

APG Real Estate

Hospitality market & investments

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INREV Sector Seminar – 2 July 2020

**THE GOOD,
THE BAD &
THE UGLY"**



Agenda

- 01 What we own
- 02 Why we invested
- 03 How ugly is it
- 04 What we could expect going forward
- 05 Why we will invest



01 What we own

1. Archer Hotels



2. citizenM



3. The Student Hotel



4. City ID



5. The Portfolio Club



6. Azora European Hotel & Lodging fund





02 Why we invested

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Megatrends relevant to strategy



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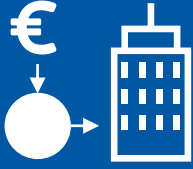
Investment beliefs & mission



Investment Beliefs



Property is a local business and managing it increasingly requires operational skills



Indirect investing allows better diversification and teaming up with the best in class operators



Listed and private Real Estate is a single-asset class



Our investment horizon provides advantage to capitalize on Real Estate market inefficiencies and trends



Good governance and responsible investment are key



Mission

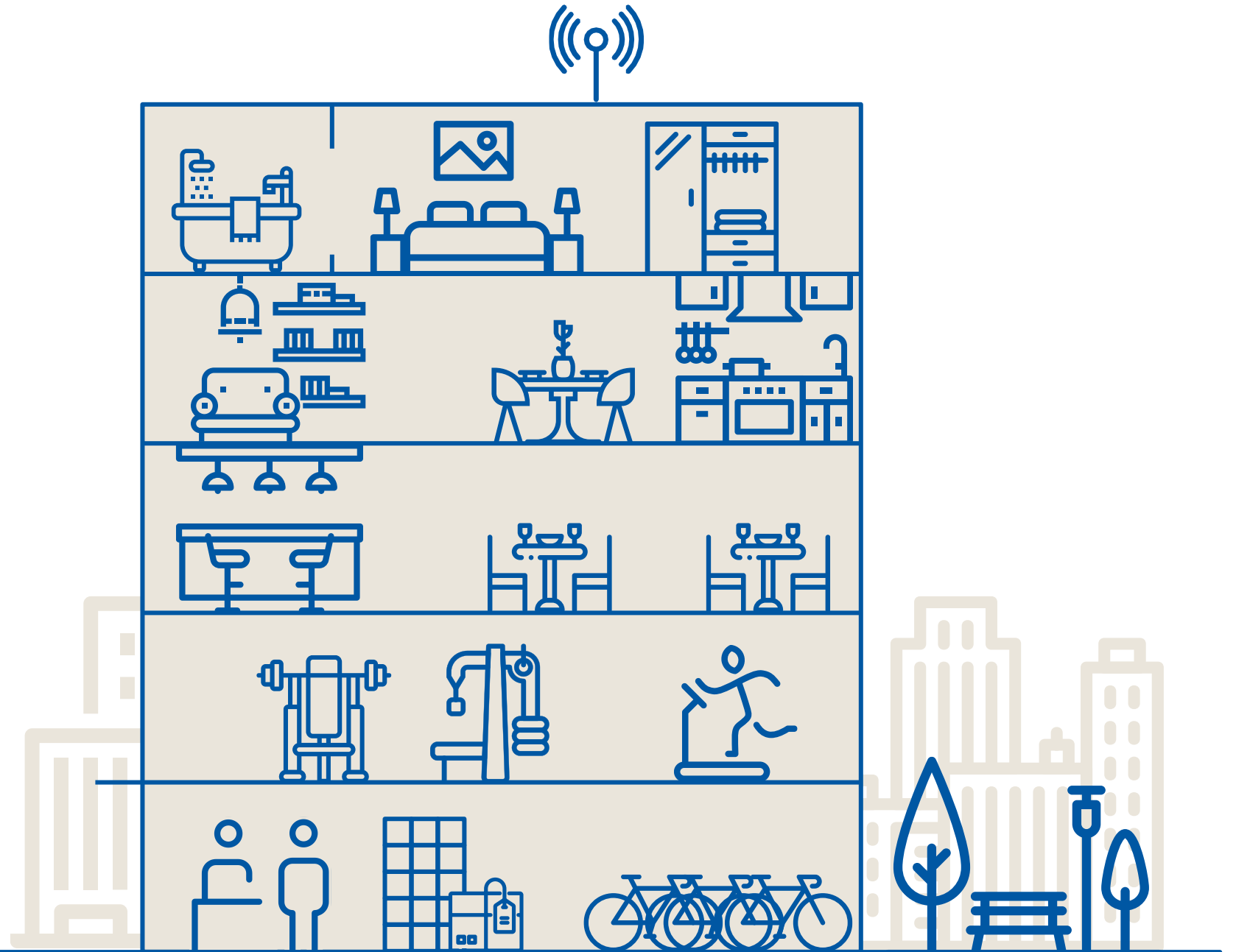


Manage a sustainable portfolio of global Real Estate investments which provides an attractive and relatively stable income return along with longer term capital growth and generates performance on top of "smart beta" exposure

What are we looking for

Real Estate 2.0

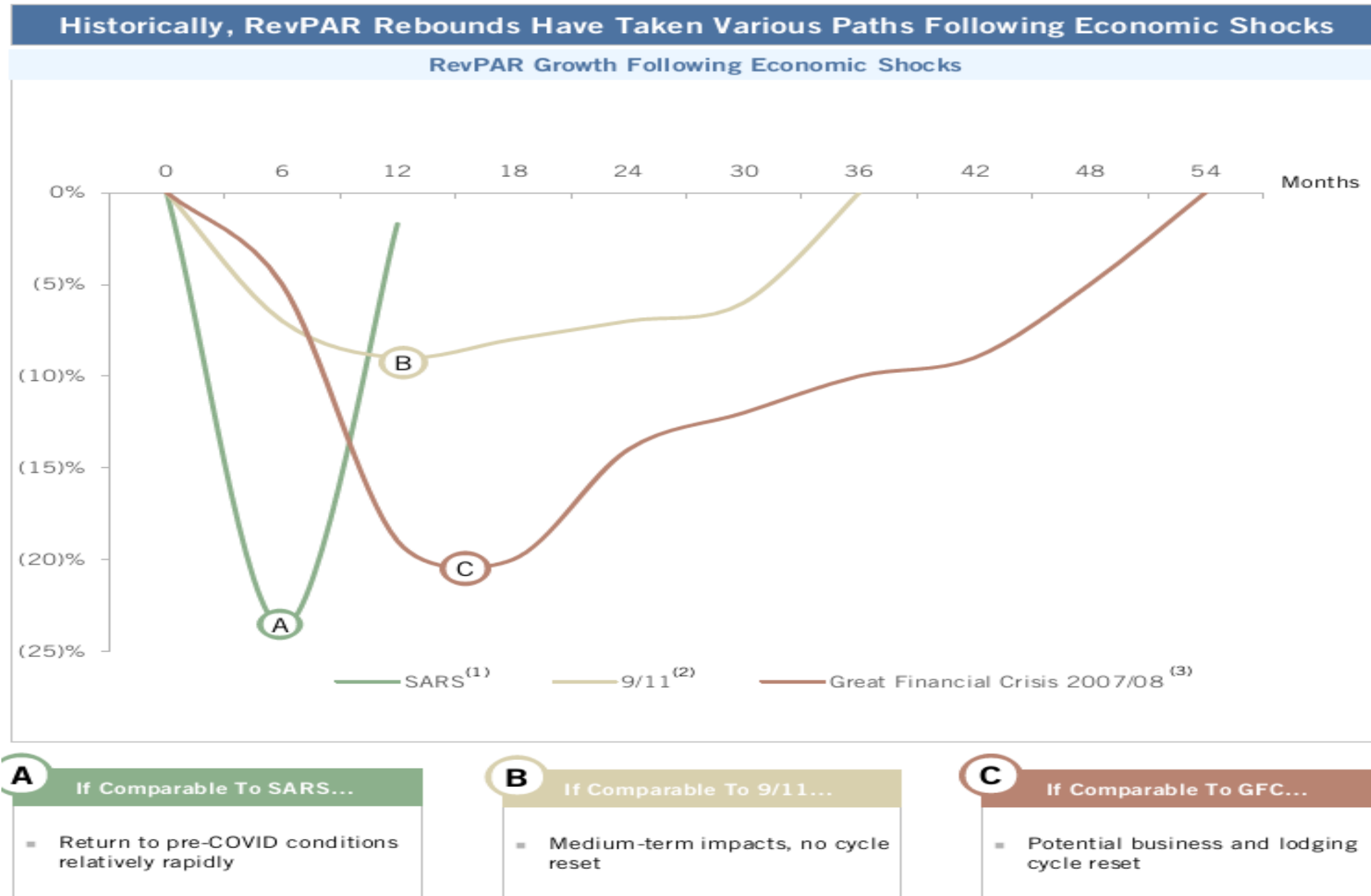
With property costs continuing to rise and urban lifestyle changing, a new breed of 'operational real estate' companies has appeared, disrupting the traditional property market by cleverly connecting and combining consumer needs, scarcely available space, services, amenities, technology and branding, resulting in premium returns for all stakeholders.



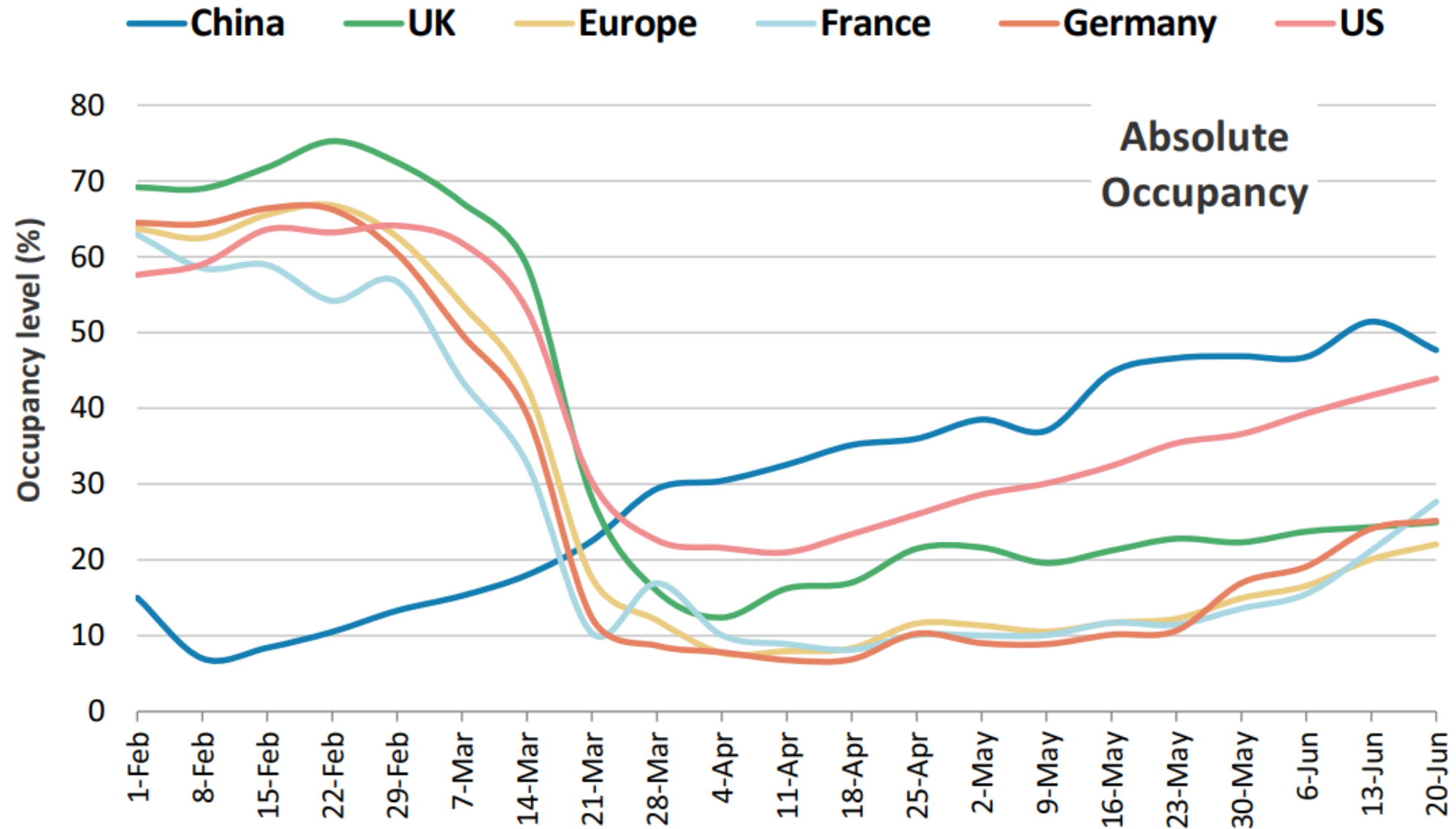


03 How ugly is it

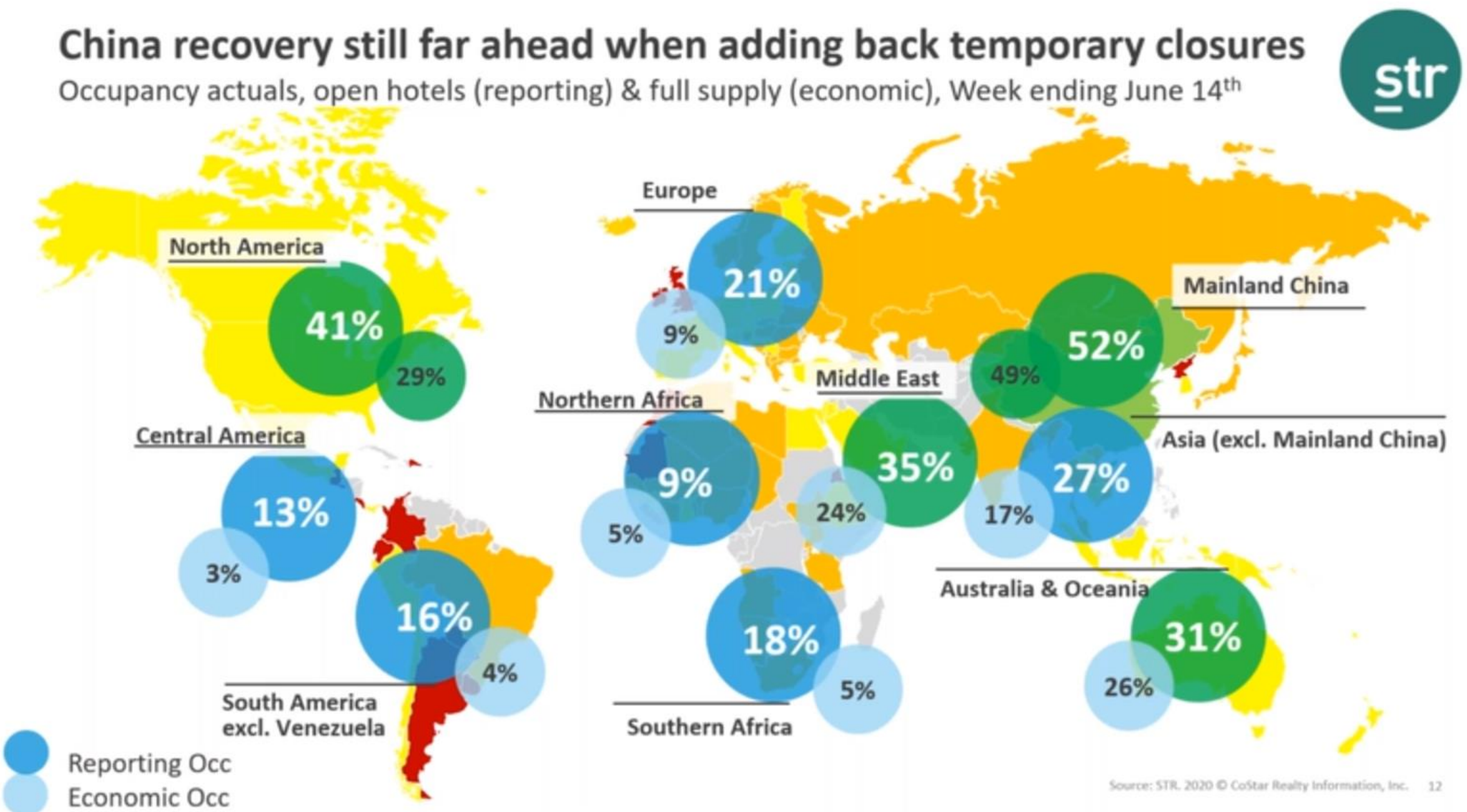
Historical perspective



Now the hotel world looks like



Reported vs Real Occupancies



The situation in a country near you

0-20%

	Reporting	Economic
Hungary	6%	3%
Romania	8%	5%
Czech Republic	12%	6%
Ireland	12%	3%
Serbia	13%	10%
Belgium	14%	6%
Austria	14%	8%
Sweden	15%	13%
Denmark	15%	9%
Spain	15%	5%
Lithuania	15%	11%
Latvia	16%	9%
Poland	16%	11%
Switzerland	18%	10%
Portugal	18%	5%
Italy	18%	8%
Russia	18%	14%
Turkey	19%	12%
Netherlands	20%	16%

21-40%

	Reporting	Economic
Israel	21%	8%
France	22%	2%
Germany	24%	20%
United Kingdom	24%	5%
Finland	25%	4%
Monaco	32%	27%

41-60%

	Reporting	Economic
Azerbaijan	45%	30%



04 What we could expect going forward

It will take long(er) to recover

COVID-19 likely to be more severe and take longer to recover than GFC

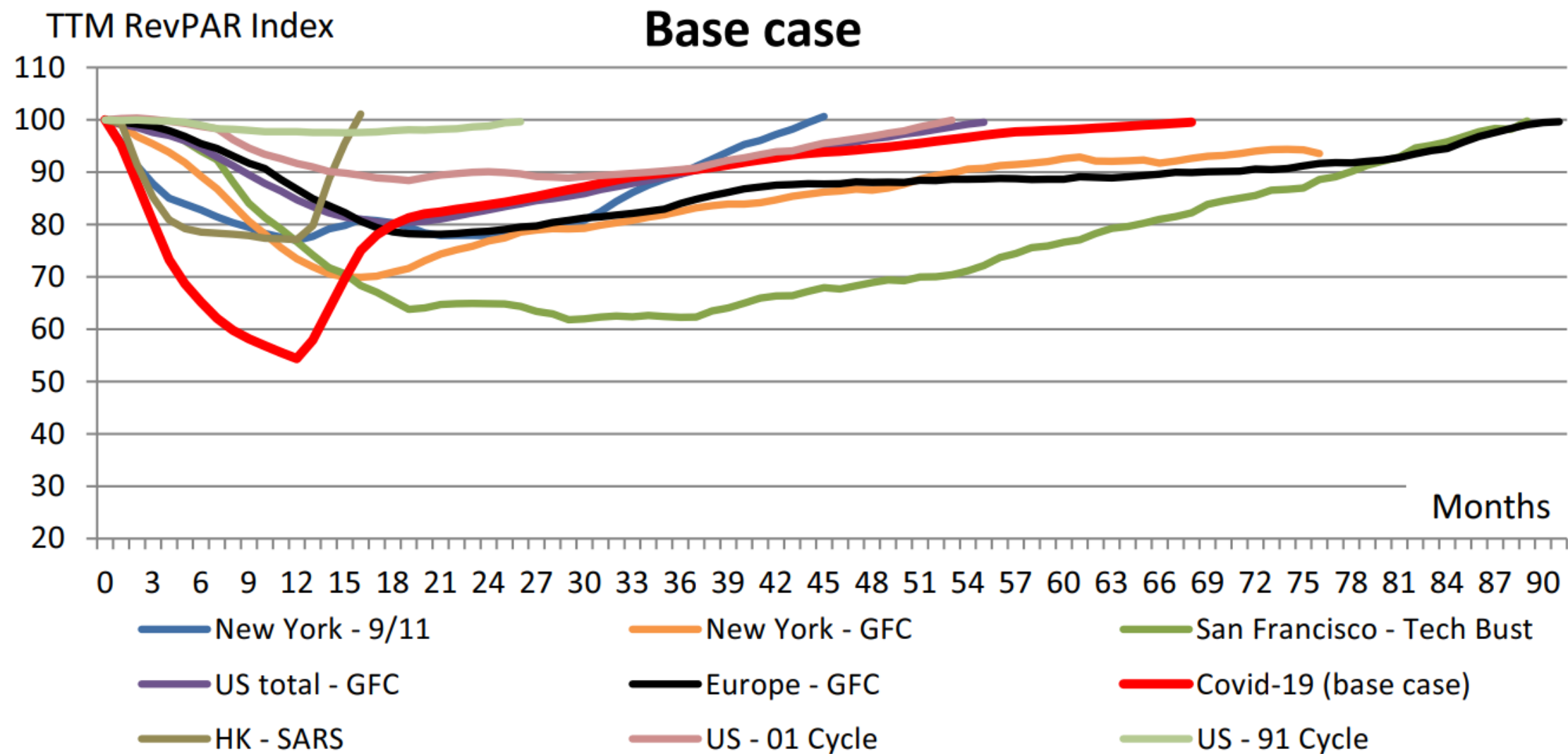


The short-term downturn has already been more severe in the short-term, demand seems very likely to remain depressed in the medium term and long-term recovery hampered by extended period of downward pressure on ADR and having to absorb more supply growth than post GFC

Short-term	Medium-term	Long-term
<p>Timeframe: next 6-12 months</p> <p>Demand levels recover to 60% to 80% of 2019 levels. Demand well below GFC levels due to:</p> <ul style="list-style-type: none"><input type="checkbox"/> Travel restrictions<input type="checkbox"/> Social distancing measures<input type="checkbox"/> Weak consumer confidence <p>ADR much lower due to change in mix and loss of compression nights</p>	<p>Timeframe: next 1-2 years</p> <p>Slower demand recovery than GFC due to:</p> <ul style="list-style-type: none"><input type="checkbox"/> Impact of economic downturn on business/group travel<input type="checkbox"/> Slower international recovery due to structural change in airline capacity <p>ADR recovery slower due to competition driving prices down</p>	<p>Timeframe: up to 2024</p> <ul style="list-style-type: none"><input type="checkbox"/> Demand to recover in majority of markets to 2019 levels by 2023. By 2024 demand aggregate forecast is 5% higher than 2019 levels by 2024<input type="checkbox"/> However, supply growth will mean occupancy levels will on aggregate be 95% of 2019 levels <p>ADR recovery likely to take longer than GFC because occupancies depressed for longer</p>

Source: STR. 2020 © CoStar Realty Information, Inc. 33

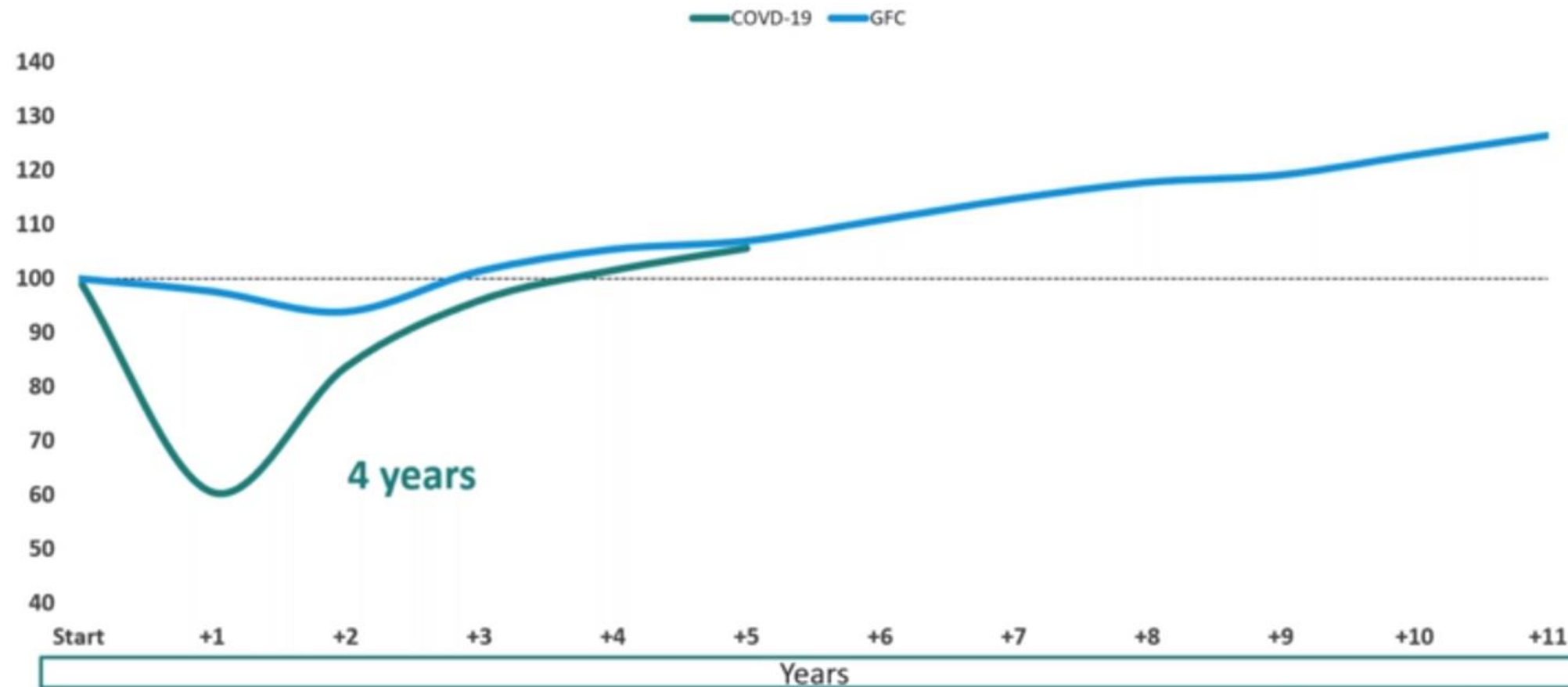
How long?



It has to start with occupancy

We expect demand to recover in 4 years... 1 year behind GFC

Europe select key cities Demand indexed to start of downturn



Source: STR. 2020 © CoStar Realty Information, Inc.



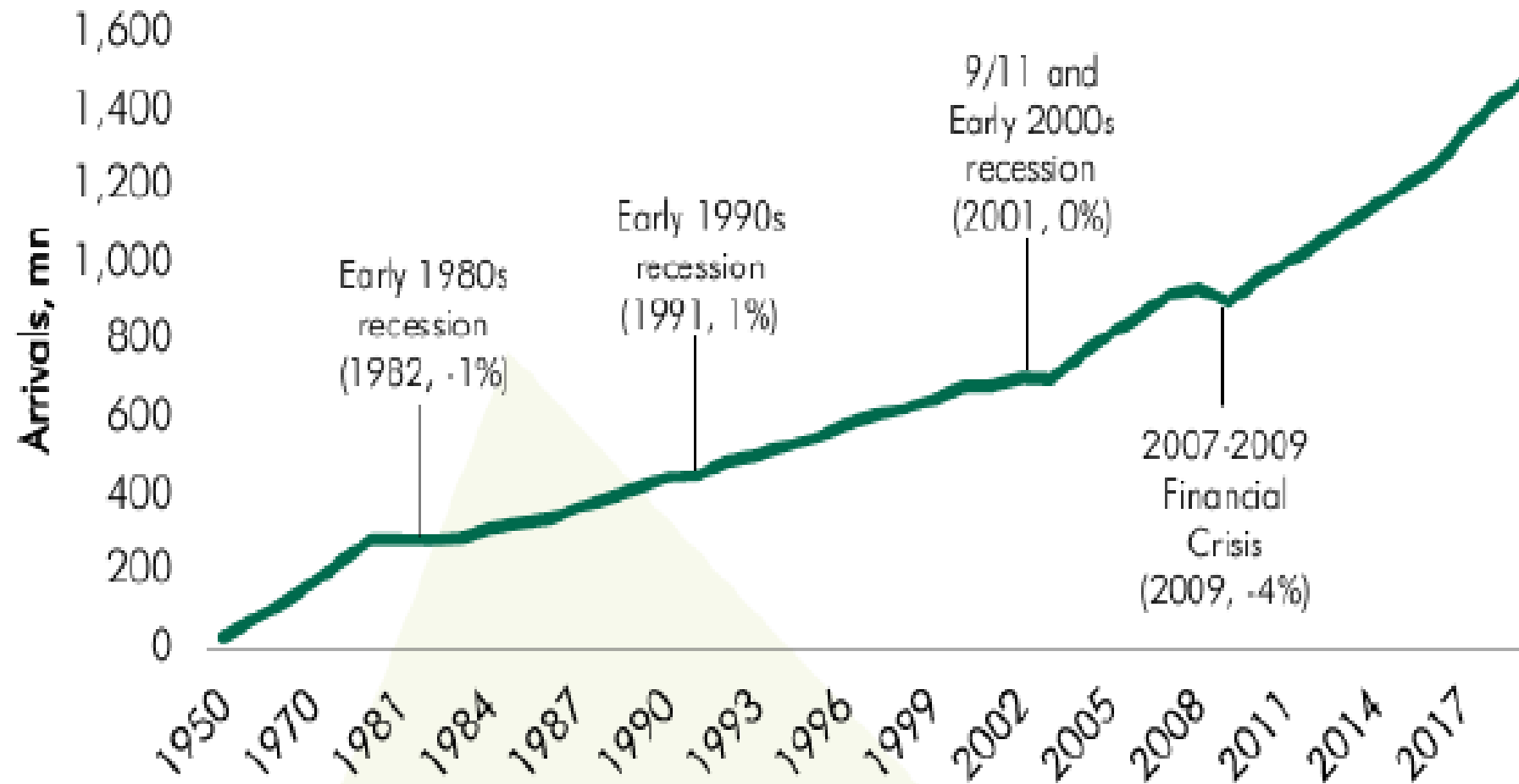
04 Why we will invest

We will travel again



In numbers

Global International Tourist Arrivals, 1950-2019



Source: United Nations World Tourism Organisation, 2020

REVPAR has always come back stronger

