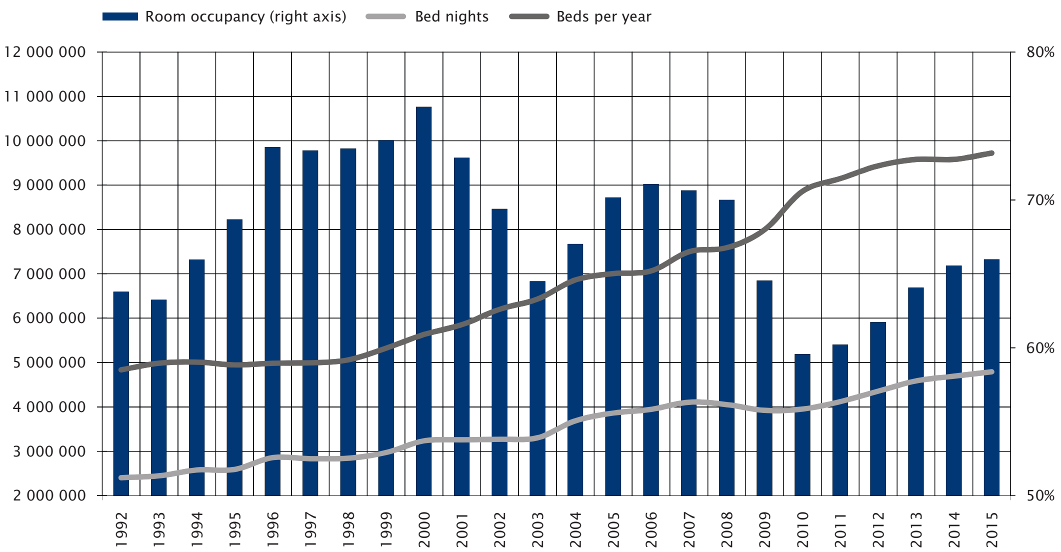
Traditionally, the UK has been one of Denmark's strong trading partners, which has created and helped nurture close business ties between the two countries and by extension brought a substantial number of UK hotel guests to Copenhagen. In 2009, UK guests accounted for 7% of demand in the city hotel market. Today's economic outlook for the UK is not too bright, and the effects of the recent change of government remain to be seen. Slight improvements are, however, expected in macroeconomic key figures in 2010 and 2011. Despite the slump in the UK economy and negative growth in the UK share of bed nights, we do not predict a further decline in the number of UK guests in Copenhagen, but foresee a flat trend in demand in 2010 followed by positive growth in the years ahead.

The economic crisis started in the USA which consequently suffered quite a severe blow. Nevertheless, the number of Copenhagen bed nights accounted for by US guests increased by more than 8% in 2009. The large-scale international conventions of this year clearly helped to attract US visitors to Copenhagen. Strong ties between the governments of the USA and Denmark in tandem with a positive outlook for the US economy make us believe that US demand will grow by around 3% p.a. in the coming years.

Although Germany boasts the largest economy as well as largest population in Europe, Germany is merely the fifth largest contributor to demand in the Copenhagen city hotel market. In view of the currently poor economic outlook for Germany we do not expect its ranking to improve in the years ahead, albeit we expect demand to follow the generally increasing market trend.

In conclusion, the demand outlook for the Copenhagen city hotel market 2010 is rather tenuous. Total demand is estimated to edge up slightly with projected bed night growth standing at 0.7% in 2010. From this low, demand is expected to pick up by 4% p.a. Compared

Hotel market trends and outlook, Copenhagen city hotels



Source: Sadolin & Albæk

with the comeback of the hotel market in 2004 from a similar crisis, these growth rate projections are, however, not impressive. In 2004, the number of bed nights soared by 11% and in 2005 by 6%. Recovery is slowed down by the repercussions of the worst real economic crisis since the 1930s, the long-term effects of which could be severe.

Supply outlook

In 2009, three new hotels opened in Copenhagen, and in the summer of 2010 the *Arp-Hansen Hotel Group* is opening a new hotel on the waterfront near the Tivoli Gardens, viz. the four-star hotel of the *Tivoli Hotel* with 400 rooms. Altogether, these four new hotels will add about 12% to the seasonally adjusted current supply in the city hotel market. This will be an unprecedented annual increase in supply in the period covered by Copenhagen hotel statistics. Coinciding with a slowdown in demand, this warns of challenging years ahead for the Copenhagen hotel market.

In addition, there is a pipeline of hotel developments as from 2011. However, the feasibility of these projects is somewhat uncertain given the current market conditions. In 2011, the *Bella Center* is scheduled to open a new hotel with 800 rooms, the largest hotel in Scandinavia, in an effort to promote the Bella Center as an attractive conference venue. Two additional projects are on the drawing board, but may still be shelved. The first project involves a hotel at Marmormolen in the newly redeveloped Copenhagen harbour district of Nordhavnen at Østerbro, but the time schedule and the number of rooms have not been disclosed. Also, for a number of years there have been various plans to build a new hotel in the historical Scala building in central Copenhagen. Again, details of the current project have not been disclosed. Assuming that these projects will be realised, it is reasonable to include a supply increase of 200 rooms every other year in the city hotel market outlook projections.

The hotels that are built today are typically very large hotels in the Copenhagen city hotel category, graded either as four-star hotels or low-cost/budget hotels. No new three-star hotels have been completed for the past couple of years, and the pipeline of future developments include four-star hotels only. This is probably due to the very small difference in the costs of constructing a three-star and a four-star hotel, especially when considering the higher revenues achievable when running a hotel in the latter category. Obviously, the boom in four-star hotels will serve to make the competition among the hotels in the segment even fiercer. The low-cost/budget hotel concept is targeting guests that would normally not consider staying at a city hotel when visiting Copenhagen. Their concern is with the price level of overnight accommodation and they have traditionally used hostels or stayed at hotels outside the city centre. Four-star and low-cost hotels are therefore not competing in the city hotel market. However, the relatively good quality of the low-cost hotels could draw guests away from the three-star segment and maybe from the suburban hotels as well.

Crowne Plaza Copenhagen Towers

It is remarkable that the increase in supply in 2009 - 2010 is happening only in the city hotel market. Development activity in the suburban market has subsided with no pipeline of projects in the next couple of years. Since the suburban hotels to a large extent benefit from the excess demand from the city hotels, they suffer a double hard blow by the slowdown in overall demand and the substantial supply boost in the city hotel market, leaving very limited excess demand for them to absorb in the next two to four years. The suburban hotel market is therefore facing an oversupply in the coming years, which will also serve to subdue development activity in the short term. As from 2012, however, we project the new entry of one 200-room hotel in the suburban market every other year.

Sensitivity analysis

The surge in supply in the coming years makes it hard to predict how occupancy rates will develop. Given the current market conditions the outlook is not overly bright. Demand could however grow stronger than anticipated. Consequently, our market analysis operates with different growth rate scenarios for demand. In 1992 - 2009, growth in demand averaged around 3% p.a. Assuming that demand will follow the historical trend for the next four years, the outlook is very poor, with average occupancy rates of 61% in 2010 - 2013. This is a sharp drop from the peak of nearly 70% seen in 2005 to 2008. The CAGR included in the outlook is estimated at 3.4%. This is very close to the historical trend of 3%, and the resulting occupancy rate projections are therefore very similar.

Copenhagen Living

Despite the seemingly sound assumption that future demand will follow an average historical trend, this may not be the case in the immediate future due to the current adverse economic conditions and forecasts. Thus, there is a real risk of demand stagnating or even weakening. Assuming that demand remains constant at its 2009 level and supply increases at the projected pace, the outcome would be a dramatic slump in overall occupancy rates to a level of 56% in 2013. This in turn would be very damaging to the hotel industry as a whole and likely result in the forced exit by some hotel owners/ operators.

According to our supply and sensitivity analysis it will take an average growth rate of 7% p.a. in bed nights to achieve occupancy rates in the 70%-range again. There may in fact be a slim chance that this could happen: owing to the weak demand at the moment it is not unrealistic to assume that demand will bounce back with growth rates around the 7%-mark. Should this happen, then the excess supply could be absorbed in the matter of only two years and occupancy rates would average 67% in 2010 - 2013. In addition, the analysis shows that even with strong demand growth in the order of 5%, occupancy rates will fall below the level seen in 1995 - 2008. This clearly indicates that the Copenhagen hotel market is facing some serious challenges.

Supply and demand sensitivity

	Realised		Assumption	Forecast (Occupancy rate)				
	2008	2009	Growth in bed nights p.a.	2010	2011	2012	2013	Avg. 2010-2013
Room occupancy	69%	64%	0.0%	58%	57%	57%	56%	57%
			3.0% (1)	60%	60%	62%	63%	61%
			3.4% (2)	**60%**	**60%**	**63%**	**64%**	**62%**
			5.0%	61%	62%	65%	68%	64%
			7.0%	62%	65%	69%	73%	67%

1) Historic CAGR over the period 1992-2009
2) The CAGR for the outlook
Sources: Statistics Denmark and Sadolin & Albæk

- *RevPAR levels fairly high despite the crisis*
- *Strong performance by major business hotels*
- *Decline in room occupancy rates in all hotel submarkets*

Hotel market performance

The current slowdown in demand and the surge in supply is not a healthy mix for performance levels in the hotel industry. Overall, Key Performance Indicators (KPI) are in fact deteriorating quite dramatically in the Copenhagen hotel market, which is struggling with downtrending room occupancy rates coupled with declining ADR levels. There is reason to believe that this negative trend will prevail in 2010.

The following assessment of Copenhagen hotel performance figures is based on data provided by STRGlobal. Not all Copenhagen hotels are included in this data sample and the submarkets may therefore differ slightly from the complete hotel listing.

After the 9/11 terrorist attacks on the Twin Towers of New York the global economy slowed. The hotel market was hit double hard because the attacks made people afraid of travelling by plane for a period, and as a result the number of foreign hotel guests decreased significantly. In the subsequent period room occupancy rates dropped in all hotel submarkets. Although the hotels cut their room rates, they failed to attract guests. People in the hotel business talked about a 'one-off' crisis, but now, only six years later, the situation is much similar, and the large increase in supply could in fact exacerbate the effects of the current crisis. Competition will no doubt be intense in the coming years, which will drive down room rates and by extension reduce Gross Operating Profits (GOP). Normally, there are only few exits in the hotel market, but the current adverse conditions could probably result in a number of takeovers by large well-run or well-capitalised hotel chains.

In the golden years of 2005 - 2007, room rates saw a steep increase of around 25% on average and at the same time occupancy rates were constant at around 70% in all hotel submarkets. This made hotel operations an extremely profitable business, and many development projects were launched in this period.

The golden period ended in 2008 with the global credit crisis, which then turned into a global recession causing a downturn in all markets to date, with the hotel market being no exception. The collapse of Lehman Brothers, a global financial services firm, was believed to trigger the crisis. It happened on 15 September 2008 and until end-September the hotel market was still in good shape. Room rates had continued to increase throughout 2008 and occupancy rates were quite high. In the final three months of the year, however, both room rates and occupancy rates started to decline. According to annual statistics, the ADR in 2008 exceeded the ADR recorded in 2007 and occupancy rates only edged down by 2 percentage points on average in the hotel submarkets.

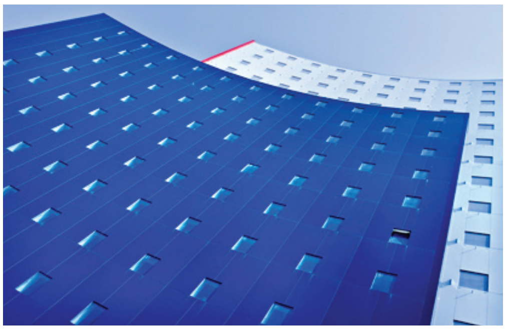
We believe that 2010 and 2011 are going to be some difficult years for the Copenhagen hotel market. ADR will continue to go down because of the intense competition fostered by the increasing supply. Following a renewed dip in 2010, occupancy rates are expected to pick up.

Major business hotels

The major business hotel segment includes all five-star hotels in the Copenhagen city hotel market plus the *Scandic Palace Hotel*, formerly a five-star hotel. There are five hotels in this segment in the Copenhagen city centre, offering just above 1,200 rooms. Generally speaking, this upscale hotel submarket has been flourishing for several years and was seemingly hit less severely than the hotel market at large.

From 2008 to 2009, ADR declined by 3% and occupancy rates remained as high at 67%.
In other hotel submarkets, the price decline exceeded 5% and occupancy rates dropped by at least 5 percentage points. One of the reasons why the five-star segment is doing so well could be the fact that competition is weaker.
As mentioned, there are only five hotels in this segment, whereas the four-star segment has 19 hotels. The latest hotel entries are also four-star hotels. It seems fair to suggest that the

five-star segment has its own market. Demand in this segment has been less affected, and at the same time supply has remained constant. It should be mentioned, however, that the *Crowne Plaza Copenhagen Towers*, which opened in 2009, was built as a five-star hotel but branded as a four-star hotel. It could therefore create competition for the major business hotels. A decline in demand is forecast for 2010, causing a slight drop in prices and occupancy rates. As at January 2010, ADR is 15% below the level of January 2009, indicating that prices will fall in 2010. The January 2010 occupancy rates suggest that the reduced ADR has sufficed to retain a normal level of occupancy in this segment.



CABINN Metro

The major business hotels are also preferred venues for large-scale conferences. In 2009, Copenhagen was visited by more than 100,000 delegates who stayed for 4.7 nights on average. No doubt, conference activities boosted demand in the five-star segment in 2009. The five-star hotels are the largest hotels in the market, enjoy the best locations and offer the largest conference facilities. As a result, the five-star segment benefits the most from the brisk activity in the MICE segment. This is why the five-star hotels were the top performers in the hotel market in 2009. But then the anticipated slowdown in the MICE segment could be argued to affect the 2010 performance in this segment.

Standard-size business hotels

Standard-size business hotels include four-star hotels in the Copenhagen city hotel market. Overall there are 21 four-star hotels in this market, but the data sample only includes 19 hotels. The room capacity in the sample is about 4,300.

The size of the hotels is smaller than the size of the hotels in the five-star segment and they do not offer comparable conference facilities.

Overall, developments in this segment have been fairly good. Strong growth in ADR as well as occupancy rates around the 70%-mark characterised the segment in 2005 - 2008. Around 2000, this segment was undersupplied, and some of the highest gross operating profits were therefore achieved back then. During this millennium new four-star hotels have been completed and existing ones have increased their room capacity. This increase in supply has served to curb the earnings of individual hotels, but the segment is still fairly profitable.

The current crisis has been a very hard blow to the four-star hotels. In 2009, ADR declined by 6% and occupancy rates declined by 5 percentage points, translating into a 13% decrease in GOP. This decline is more pronounced than the decline seen in the five-star hotel segment. The inability of the four-star hotels to match the conference facilities offered in the five-star segment probably had a negative impact on demand in the four-star segment in 2009. Since 2000, four-star hotels have been perceived as very good investment opportunities and therefore this segment has seen several new hotel entries. The increase in supply has driven down occupancy rates and the future outlook is not too promising. In 2010 - 2012, at least 1,200 new hotel rooms are added to the four-star room supply in central Copenhagen. In 2010, the *Arp-Hansen Hotel Group* plans to open the *Tivoli Hotel*, and in 2011 the largest hotel in Scandinavia, *Bella Hotel*, is scheduled to open its doors. Demand will continue to be somewhat weak in this period and therefore competition will be harsh. The first indications of 2010 becoming a challenging year are reflected in the figures recorded in January 2010: RevPAR is 20% below the level of January 2009, prompted by a decline in occupancy rates and ADR. One of the ideas behind the Bella Hotel is the notion that a hotel of this size is able to attract a higher number of large-scale conventions. If this proves to be the case, demand will increase more than anticipated and therefore the outlook could in fact be brighter. However, given the current scenario it is hard to believe that we shall this happen before 2012.

Mixed business and leisure hotels

The third segment of Copenhagen quality hotels consists of three-star hotels. Three-star hotels are typically smaller than five-star and four-star hotels, and many of the hotels in this segment are so-called garni hotels. The data sample used for the three-star segment includes 21 hotels. Overall, there are 40 three-star hotels in the Copenhagen city hotel market, but our sample only includes the larger hotels and therefore occupancy rates, ADR and GOP figures are probably higher than they would be if all 40 hotels were included. The three-star segment has seen excellent developments since 2000. The GOP of hotels in this segment has increased almost every year. By comparison, the 2009 GOP of four-star hotels was far below the level seen in 2000. Although ADR growth has been positive, the favourable trends in this segment are driven mainly by strong occupancy rates, which have improved from around 60% to nearly 70%.

Like the rest of the hotel market, however, the three-star segment has been hit by the current downturn. Occupancy rates have gone down 5 percentage points to 62% and ADR has decreased by 5%. The supply of three-star hotels has increased substantially, and therefore the main challenge is weaker demand. Moreover, the three-star segment is facing increased competition from hotels with lower grading. Many low-cost/budget rooms have entered the market and could have a grave impact on the three-star hotel market. The room size and quality of these two hotel types only differ slightly, and the main difference lies in their range of services. For tourists travelling on a low budget and spending all day on sightseeing in the city, these types of hotels are ideal. Traditionally, a large proportion of these tourists would have stayed at a three-star hotel, but today they may choose otherwise because there is an alternative low-cost segment. Copenhagen saw the addition of 1,200 rooms in the low-cost segment in the final months of 2009 and so far the full effect hereof remains to be seen. With the limited demand forecast for 2010 these new hotel entries could be quite detrimental to the three-star segment.

According to the January 2010 figures, the mixed business and leisure hotels have suffered a softer blow than the other hotel segments. ADR had declined by 8.5% on January 2009, but at the same time occupancy rates had improved by 4 percentage points. In total, this resulted in a slight increase in RevPAR, improving the outlook in this segment.

Suburban hotels

The diversity of hotels in the suburban hotel market is quite pronounced. In general, this market segment mainly includes medium and high-quality hotels, that is, three or four-star hotels. The only five-star hotel in this segment is the *Hilton Copenhagen Airport* hotel. Excluding the Hilton, the suburban hotel market comprises just above 1,900 rooms, distributed on 18 hotels.

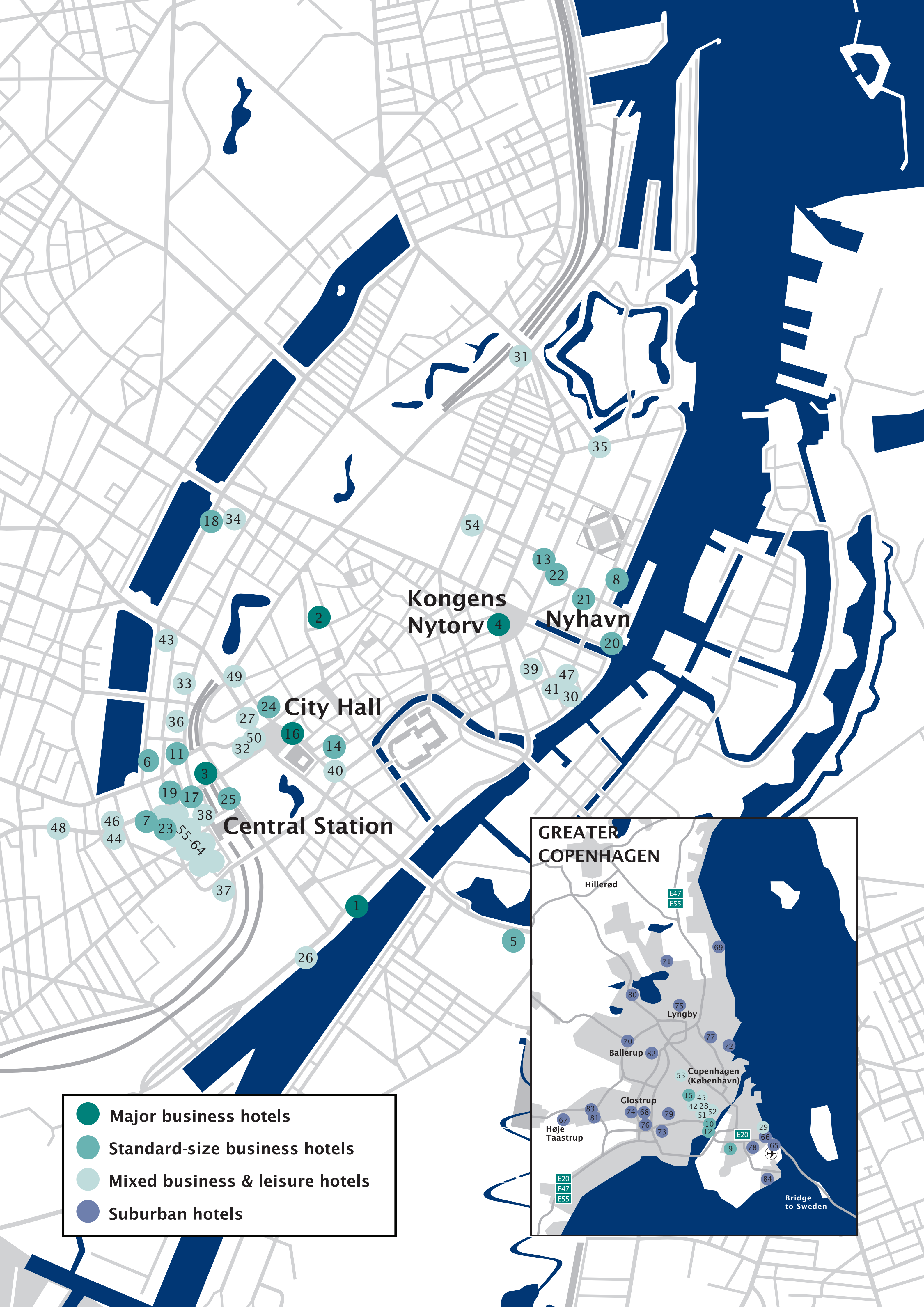
Generally speaking, it can be argued that the hotels in this segment are mainly MICE hotels, as leisure and business-related demand in these areas is limited, at least in comparison to city hotels. In addition to serving as conference hotels, the hotels in this segment have had the ability to absorb excess demand from the Copenhagen city hotel market.

On average the performance of the hotels in this segment has improved dramatically. With major increases in almost all key performance indicators, this segment has outperformed all other segments in recent years. Occupancy rates increased by 14 percentage points from 2003 to 2005, and thus fuelled RevPAR which in the same period soared by 32%. Also in terms of growth in occupancy rates, this segment has outperformed all other segments. An increase of 14 percentage points, equivalent to an annual increase of 7 percentage points, is very impressive indeed by any standards. However, one of the reasons for this exceptional growth may be the fact that ADR, occupancy rates and thus RevPAR hit at an all-time low in 2003 and could therefore nothing but pick up. Some of the increase should therefore be seen as a sort of catch-up on other segments. Consequently, we do not expect the massive growth rates to continue, but still we expect the pace of growth to match that of the rest of the hotel industry.

Copenhagen hotel market performance levels

	2004	2005	2006	2007	2008	**2009**	**Change 2008-2009**
				DKK/sqm/annum			
Major business hotels, 5 stars							
Average daily rate	994	1 110	1 168	1 252	1 274	**1 239**	**-3%**
Occupancy	67%	72%	72%	70%	68%	**67%**	**-2%**
RevPAR	661	799	846	880	868	**825**	**-5%**
GOP per room	114 607	138 887	147 338	153 297	151 236	**143 608**	**-5%**
GOP growth		21%	6%	4%	-1%	**-5%**	
Standard-size business hotels, 4 stars							
Average daily rate	600	693	733	802	879	**824**	**-6%**
Occupancy	68%	72%	69%	70%	68%	**63%**	**-7%**
RevPAR	406	496	503	561	595	**519**	**-13%**
GOP per room	78 909	96 787	98 204	109 742	116 568	**101 413**	**-13%**
GOP growth		-4%	23%	1%	12%	**6%**	
Business and leisure hotels, 3 stars							
Average daily rate	499	558	604	676	740	**700**	**-5%**
Occupancy	70%	67%	69%	69%	67%	**62%**	**-7%**
RevPAR	351	372	416	465	498	**437**	**-12%**
GOP per room	66 739	70 847	79 304	88 801	95 217	**83 323**	**-12%**
GOP growth		14%	6%	12%	12%	**7%**	
Suburban hotels							
Average daily rate	612	667	663	725	826	**816**	**-1%**
Occupancy	61%	68%	73%	72%	67%	**61%**	**-10%**
RevPAR	376	456	483	520	555	**496**	**-11%**
GOP per room	65 240	79 549	84 460	90 961	97 261	**86 768**	**-11%**
GOP growth		6%	22%	6%	8%	**7%**	

Note: GOP calculation is based on a standardised hotel in the segment
Source: STRGlobal



Kongens Nytorv
Nyhavn
City Hall
Central Station
55-64
GREATER COPENHAGEN
Hillerød
E47
E55
Lyngby
Ballerup
Copenhagen (København)
Glostrup
Høje Taastrup
E20
Bridge to Sweden
Major business hotels
Standard-size business hotels
Mixed business & leisure hotels
Suburban hotels

HOTEL INVESTMENT PROPERTY

MARKET OVERVIEW
Copenhagen
Scandinavia

SCANDINAVIA
Hotel demand
Hotel supply

COPENHAGEN
Market players
Hotel demand
Hotel supply
Hotel market trends
Submarkets and performance
Investment property

- *Investors' yield requirements have increased in the wake of the credit crunch*
- *Excess supply is putting strain on the hotel market*

In Denmark, the former strong fundamentals fuelling high property returns until 2007 have given way to a seriously contracting economy, with negative trends feeding through to the Danish property market throughout 2009.

Yield levels continued to climb as investors and finance providers alike remained highly risk-averse. In addition, risk premiums were going up in step with the repercussions of the financial crisis manifesting themselves in the real economy. This signalled the start of a slowdown in the Danish occupational property markets.

Hotel Kong Arthur

Finance providers have been known to be reluctant to engage in new lending in a market where the underlying value of the property asset is questionable, even if the asset is generating stable and sufficient cash flows. The stricter new lending requirements include the demand for higher equity ratios as well as wider loan margins, inflating the cost of capital and depreciating property values further. However, at end-2009 equity requirements loosened, reflecting an increased risk tolerance in the banking sector. Most domestic banks have been able to restore their capital base and cash positions thanks to the Danish banking rescue plans, known as 'Bankpakke I' and 'Bankpakke II', as well as credit facilities provided by Danmarks Nationalbank.

Hotel property is seen as a hybrid asset class, incorporating both business risk and property risk. Therefore yield requirements have typically been higher in the hotel property investment market than, for instance, in the office property investment market. The volatility in demand in the hotel market is one of the key risk factors. Furthermore, the hotel market is illiquid and it is therefore difficult to implement exit strategies.

In addition to location and grading, the yield requirements are determined by whether the hotels are let on a long lease or a short lease or on a management contract. The typical term of a long lease is 15 years or more. From an investment point of view, there is hardly any risk associated with the operation of the hotel and therefore the yield requirements are relatively low. Also the short lease runs for a fixed term in which the investors are not affected by a possible dip in the hotel market. But because a short lease needs to be renegotiated upon expiry or the investors may have to identify a new operator, investors are more exposed to the risk of poorer performance in the hotel industry. This is reflected in higher yield requirements. Under a management contract investors are paid according to the performance of the hotel. The return for the investor therefore hinges on the demand for hotel rooms which is highly volatile. As a result, the risk is higher on hotel properties let on short leases, and they command higher yield requirements.

Because of the scarcity of hotel property transactions in the Copenhagen market, however, it is difficult to provide any exact yield requirements. The yield requirements quoted on page 32 are therefore indicative estimate brackets only.

The hotel market is dominated mainly by private investors, who are typically both owners and operators (owner-occupiers). Until 2007, tax-driven, high-leverage limited partnerships (in Danish kommanditselskaber or K/S) were very active in the hotel property investment market, but have now exited due to the financial sector's faltering propensity to lend and stricter lending requirements.

Traditionally, both domestic and international institutional investors have been less active in the hotel market than in the property market in general. Their lack of experience and knowhow about the hotel business is believed to be one of the most important hurdles to entry. Nevertheless, some international institutional investors have shown some interest, but primarily for modern, well-managed quality hotels, top performers in their segment. The same applies to a range of other international investors, such as foreign core funds.

Property companies have in a historical context had a strong presence in the hotel market and they also show some investment interest despite the current conditions. The single open-market hotel acquisition recorded in the Copenhagen hotel market since 2007 was made by a domestic property company. Like other investors in the market, they are searching for safe-haven assets at the moment, that is, first-rate hotels with top performance in their respective segments.

Generally speaking, investors are deemed very reluctant to enter into a management contract in today's market. However, we believe international hotel property companies to be an exception. These companies have the necessary expertise and skills, and are therefore able to manoeuvre in this market and handle the associated risks. Again, they would focus on modern, well-managed hotels with a large, top-performing operator.

The major business hotels are typically large five-star hotels, which have historically performed fairly well. These hotels post high ADR and strong occupancy rates and by extension high RevPAR. There are only few hotels in the segment and therefore competition is limited.

The risk associated with investments in the major business hotels is believed to be modest, and the yield requirements are therefore lower in this segment. Hotels let on long leases command yield requirements in the 5.5% to 6% range. This is only 50 bps above the yield requirements commanded by prime office properties in Copenhagen. For hotels let on short leases the yields range between 6.25% and 7%. This reflects the rather bleak outlook for the hotel market and the higher risk associated with the short lease. Yield requirements for hotels with a management contract are fairly high, even for the best hotels. As mentioned above, only very few investors are currently interested in this type of contract, which is driving up yields.

Standard-size business hotels are typically large four-star hotels. Historically they have performed very well, but as described above a substantial number of rooms are entering the market at the moment. This increases competition and will influence the performance of the hotels. The number of hotels in this segment is higher and the hotels vary more in size and quality which is reflected in a higher spread in yield requirements. Let on a long lease these hotels are still considered quite attractive investments, which is mirrored in yields of 5.75% to 6.5%. The spread of 75 bps indicates that there are hotels in this segment that fail to deliver high-quality standards. Investors are searching for hotels with a space-efficient layout that makes the operation of the hotel smooth. If let on a short lease or with a management contract, the hotels are able to attract only few prospective buyers and yield requirements are therefore higher.

Copenhagen Marriott Hotel

The mixed business and leisure hotels include mainly three-star hotels in central Copenhagen. These hotels are small and their performance varies considerably. In this segment yield requirements are therefore higher than in the segments outlined above. As mentioned, several investors are shifting to safe-haven assets, and if let on long leases many hotels in this segment still qualify as such. Yield requirements on a long lease are in the range of 6% to 6.75%. Again, the spread of 75 bps is indicative of a significant difference in the quality of hotels in the segment.

Finally, there are the suburban hotels. They vary greatly in size and quality. At the same time the demand in the suburban hotel market seems to be more volatile than in the city market. In the suburban market prospective investors will typically make higher demands in terms of performance and quality, especially if they enter into a short lease or a management contract. For hotels let on long leases yield requirements start at 6%, but the spread is 100 bps in this segment. For short leases and management contracts yields range between 7% and 8% and from 7.75% to 9%, respectively. The volatility of demand is driving up yield requirements in the latter category in particular.

Hotel trading

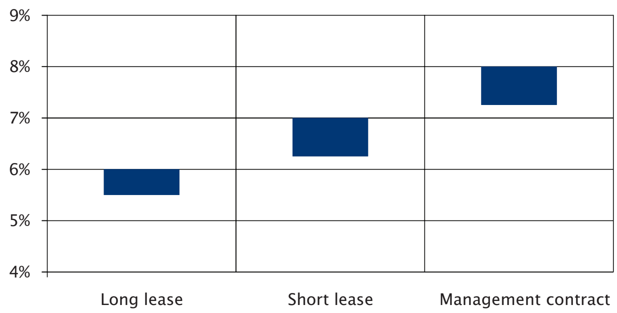
Transactions in the Copenhagen hotel market have been very scarce in the last couple of years. In fact, only one open-market transaction was recorded in 2008 and 2009 put together.

Even in a normal market, the number of hotel trades is fairly low due to the lack of institutional investors in the hotel property investment market coupled with a high proportion of owner-operated hotels, but the current economic downturn has served to almost suspend transaction activity altogether.

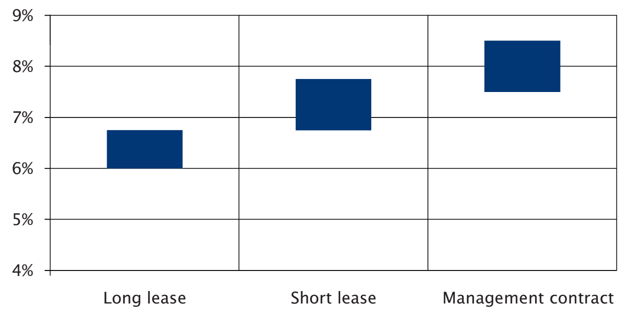
In May 2009, domestic property company *Ejendomsselskabet Norden* acquired the 152-room *Scandic Webers* located near the Central Station in central Copenhagen from international hotel investor and operator *Scandic Hotels*. The estimated net initial yield was approximately 6.75%.

In January 2009, domestic investment company *NorCap* acquired the hotel now known as *Comfort Hotel G.* in a forced sale. Comprising some 5,000 sqm and situated at Nyropsgade in central Copenhagen, the hotel sold in vacant possession at a price of DKK 118m.

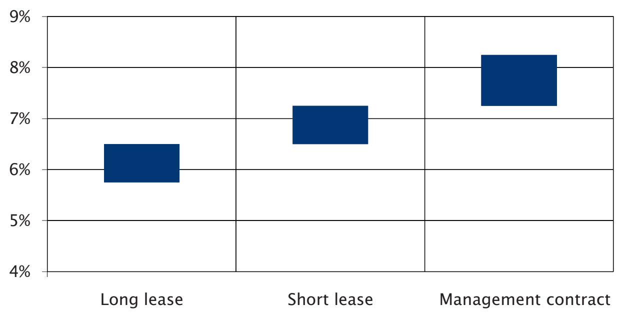
Net initial yields, major business hotels



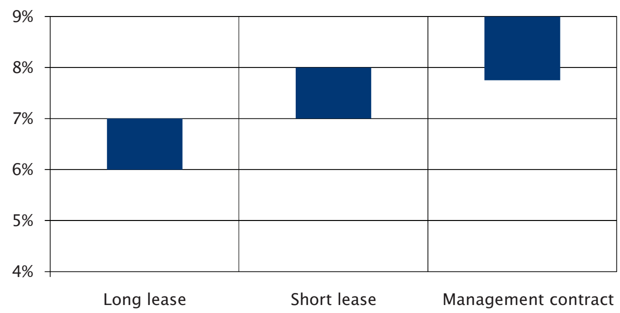
Net initial yields, mixed business and leisure hotels



Net initial yields, standard-size business hotels



Net initial yields, suburban hotels



Source: Sadolin & Albæk
Note: Quoted yields are indicative estimates only

COPENHAGEN HOTEL MARKET DEMAND

	2000	2001	2002	2003	2004	2005	2006	2007	2008	**2009**	**Change 08-09**
City hotels											
					Bed nights						
Total	3 233 121	3 256 256	3 269 469	3 301 528	3 686 317	3 860 421	3 943 931	4 106 092	4 051 763	**3 921 673**	**-3.21%**
					Nationality						
Domestic	882 699	873 860	904 057	902 938	1 005 764	1 164 632	1 264 655	1 545 956	1 474 704	**1 377 946**	**-6.56%**
Scandinavia	761 369	722 863	752 630	783 399	826 496	837 310	831 177	826 362	835 373	**740 166**	**-11.40%**
Germany	131 838	134 234	139 984	152 888	170 462	198 753	189 509	182 385	184 825	**198 312**	**7.30%**
United Kingdom	287 912	307 663	311 255	296 299	381 127	377 911	352 472	338 489	311 603	**284 959**	**-8.55%**
Other, Europe	489 745	550 495	544 983	540 570	587 275	683 045	684 475	646 695	694 137	**722 905**	**4.14%**
Europe total	1 670 864	1 715 255	1 748 852	1 773 156	1 965 360	2 097 019	2 057 633	1 993 931	2 025 938	**1 946 342**	**-3.93%**
North America	274 847	282 930	254 517	258 226	288 263	311 242	336 483	293 018	284 546	**310 919**	**9.27%**
Asia	151 074	146 059	152 033	139 309	154 369	150 904	154 166	157 185	141 963	**146 387**	**3.12%**
Other	253 637	238 152	210 010	227 899	272 561	136 624	130 994	116 002	124 612	**140 079**	**12.41%**
					Room demand						
Let rooms	2 247 414	2 226 466	2 261 047	2 199 931	2 426 245	2 570 308	2 611 789	2 718 916	2 742 059	**2 640 656**	**-3.70%**
					Occupancy						
Beds	57%	55%	52%	50%	53%	54%	55%	54%	52%	**48%**	**-7.85%**
Rooms	75%	72%	68%	63%	66%	69%	70%	70%	69%	**64%**	**-7.54%**
Suburban hotels											
					Bed nights						
Total	453 328	604 425	587 964	575 515	651 813	738 973	788 981	818 381	759 669	**676 294**	**-10.98%**
					Nationality						
Domestic	209 729	256 635	322 087	316 689	289 677	307 917	367 971	424 704	506 872	**424 645**	**-16.22%**
Scandinavia	64 981	72 318	85 115	75 786	85 517	102 463	105 345	102 057	84 935	**84 598**	**-0.40%**
Germany	34 376	29 741	33 920	36 442	31 829	44 378	47 058	41 149	39 183	**46 608**	**18.95%**
United Kingdom	21 197	23 125	50 960	44 168	34 600	41 735	47 767	44 865	48 601	**41 451**	**-14.71%**
Other, Europe	60 772	55 501	80 147	80 602	99 475	110 236	95 482	95 732	87 144	**97 234**	**11.58%**
Europe total	181 326	180 685	250 142	236 998	251 421	298 812	295 652	283 803	259 863	**269 891**	**3.86%**
North America	8 852	9 600	19 507	17 877	18 540	25 757	30 502	31 216	26 747	**31 127**	**16.38%**
Asia	5 328	3 420	10 893	11 343	14 368	17 663	35 792	40 181	19 340	**26 854**	**38.85%**
Other	991	449	1 796	1 553	1 509	1 664	4 340	4 635	3 866	**5 090**	**31.66%**

Sources: Stastistics Denmark and Sadolin & Albæk

LIST OF HOTELS

3 to 5-star city hotels

#	Hotel	Street	Zip code	City	Stars	Rooms
1	Copenhagen Marriott Hotel	Kalvebod Brygge 5	1560	Copenhagen K	5	401
2	Hotel Skt. Petri	Krystalgade 22	1172	Copenhagen K	5	268
3	Radisson Blu Royal Hotel	Hammerichsgade 1	1611	Copenhagen V	5	260
4	Hotel d´Angleterre	Kongens Nytorv 34	1050	Copenhagen K	5	123
5	Radisson Blu Scandinavia Hotel	Amager Boulevard 70	2300	Copenhagen S	4	542
6	Scandic Copenhagen	Vester Søgade 6	1601	Copenhagen V	4	486
7	First Hotel Vesterbro	Vesterbrogade 23-29	1620	Copenhagen V	4	400
8	Copenhagen Admiral Hotel	Toldbodgade 24-28	1253	Copenhagen K	4	366
9	Crowne Plaza Copenhagen Towers	Ørestads Boulevard 114	2300	Copenhagen S	4	366
10	Scandic Hotel Sydhavnen	Sydhavns Plads 15	2450	Copenhagen SV	4	281
11	Imperial Hotel	Vester Farimagsgade 9	1606	Copenhagen V	4	266
12	Clarion Hotel Copenhagen	Molestien 11	2450	Copenhagen SV	4	215
13	Phoenix Copenhagen	Bredgade 37	1260	Copenhagen K	4	213
14	Hotel Twentyseven	Løngangstræde 27	1468	Copenhagen K	4	200
15	Radisson Blu Falconer Hotel	Falkoner Allé 9	2000	Frederiksberg C	4	166
16	Scandic Palace Hotel	Rådhuspladsen 57	1550	Copenhagen V	4	161
17	Grand Hotel	Vesterbrogade 9	1620	Copenhagen V	4	161
18	Hotel Kong Arthur	Nørre Søgade 11	1370	Copenhagen K	4	155
19	Scandic Webers	Vesterbrogade 11 B	1620	Copenhagen V	4	152
20	71 Nyhavn Hotel	Nyhavn 71	1051	Copenhagen K	4	150
21	Clarion Collection Hotel Neptun	Sankt Annæ Plads 18-20	1250	Copenhagen K	4	133
22	Scandic FRONT	Sankt Annæ Plads 21	1250	Copenhagen K	4	132
23	AXEL Hotel Guldsmeden	Helgolandsgade 7-11	1653	Copenhagen V	4	129
24	First Hotel Kong Frederik	Vester Voldgade 25	1552	Copenhagen K	4	110
25	Copenhagen Plaza	Bernstorffsgade 4	1577	Copenhagen V	4	93
26	Copenhagen Island	Kalvebod Brygge 53	1560	Copenhagen V	3	326
27	The Square	Rådhuspladsen 14	1550	Copenhagen V	3	267
28	CABINN Scandinavian	Vodroffsvej 55	1900	Frederiksberg C	3	201
29	Park Inn Copenhagen	Engvej 171	2300	Copenhagen S	3	197
30	Copenhagen Strand	Havnegade 37	1058	Copenhagen K	3	174
31	Comfort Hotel Østerport	Oslo Plads 5	2100	Copenhagen Ø	3	170
32	Ascot Hotel	Studiestræde 61	1554	Copenhagen K	3	167
33	Best Western Richmond Hotel	Vester Farimagsgade 33	1606	Copenhagen V	3	127
34	Ibsens Hotel	Vendersgade 23	1363	Copenhagen K	3	118
35	Comfort Hotel Esplanaden	Bredgade 78	1260	Copenhagen K	3	117
36	Best Western Mercur Hotel	Vester Farimagsgade 17	1606	Copenhagen V	3	109
37	DGI Byens Hotel	Tietgensgade 65	1704	Copenhagen V	3	104
38	Hotel Astoria	Banegårdspladsen 4	1570	Copenhagen V	3	93
39	Hotel Opera	Tordenskjoldsgade 15	1055	Copenhagen K	3	91
40	Hotel Danmark	Vester Voldgade 89	1552	Copenhagen K	3	88
41	Best Western Hotel City	Peder Skrams Gade 24	1054	Copenhagen K	3	81
42	CABINN Express	Danasvej 32	1910	Frederiksberg C	3	80
43	Comfort Hotel G.	Gyldenløvesgade 19	1600	Copenhagen V	3	80
44	Copenhagen Crown	Vesterbrogade 41	1620	Copenhagen V	3	76
45	Avenue Hotel	Åboulevarden 29	1960	Frederiksberg C	3	68

3 to 5-star city hotels, cont.

#	Hotel	Street	Zip code	City	Stars	Rooms
46	Savoy Hotel	Vesterbrogade 34	1620	Copenhagen V	3	66
47	Hotel Maritime	Peder Skrams Gade 19	1054	Copenhagen K	3	64
48	Carlton Hotel Guldsmeden	Vesterbrogade 66	1620	Copenhagen V	3	64
49	Hotel Fox	Jarmers Plads 3	1551	Copenhagen V	3	61
50	Hotel Alexandra	H.C. Andersens Boulevard 8	1553	Copenhagen K	3	61
51	BERTRAMS Hotel Guldsmeden	Vesterbrogade 107	1620	Copenhagen V	3	46
52	Hotel Sct. Thomas	Frederiksberg Allé 7	1621	Copenhagen V	3	45
53	Leda Hotel	Svanevej 6	2400	Copenhagen NV	3	44
54	Hotel Christian IV	Dr. Tværgade 45	1302	Copenhagen K	3	42
55	Comfort Hotel Europa	Colbjørnsensgade 5	1652	Copenhagen V	3	230
56	Absalon Hotel	Helgolandsgade 15	1653	Copenhagen V	3	186
57	Norlandia Star Hotel	Colbjørnsensgade 13	1652	Copenhagen V	3	134
58	Clarion Collection Mayfair Hotel	Helgolandsgade 3	1653	Copenhagen V	3	105
59	Comfort Hotel Excelsior	Colbjørnsensgade 6	1652	Copenhagen V	3	99
60	Best Western Hotel Hebron	Helgolandsgade 4	1653	Copenhagen V	3	99
61	Hotel Ansgar	Colbjørnsensgade 29	1652	Copenhagen V	3	81
62	Hotel Centrum	Helgolandsgade 14	1653	Copenhagen V	3	75
63	Hotel Du Nord	Colbjørnsensgade 14	1652	Copenhagen V	3	65
64	Hotel Tiffany	Colbjørnsensgade 28	1652	Copenhagen V	3	29

3 to 5-star surburban hotels

#	Hotel	Street	Zip code	City	Stars	Rooms
65	Hilton Copenhagen Airport	Ellehammersvej 20	2770	Kastrup	5	382
66	Quality Airport Hotel Dan	Kastruplundgade 15	2770	Kastrup	4	228
67	Quality Hotel Hoje Taastrup	Carl Gustavs Gade 1	2630	Taastrup	4	154
68	Glostrup Park Hotel	Hovedvejen 41	2600	Glostrup	4	151
69	Quality Hotel Marina	Vedbæk Strandvej 391	2950	Vedbæk	4	126
70	Hotel Lautruppark	Borupvang 2	2750	Ballerup	4	98
71	Comwell Holte	Kongevejen 195	2840	Holte	4	87
72	Hellerup Park Hotel	Strandvejen 203	2900	Hellerup	4	71
73	Scandic Hotel Hvidovre	Kettevej 4	2650	Hvidovre	3	207
74	Scandic Hotel Glostrup	Roskildevej 550	2605	Brøndby	3	120
75	Scandic Hotel Eremitage	Klampenborgvej 230	2800	Lyngby	3	120
76	Hotel Brøndby Park	Brøndbyvester Boulevard 6	2605	Brøndby	3	118
77	Gentofte Hotel	Gentoftegade 29	2820	Gentofte	3	98
78	Best Western Bel Air Copenhagen	Løjtegårdsvej 99	2770	Kastrup	3	94
79	Hotel Rossini	Gammel Jernbanevej 27	2500	Valby	3	84
80	KolleKolle	Frederiksborgvej 105	3500	Værløse	3	77
81	Taastrup Park Hotel	Brorsonsvej 3	2630	Taastrup	3	66
82	Herlev Kro Hotel	Herlev Torv 9-11	2730	Herlev	3	56
83	Hotel Svalen	Roskildevej 333	2640	Hedehusene	3	49
84	Dragør Badehotel	Drogdensvej 43	2791	Dragør	3	33

Source: www.hotel.dk
Note: Number (#) refers to location map on page 29

ABOUT SADOLIN & ALBÆK

Sadolin & Albæk is an independent commercial property agency and consultancy firm with offices in Copenhagen and Aarhus.

Sadolin & Albæk has a strategic alliance with Jones Lang LaSalle, one of the world's leading real estate services providers with market coverage in 60 countries. Thanks to its alliance, Sadolin & Albæk has a solid international platform, also in the Nordic region.

Sadolin & Albæk has long-standing experience with the traditional range of real estate services, which also draws on up-to-date knowledge within the fields of economics, investment, finance, accountancy and law on the strength of the company's highly qualified staff. Sadolin & Albæk is a member of RICS.

For three consecutive years, 2006-2008, international magazine EUROMONEY awarded Sadolin & Albæk as 'Best Danish real estate advisory agency'.

Sadolin & Albæk offers a broad range of services in the following core business areas:

VALUATION AND ANALYSIS

Valuation of commercial properties, portfolios and development projects (feasibility studies)

Accredited valuation standards and practices

Substantial knowledge database

International network of top analysts

Absorption analyses

Market reports

Due diligence

CAPITAL MARKETS/ CORPORATE FINANCE

Mediation of commercial and investment properties as well as minor portfolios, also by means of company transfers

Structured sales of major commercial properties, portfolios and property companies

Investment strategies

Portfolio analyses

Advisory services regarding property fund set-ups

CORPORATE SOLUTIONS

Professional corporate real estate consultancy services

Reduction of corporate overheads

Optimisation of corporate space

Sale & leaseback transactions

Renegotiation of lease agreements, etc.

COMMERCIAL LEASING

Mediation of commercial leases, primarily in Copenhagen

Localisation strategies, Tenant Representation

Broad network of landlords and substantail prospective tenant database

Professional marketing tools and exposure

Lease valuations

Sadolin & Albæk's clients include domestic institutional investors, property companies, international banks, local authorities, developers and private investors.

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Terms and definitions

ADR	Average Daily Rate. Hotel revenue divided by the number of rooms sold. Hotels use this measure to calculate the average price at which they are booking hotels each night, also called Average Room Rate (ARR)
Bed night	Hotel industry measure of occupancy, one person for one night
Bp	Basis point. A basis point represents one hundredths of a percentage point, or basically .01%
CAGR	Compound Annual Growth Rate is an average growth rate over a period of time. It is a geometric average of annual growth rates. It is calculated as: CAGR = (Ending Value / Beginning Value)^(1 / n) - 1 where n is the length of time in years
CBD	Central Business District
City hotel	Hotels located in central Copenhagen, 30+ rooms
Garni hotel	Hotels without restaurant facilities
GOP	Gross Operating Profit
Grading/classification	Hotels are typically graded or classified according to their level of amenities, range of facilities and quality of services. Although hotels may be classified into ‘star’ categories (1 star to 5 stars, with 1 star typically denoting a budget/economy hotel providing a limited range of amenities and services, and 5 stars denoting a luxury hotel with the widest range of guest services, as well as swimming pool, sport and exercise facilities), there is no standard method of assigning these ratings, and compliance with customary requirements is voluntary. Hotel chains assure uniform standards, whereas non-chain hotels (even within the same country) may not necessarily agree on the same standards. The Official Hotel Guide has its own classification scheme that ranks hotels in nine categories. This hotel market report uses the ‘star’ categories
Hotel	An establishment that provides lodging and usually meals and other services for travellers and other paying guests. In general, to be called a hotel, an establishment must have a minimum of six letting bed rooms, at least three of which must have attached (ensuite) private bathroom facilities
KPI	Key Performance Indicator
Major business hotel	Five-star hotel in the Copenhagen city hotel market
MICE	Meeting, Incentive, Convention and Event

Terms and definitions, cont.

Mixed business and leisure hotel	Three-star hotel in the Copenhagen city hotel market
Room occupancy rate	Indicates the ratio between occupied rooms and available rooms. Two variables of room occupancy are used in tourism statistics: net occupancy rate and gross occupancy rate. Net occupancy rate is obtained by dividing the number of rooms occupied by the number of rooms actually available in a given month, net of seasonal or other temporary closures. Gross occupancy rate is calculated by dividing the number of rooms occupied in a given month by the total number of rooms, irrespective whether the rooms are actually available or not. This hotel market report uses the net occupancy rate unless otherwise stated
RevPAR	Revenue Per Available Room
Standard-size business hotel	Four-star hotel in the Copenhagen city hotel market
Suburban hotel	Hotels located outside the Copenhagen city centre, but in Greater Copenhagen
VAT	Value Added Tax, in Denmark currently 25%

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