

Short Feasibility Study for a Hotel Project in the Luxury Segment in Vienna, Austria

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Submitted to Mag. Arch. Gabriel Kacerovsky

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Declaration of Authorship

I declare that this dissertation is my own unaided work. I have not included any material or data from other authors or sources, which are not acknowledged and identified in the prescribed manner. I have read the section in the exam regulations on plagiarism and understand that such offences may lead the Examinations Board to withhold or withdraw the award of Bachelor of Business Administration.

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Executive Summary

In 2010, the former headquarters of Bank Austria Creditanstalt located in the inner city of Vienna, “Am Hof 2” was acquired by Property Development GmbH. As the new owner of the property is interested in the development of a luxury hotel, planned to be operated by a well renowned hotel brand, a feasibility study was commissioned to be made by the author.

The purpose of this paper is to investigate the opportunities and risks of operating a high class hotel at the designated location. In order to determine whether a feasible operation of such an establishment is possible, the various key factors of competitive business in this particular market will be analyzed.

The investor of the property has determined certain benchmarks which need to be taken into account in the planning of this project. Basically, the main factors include a certain standard of guest rooms and suites, gourmet facilities as well as recreational areas including a representative Wellness and Spa installation.

A prerequisite for a professional feasibility study is the depiction of the macro economic circumstances which are of importance to the project. The comprehensiveness and accuracy of the feasibility study submitted relies on information provided by the owner and acquired through extensive secondary data research.

Assuming that the city of Vienna’s economic and touristic outlook will develop as expected, the proposed hotel project should achieve the success desired by the investor. Given the trend of economic recovery and the increased attractiveness of Vienna to high income consumer segments, the realization of the respective project is set on solid grounds.

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List of Abbreviations

ACV	Austria Center Vienna
ECR	European Congress of Radiology
EU	European Union
F&B	Food & Beverage
GDP	Gross domestic product
HR	Human Resource
IAEA	International Atomic Energy Agency
ICCA	International Congress and Convention Association
IMF	International Monetary Fund
LHW	Leading Hotels of the World
M&S	Marketing & Sales
MA 5	Magistratsabteilung 5 (Referat Statistik und Analyse)
MICE	Meetings, Incentives, Conventions and Events
NOI	Net operating income
NOP	Net operating profit
ÖBB	Österreichische Bundesbahnen (Austrian Federal Railways)
OeNB	Österreichische Nationalbank (Austrian Federal Bank)
OPEC	Organization of the Petroleum Exporting Countries
OSCE	Organization for Security and Co-operation Europe
RevPAR	Revenue per available room

- UIA Union of International Associations

- UNESCO United Nations Educational, Scientific and Cultural Organization

- UNIDO United Nations Industrial Development Organization

Introduction

In November 2010, Property Development GmbH acquired a historic building at “Am Hof 2” in the center of Vienna. The building, which formerly served as headquarters of Bank Austria Creditanstalt, is planned to be converted into a five star luxury hotel. Plans for this investment include the development of a hotel which is able to play in at the very top end of the luxury segment.

To further support internal investment decisions in terms of construction and design, the Owner of the property “Am Hof”, who is represented by “The Property”, company for real estate management of the building, commissioned the preparation of a short feasibility study for the proposed hotel project in Vienna.

The study focuses on the macro- and micro-environment of the location of the proposed hotel, the assumed competitive set, the local hotel market, the estimated trading performance of the hotel assuming a position at the very top end of the market.

The project for the hotel has to include the following elements:

- 133 guest rooms of 44 sq m., designed as superior double rooms
- 43 different suites (Junior, Executive, Presidential) from 93 – 220 sq m.
- Gourmet restaurant and bar,
- Champagne bar & lounge
- Roof top bar
- Wine cellar
- Multifunctional meeting and conference rooms
- Wellness & spa area (including treatment rooms, sauna, steam bath, whirlpool, indoor pool)
- Fitness & gym area

Furthermore, parking facilities will be provided in the public garage which is next to the hotel providing approximately 600 parking spaces. The following elements will be covered in the study:

- brief economic overview of Austria
- Location & site analysis of Vienna and the property site
- Market analysis including hotel supply, hotel demand and competition
- The product and its positioning
- Financial analysis and trading estimates
- Conclusion

The study is based on information gathered through property inspection and analysis of secondary data available on the market. At the moment of the assignment, the project is in the stage of planning.

1.1 Assignment

Aim of the feasibility study is to obtain a neutral, professional and qualified opinion and a thorough analysis of the current project plans. All assumptions in this feasibility study regarding the project itself with respect to size, layout and design, as well as operator selection are based on plans previously presented by the owner. These plans are measured and developed by design team and architect.

The study examines site and market circumstances at the time of site inspection, market research, all relevant economic issues as well as financial estimations for the proposed hotel project. Furthermore, the study relies upon information provided by the owner and the analysis of secondary data available on the market. The research for the study was accomplished in a period from January and April 2011. An examination of the legal terms, in particular the ownership, building, corporate and fiscal terms, is not subject of this assignment.

2 Location Analysis

2.1 Macro Location

2.1.1 Economic Overview Austria

Austria's Economy after the Financial Crisis

According to a summary conducted by G. Fenz and M. Schneider in December 2010 for the Austrian Federal Bank (OeNB), the Austrian economy recorded a growth rate of 1.9 per cent in the year 2010 after a decrease of 3.7 per cent in 2009. These developments are resultant to the worldwide economic and financial crisis of the recent years.

The present situation, a robust and stable economic growth, which can be termed “recovery” – in this case mainly driven by exports - convinces the researchers that the economic growth of the years 2011 and 2012 will reach 2.1 per cent and 2.3 per cent. The prospects for growth in the OeNB's economic outlook of June 2010 are now better than expected, despite the fiscal consolidation measures that have been adopted in the meantime as reported in the bank's analysis (Gerhard Fenz & Martin Schneider, 2010).

Real GDP Growth (Seasonally and Working Day-Adjusted)

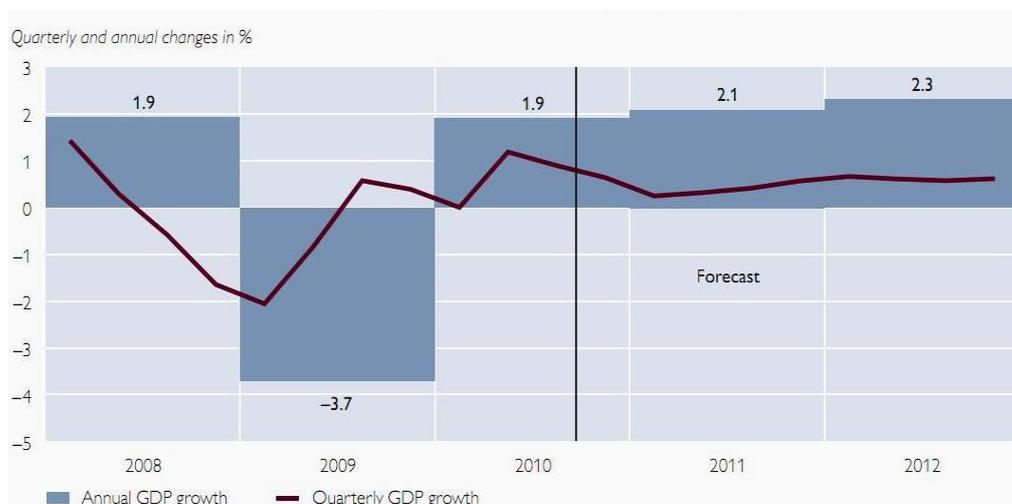


Chart 1 Real GDP Growth (Seasonally and Working Day-Adjusted)

For an overview of the development of real GDP growth in Austria for the period 2008 to 2012 see Graph 1. Due to these numbers, the situation still is difficult in terms of the budgetary consolidation measures by the Austrian government and the commitments criteria with the European Union.

According to press releases of Statistik Austria in March 2011, government decided to increase taxes by a moderate level in order to push down both inflation (to 2.2 per cent and lower) and the federal deficit (to the required maximum of three per cent) until 2013. Having had to cope with a national federal budget deficit of 4.1 per cent of GDP in 2010, the Austrian government is forecasting to manage a slight reduction to four per cent. In absolute figures this equates to € 205.2 billion which equals to 72.3 per cent of GDP, whereas the Maastricht Criteria require a maximum debt of 60 per cent of GDP. The Austrian economy profited from the recoveries of the global and especially the very important German markets.

According to Fenz and Schneider (2010), exports of goods and services were thus expected to expand by 10.5 per cent in real terms in 2010. This was due to the fact that the economic outlook for Austria until 2012, seen from the perspective of 2010, assumes that Austria is facing a problem which is not connected to the alleged trigger of the crisis, the Lehman Brothers collapse. Rather more, these assumptions result from international developments following the worldwide economic downturn.

The pace of the recovery will vary due to global economic activity in general and by the path regarding economic policies taken by the European Union itself. Austria still faces high economical risks driven by the heterogeneity of the global economic situation. According to the press release of the German Federal Institute of Statistics (Deutsches Statistisches Bundesamt), domestic Austrian demand, by contrast, is not expected to be affected by general global factors resulting in other countries in a reduction in private consumption of a quarter per cent to a half per cent in 2011 and 2012.

The estimated consumption growth will not be higher than one and a half per cent. Although the Austrian labor market suffered from a downturn as a result of the

economic and financial crisis, the employment situation remained relatively stable due to the quick response of the national political bodies. Even though the unemployment rate has risen from 3.8 per cent in 2008 to 4.8 per cent in 2009, this rate is expected to reduce in 2011 to 4.3 per cent. Regarding the fiscal measures taken by the Austrian government, the German Federal Institute of Statistics reported that the inflation rate was 1.7 per cent in the year 2010 and is estimated to rise to 2.2 per cent in 2011 (Statistisches Bundesamt Deutschland, 2011).

According to the International Monetary Fund (IMF), Austria ranks among the world's wealthiest countries in terms of GDP per capita. With a GDP per capita of 44,986.583 US dollars in 2010, Austria is ranked 13th worldwide. Its strong economy with highly developed industries such as tourism, as well as its high standard of living rank Austria to one of the wealthiest nations worldwide.

2.1.2 Location Analysis Vienna

2.1.2.1 Economic Overview

Vienna is the capital of Austria, located in the northeast of the country in the Vienna Basin. Austria is a member of the European Union, located in the center of Europe. Vienna is located some 80 kilometers west of Bratislava (Slovakia), 240 kilometers northwest of Budapest (Hungary) and some 320 kilometers south-east of Prague (Czech Republic).

The city is divided into 23 districts, with the first in the center, which offers historical and cultural values and therefore ranks among the most frequently visited destinations in Europe.

According to Statistik Austria, the number of inhabitants in Vienna between December 2002 and December 2010 rose by more than 130.000 inhabitants from 1.592.846 to 1.713.957. This is about of one-fifth of Austria's total population generating more than 28 per cent of the economic output, employing slightly less than a quarter of the nation's workforce. Moreover, regarding these figures, the capital of Austria is not only the largest city in Austria but also the 10th largest city by

population in Europe. In addition, the city has constantly been among the leading five most prosperous cities in the EU.

Since the fall of the iron curtain and with nowadays some 300 multinational companies such as IBM, Coca-Cola or Opel Austria, Vienna has become a gateway city for both eastern and western companies as well as the economic, cultural as well as the political center of Austria. Due to its excellent geographic position directly at the intersection of numerous trans-European transport communication links, Vienna is also home to various large international organizations, including the Organization of the Petroleum Exporting Countries (OPEC), the United Nations, the International Atomic Energy Agency (IAEA), the United Nations Industrial Development Organization (UNIDO) and the Organization for Security and Co-operation Europe (OSCE).

Population forecast for Vienna 2009-2075 (main scenario)							
Year	Population structure						
	Total	0 -14 years	15 - 59 years	60 and more	0 -14 years	15 - 59 years	60 and more
	absolute				in %		
2009	1,692,067	809,704	882,363	240,912	47.9	52.1	14.2
2010	1,702,835	814,774	888,061	242,110	47.8	52.2	14.2
2011	1,711,716	819,041	892,675	243,456	47.8	52.2	14.2
2012	1,722,311	824,218	898,093	245,247	47.9	52.1	14.2
2013	1,733,783	829,848	903,935	247,634	47.9	52.1	14.3
2014	1,745,548	835,614	909,934	250,420	47.9	52.1	14.3
2015	1,757,722	841,592	916,130	253,250	47.9	52.1	14.4
2020	1,811,475	867,274	944,201	265,968	47.9	52.1	14.7
2025	1,856,467	887,661	968,806	277,016	47.8	52.2	14.9
2030	1,898,866	906,818	992,048	285,597	47.8	52.2	15.0
2035	1,937,641	924,731	1,012,910	290,081	47.7	52.3	15.0
2040	1,976,067	942,994	1,033,073	292,407	47.7	52.3	14.8
2045	2,014,376	961,188	1,053,188	294,925	47.7	52.3	14.6
2050	2,050,788	978,510	1,072,278	299,017	47.7	52.3	14.6
2075	2,150,060	1,025,973	1,124,087	313,364	47.7	52.3	14.6

Chart 2: Population Forecast for Vienna 2009 – 2075 (main scenario)

Data of a population forecast, developed by Statistik Austria in 2010, shows changes of the population over a period of 50 years (see Chart 2). It is apparent that the number of young population is estimated to slightly decrease whereas the number of the 15+ generation will be increasing by 0.2 per cent, respectively by 0.4 per cent regarding 60+.

2.1.2.2 Accessibility and Transportation

With its convenient location within Europe, a further key demand generator of Vienna is the accessibility of the city. Vienna, as well as the rest of Austria, is covered by well-developed transport connections not only by road traffic but also by public means of transportation such as air and railway traffic. This range of transport facilities provides connections to all main cities, but also to many minor cities within Austria, and furthermore to a great variety of important hubs in Central and Eastern Europe. Moreover, transport connections from Vienna to selected European cities, such as Budapest, Prague or Hamburg, have been continually expanded, upgraded, further planned and developed over the last years. Improvements of railway as well as air traffic, such as the construction of the Vienna Central Railway Station or the expansion of Vienna International Airport will guarantee to fulfill all modern-day requirements. Consequently, the development of further routes and links, especially to eastern and south-eastern Europe, will enhance the position of Austria, particularly Vienna, to a favored holiday destination for international tourists.

Air Transportation

Vienna International Airport

Vienna International Airport is located about 18 kilometers south-east of the city center and serves as a hub for many destinations worldwide but especially to central and eastern Europe with a total of approximately 19.7 million passengers and about 5.9 million transfer passengers in 2010. This is a plus of approximately 8.7 per cent to the previous year. With the project called Skylink, the airport has been undergoing major construction since 2006. This project includes a duplication of the entire terminal area, the separation of incoming and outgoing passengers, state-of-the-art lounges and security standards, shopping facilities given a facelift with glass facades and the implementation of de-stressing colors. Skylink is expected to be put into operation in the first months of 2012. The aim of the project is to respond to increasing air traffic and to provide more comfort, short turn-around times and convenient services to a higher number of passengers. At present, the airport is planning for the third runway in order to maintain and guarantee the location attractiveness within the international aviation business. The Airport currently

provides handling and service to and from approximately 187 destinations worldwide, of which 50 are located within Eastern Europe.

Railway

Vienna Central Train Station

At present, the city has two main train stations, the Südbahnhof (formerly known as the Ostbahnhof) and the Westbahnhof, both currently under re-construction since December 2009. The aim of the project is the qualitative processing and operation of safe and punctual railway services and well-connected rail network on an EU-wide level. After the construction period, prospectively in 2015, the former Südbahnhof will function as the new main train station of Vienna. The new Westbahnhof will be redesigned to function as



Diagram 1: Central Train Station Vienna

a new regional railway hub, to be called “Bahnhof City Vienna West”.

The Austrian federal railway called “Österreichische Bundesbahnen” (ÖBB) provides a well-developed railway network with international links to a variety of European cities such as Belgium, Denmark, Germany, Italy, Croatia, the Netherlands, Poland, Switzerland, Slovakia, Serbia, Slovenia, Czech Republic and Hungary. With over 300 trains and 2,250 busses, the ÖBB carries about 447 million passengers yearly through Austria and Europe.

These destinations are accessible by several types of packages and special fares, such as weekly or monthly tickets, or austerity programs, saving time and money for a quite broad consumer segment. Moreover, ÖBB is able to offer city specials, due to cooperation with railways and tourism institutions of neighboring countries.

On the road, ÖBB provides a two-class bus service, not only within Austria, but also abroad, to Venice in Italy. Air-conditioned busses, equipped with leather seats, toilets and power plugs are employed to establish comfortable transportation from Graz to Klagenfurt or to Venice, Italy.

Road Traffic

Vienna is connected with the Pan-European motorway network via direct connections through three main Austrian motorways. The motorway A1 goes to the West to the Austrian border heading for Munich. The A2 is the motorway leading to the South, to Graz, the capital of Styria. The A4 heads East past the airport to Slovakia and Hungary. Furthermore, there are plans for a northbound motorway, anticipated to lead to the Czech Republic and expected to be finished by 2012.

2.1.2.3 Culture and Tourism

History and Culture

The diversity of the city is also reflected in the number and in the different types of sights, museums, monuments and architecture varying from splendid palaces, such as Schönbrunn and Belvedere, to the Spanish riding school and the Prater with the Giant Ferris Wheel.

In 2001, the historic city center and some key sights have been officially designated a World Heritage Site by UNESCO. For instance, the Schönbrunn Palace with its spacious gardens, the unique vantage point at the Gloriette, and the world's oldest zoo, home of over 8,000 animals, attracted over four million visitors in the year 2009 only. Some further popular and important sights in Vienna include:



Diagram 2: Schönbrunn Palace

- The Imperial Palace with the Spanish riding school
- The Vienna Prater with the Giant Ferris Wheel
- The St. Stephens Cathedral
- The Belvedere Palace
- The Albertina Museum

- The Danube Tower
- The Aqua Terra Zoo, and
- The State Opera.

Additionally, more than a hundred museums, all exhibiting different types of arts, collections, grand and eminent works from well-known and famous artists, starting from Egon Schiele to Gustav Klimt, strongly contribute to the city's image.

Some of the most important museums in Vienna are:

- The Albertina Museum
- Museum of Fine Arts
- The MUMOK – Museum of Modern Art
- The MAK – Museum of Applied Arts
- Vienna's Museum of Natural History
- Liechtensteinmuseum



Diagram 3: Architecture & top-class buildings

A further demand generator is the city's appearance with its unique mixture of baroque and gothic architecture and the modern, top-class buildings designed by well-known architects and Nobel Prize winners. Vienna would not be the attractive capital it is today without its landmark architectural achievements over many centuries. Although new post-war designs could already been seen in the early 1960s, major revolutionary buildings were not in evidence until the 1980s and 1990s (Vienna Tourist Board).

With his plans for the Haas Haus, a glass front building in front of St. Stephen's Cathedral, architect Hans Hollein set a milestone for contemporary architecture in Vienna. At the same time, architect Friedrich Hundertwasser designed the Hundertwasser House, which is known and famous for its bizarre and colorful façade (Vienna Tourism Board).

In the following years, numerous world-famous architects such as Zaha Hadid, Jean Nouvel and the conglomerate of Coop Himmelb(l)au implemented new ideas and created architectural landmarks to the cityscape of Vienna. The Gasometer, the apartment buildings at Spittelauer Lände or in Pilotengasse are some examples for modern architectural implementations in the city (Vienna Tourist Board).

While in the wintertime, especially in December, the city attracts large numbers of visitors with its illuminated streets and places of the famous Viennese Christmas markets, in the summer the city increases its attractiveness with a great variety of diverse events and festivals, such as the Vienna Spring Festival, the Fête Imperiale, or the world known AIDS Cancer Ball – the “Life Ball”.

2.1.2.4 Congresses and Fairs

Beside the historical and cultural attractiveness of Vienna, the city has become a popular host for numerous international fairs and congresses. Moreover, by holding several hundreds of annual events, the city is well-known as pre-eminent congress and conference center worldwide and hence leads the ranking of the “Top International Meeting Cities” ahead of Berlin, Singapore, Paris and Barcelona (Vienna Tourist Board).

Reasons for this and further top positions in internationally acknowledged standings and surveys are, aside from the remarkable number of congresses and conventions, splendidly constructed convention centres, providing all event facilities for small-, as well as large-scale conventions, such as the as European Congress of Radiology (ECR) with over 17,000 delegates. More precisely, Vienna has two main convention centers, the Austria Center Vienna (ACV) and the Congress Centre Hofburg. There are two further splendid conference areas located in proximity of the Vienna Prater which offer four exhibition halls on a total area of about 55,160 square meters, regularly hosting events attractive for exhibitors as well as for visitors. For instance, the Vienna Autoshow (every two years) is the largest fair, which attracted more than 153,000 guests in 2008 (Vienna Convention Bureau).

With 160 high-level international events just in the year 2009, Vienna obtained the first rank globally in terms of international events for the fifth time according to statistics of the International Congress and Convention Association (ICCA).

Moreover, in 2009 the criteria of the Union of International Associations (UIA) ranked Vienna as third in terms of the best congress destinations worldwide, just behind Singapore and Brussels, with some 287 international congresses. The statistics for Viennese congresses recorded 2,569 national and international congresses and company conventions with a total of 4,261,209 participants and 1,372,884 overnight stays, which equals to 14 per cent of total Vienna overnight stays for 2009 (Vienna Tourism Board).

2.1.2.5 Reputation and Rankings

Since 2005, the city regularly obtained great rankings regarding the quality of life, culture, innovation, infrastructure and markets from Mercer, the Economic Intelligence Unit, or Monocle, which illustrates popular opinion-based journalistic rankings. In 2010 for instance, Vienna was ranked eighth of the “Top 25 Livable Cities” in the Monocle magazine. Moreover, in 2005, a study conducted by the Economic Intelligence Unit, covering 127 world cities, ranked the city first for quality of life. The same outcome is shown by publications of a study conducted by Mercer in the years 2007 and 2010, ranking Vienna as the city with the best quality of life compared to all cities worldwide, followed by Zurich, Geneva. Furthermore, a research of ten European capital cities, conducted by the Irish Business Against Litter in 2007, ranked Vienna as the second cleanest city just behind Riga (Vienna Tourist Board, 2010).

2.1.3 Summary

SWOT-Analysis

The results of the assessment of the macro site can be summarized as follows:

Strengths	Weaknesses
<ul style="list-style-type: none"> - Reputation as a city of historical importance - Great variety of culture & arts - Great number of events & entertainment - Perfect infrastructure & high density of restaurants, bars & cafés, shopping facilities in the luxury segment - Member of UNESCO World Heritage List - Favourable economic development - Clean & safe - City of highest quality life (1st rank worldwide, Mercer, 2010) - Central location in Europe - Easily accessible (public transport, motorways, airport) - Important MICE destination (International Conventions 1st rank worldwide, ICCA, 2009) - Numerous possibilities for excursions in the surrounding area - Important centre of research and science 	<ul style="list-style-type: none"> - Competition from nearby cities such as Budapest, Prague or Munich - Budget situation of the city in terms of future investments in research - Education (PISA ranking)
Opportunities	Threats
<ul style="list-style-type: none"> - Increase of international flight connections due to expansion of Vienna International Airport - Greater number of visitors from abroad - Proximity to eastern Europe - Developments in the luxury hotel segment 	<ul style="list-style-type: none"> - Oversupply in hotels - Natural risks (Storms, Floodings, etc.) - General political and economic risks

Chart 3: SWOT-Analysis – Macro Location

2.2 Micro Location “Am Hof”

2.2.1 Visibility and Accessibility

The property under consideration is located “Am Hof 2”, which is a very central and prestigious location within the first district of Vienna. With a variety of palaces, official monumental buildings, churches and baroque residential buildings, this district gives evidence of the historical past of the entire city.

The inner city, which has historically served as domicile of the monarchs, is listed as a World Heritage Site by UNESCO. The building, the former headquarters of the Austrian State Bank, is further supported by the great visibility due to the property size with the large square “Platz am Hof” to the left, as well as by the building’s unique architecture (see Diagram 3).

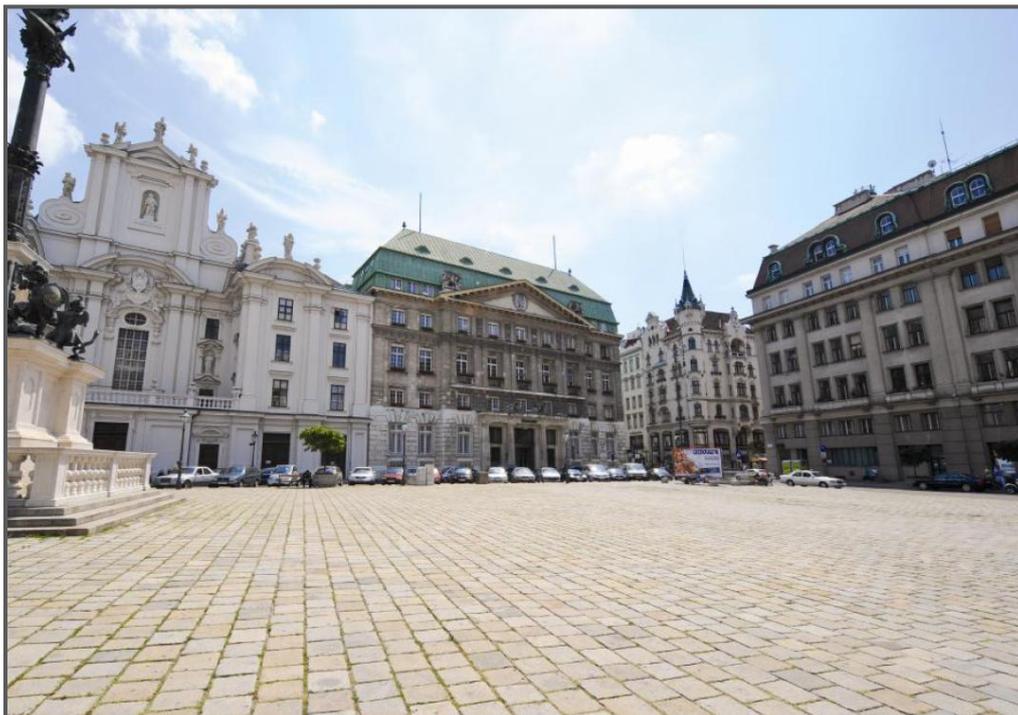


Diagram 3: “Am Hof” Square

The location of the site, set back from the inner ring road just at the beginning of a pedestrian zone, combined with the stunning and rare attributes of the property, probably is the best argument to meet the uncompromising quality standards of leading international luxury hotel operators and guarantees competitiveness as well as success in the Viennese hotel market in the luxury segment.

The main cultural and historic attractions of the city, such as the St. Stephen's Cathedral, the Imperial Palace – the Hofburg, and the Vienna State Opera are located within short walking distance of the proposed project site (see Diagram 4). Moreover, the immediate surrounding area of the proposed hotel site “Am Hof 2” distinguishes itself through numerous high-quality offices and ministries, and an immense variety of retail space.

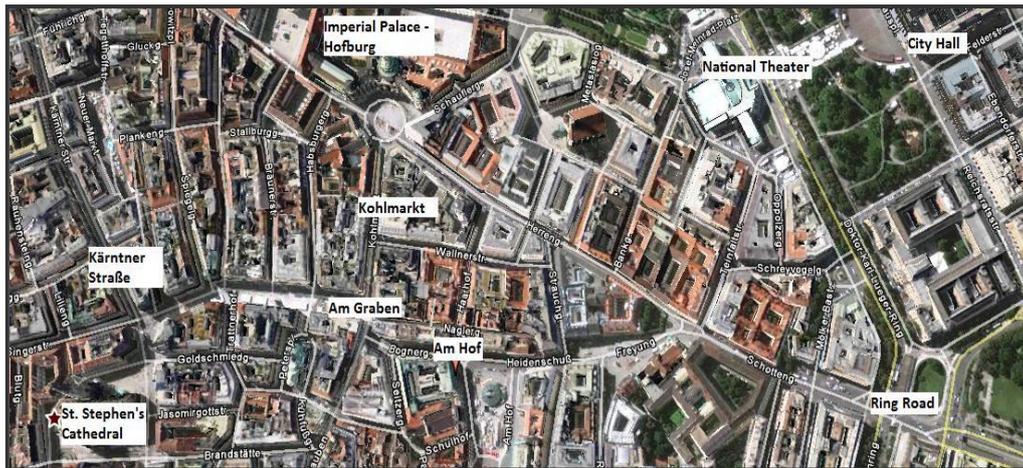


Diagram 4: Map - Inner City

Furthermore, some of Vienna's finest bars and restaurants, galleries, entertainment facilities and also top-end residential areas, which consist of a mix of historical and contemporary architecture, complete the unique and lively atmosphere of the entire area. The famous Kärntner Strasse, the Graben or the Kohlmarkt, which belong to the most exclusive and luxurious pedestrian shopping areas of the city, are immediately adjacent and cover all high-end luxury stores such as Gucci, Chanel, Giorgio Armani or Louis Vuitton.

In the course of plans developed by the city for extending this famous pedestrian zone – the overall location “Am Hof” will receive a further upgrading in terms of exclusiveness and “presence” – the area of the neighboring Seitzergasse and Bognergasse will incorporate significant extensions. The hotel sector of the first district, especially regarding five star luxury hotels in the inner city, is mainly located along the very busy inner ring road (Opernring – Kärntner Ring – Schubertring). In comparison to the location “Am Hof”, the competing hotels provide limited privacy. Hence, although the first district is already home to well-established hotels of big hotel brands, the address “Am Hof 2” is still unique and satisfies all criteria for a

luxury hotel in terms of prominence. The location can thoroughly be described as more exclusive due to the architecture of the building itself and the location in an intimate atmosphere on a square.

At the moment, there are only two comparable hotels with a similar unique or prominent location. Firstly, this refers to the Hotel Sacher Vienna, which is located behind the State Opera and directly at the beginning of the Kärntner Strasse. Secondly, the Do & Co Hotel, located in the Haas Haus, opposite St. Stephen's Cathedral (see Diagram 5). Compared to the easily accessible luxury ring road hotels, a negative aspect of the location "Am Hof" could possibly be an inconvenience of access due to a one-way road system.

Due to the proximity to the inner ring road, which is reachable within short driving distance, the proposed project site offers convenient accessibility by car as well as by public transport. Thereby, a further connection to Vienna's city motorway "Südosttangente" and the motorway A4 (leading to the Airport) is provided. In addition, a parking garage is located directly at the site. Furthermore, all main train stations are located within six kilometers and can be reached in approximately 15 minutes by car. The Vienna International Airport is located about 25 kilometers away from the project site and is reachable within some 35 minutes by car.

Regarding public transport it can be noted that two underground stations, Herrngasse and Stephansplatz, are located in the immediate vicinity of the hotel site. Hereby, hotel guests can access the lines U1 and U3, which provide great transport connections, enabling guests and visitors to commute effortlessly through the entire city. With a distance of approximately ten walking minutes, a further underground station, Schwedenplatz, is accessible, providing connection to U1 and U4.

Additionally, a well-connected city bus network departs regularly from a station located approximately 150 meters from the project site. This bus network includes services from the bus lines 1A, 2A and 3A, covering the entire inner district.

2.2.2 Assessment of Project Site

The results of the assessment of the project site are summarized as follows:

Criteria	Assessment				
	--	-	0	+	++
Visibility					●
Accessibility by car					●
Accessibility by means of public transport				●	
General transportation coverage					●
Image					●
View from hotel site				●	
Quality/appearance of surroundings					●
Environmental situation					●
Security					●
Cleanliness					●
Tourist attractiveness					●
Shopping facilities in the vicinity					●
High-end gastronomic facilities in the vicinity					●
Entertainment facilities in the vicinity					●

Chart 4: Assessment of project site

Hotel Matrix

The following hotel matrix illustrates the suitability of the location “Am Hof” for each hotel category:

Hotel type		Suitability of micro site for particular hotel type				
Type	Category	--	-	0	+	++
City hotel	Five star (luxury)					●
	Four stars (upper class)				●	
	Three stars (economy)		●			
	Two stars (budget)	●				
	One star (low budget)	●				
Motel		●				
Holiday resort		●				
Serviced apartments					●	
All suites hotel					●	

Chart 5: Hotel matrix - Suitability

Guest Matrix

The following guest matrix shows the assessment of the suitability of the project site for different types of hotels, related to guest segmentation.

Guest segment		Suitability of hotel site for demand by particular guest segment				
Purpose of travel	Category	--	-	0	+	++
Business	Business traveler				•	•
	Fair/congress attendees				•	
	Conference/seminar attendees			•		
	Airline crews	•				
Leisure	Individual tourists					•
	Group tourists			•		
	Weddings					•
Miscellaneous	Long-stay guests				•	

Chart 6: Guest matrix – suitability, hotel types, guest segmentation

Moreover, with an excellent visibility and accessibility this hotel project undoubtedly will benefit from having by far the best location.

SWOT-Analysis

All assumptions mentioned above, as well as further aspects, are summarized in the following SWOT-Analysis:

<p>Strengths</p> <ul style="list-style-type: none"> - Central location - Exclusive and prestigious location - Historic and cultural location - Shopping facilities - Privacy - Easily accessible (Public transport, motorways, airport) - Perfect infrastructure (Restaurants, bars, cafés etc.) 	<p>Weaknesses</p> <ul style="list-style-type: none"> - Relative noisy and highly frequented location - Not a secluded area
<p>Opportunities</p> <ul style="list-style-type: none"> - No comparable hotel in this location/in vicinity - USP of the hotel - First real luxury hotel for Vienna - Unique spa area 	<p>Threats</p> <ul style="list-style-type: none"> - Strong 4-star category in Vienna - 5-star hotels occupy relatively low market share on Viennese hotel market - Pricing may be too high for the Viennese market - Future hotel projects

Chart 7: SWOT-Analysis – Micro Location Vienna

2.2.3 Conclusion

Regarding all facts above, the location will compete with historically established luxury hotels on the ring road and near the Opera House. Hence competition of the proposed hotel in terms of location should therefore not be underestimated. Due to the fact that the proposed site is surrounded by high-quality offices, retail- and residential areas, a high number of famous historic sights and cultural venues, the location “Am Hof 2” can be seen as the most prestigious one within Vienna’s first district. The location of the proposed hotel project is considered as very suitable for a five star luxury hotel and one can be convinced that its unique location, paired with the grand hotel character of the building, will allow the hotel to position itself at least head-to-head with the very top players of the market.

3 Hotel Market Analysis

3.1 General

Vienna, the political and commercial powerhouse of Austria, is a thriving hotel market, both domestically as well as internationally. As a city of distinct cultural and historical wealth it represents an important travel destination with a balanced demand base in terms of corporate and leisure tourism. Basically, hoteliers in Vienna benefit from the very good market characteristics and hence reported remarkable performance growth during the last decade.

According to statistics of MA5 (Referat Statistik und Analyse), over the last years the city has become a globally leading convention- and conference destination with a large number of visitors in 2010 even though the tourism industry suffered from a downturn due to the economic crisis in 2009. With a growth of 10.3 per cent, summing up to approximately 10.9 million bed nights and some 4.9 million arrivals in 2010, Vienna quickly responded to the crisis and continued the upward trend from the previous years before 2009 (Vienna Tourist Board).

As mentioned in the first chapter of this study, during recent years the city has built up a firm foundation with a high number of multinational institutions and corporations and a well-established travel public, which positions Vienna as a major internationally orientated city. Above this, due to its solid economic base, which is supported by its position as a gateway to Eastern Europe, as well as the strong and positive reputation of the city, the medium- to long-term forecasts are still promising.

The city also greatly benefits from new source markets, with strong growth rates in demand, especially from central and middle-eastern Europe. This is mainly due to the city being home to OPEC and associated organizations. The MICE (meetings, incentives, conventions and events) segment is estimated to remain of significant importance for tourism to Vienna, indicating great future opportunities associated with these source markets. Thus, the city's exceptional infrastructure is anticipated to continue to attract large-scale conventions on a regular basis even though competition may intensify due to the development of new MICE destinations within

the next years. Regarding the country of origin of arrivals there has been a two-digit increase regarding the countries Russia, Italy, the United States, Romania and Switzerland.

Following years of moderate supply growth, the development pipeline has recently picked up significantly and is expected to remain at high levels in the near future. In total, approximately 2,200 guest rooms are either under construction or proposed to open in the next three years. Due to the recent economic crisis many hotel projects have been delayed and therefore limited development during the last two years has taken place.

5-star Hotel Development 2008-2013

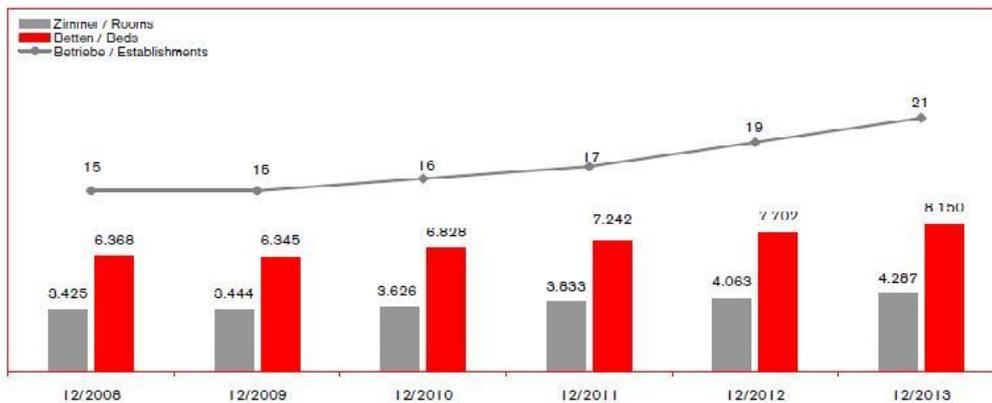


Chart 8: Development of 5-star Hotels in Vienna, 2008 - 2013

Despite the economic crisis, the overall promising trend from years before 2008 continued in 2010 and is expected to carry on (see Chart 8). The development of hotel establishments in the five star segment increased further between the years 2009 and 2011 and is estimated to rise to a total of 21 hotels by the end of 2013 (Vienna Tourist Board).

3.2 Hotel Market in the Five Star Segment

3.2.1 Current Hotel Supply

According to official statistics, the census of Vienna's hotel supply in May 2010 comprised of some 400 hotels (hotels and pensions only) with a total of 26,775 rooms and 51,342 beds (MA5).

The statistical office in Austria uses May 31 as a cut-off-date due to a variety of hotels in Austria being operated seasonally. Therefore, a comparison within a data timeline is only possible from June to May.

The decrease of 1,191,691 overnights from 2008 to 2009 with a room occupancy rate of only 61.5 per cent was followed by flourishing months in 2010 with final results showing an increase of seven per cent up to result in 1,275,220 bed nights. Notably, with a total of 16 hotels in 2010, the supply of five star hotels in Vienna is relatively small with 150,425 overnights which represent 6.7 per cent of the total accommodation within the total market.

During the last four years, the Viennese hotel market has seen three additions to the five star luxury segment. Firstly, the Sofitel Vienna Stephansdom, which opened its doors in December 2010, is the newest five star superior hotel on the market. The Sofitel has 182 rooms and captures a relative central location directly by the Danube Canal in the second district of Vienna. Secondly, the relatively unknown Do&Co Hotel Vienna was launched in April 2006 with 45 rooms and benefits from a unique location opposite St. Stephen's Cathedral. Thirdly, The Ring Hotel with 68 rooms, located at the Kärntner Ring within the first district, entered the market in November 2007.

In total, Vienna hosts 16 hotels providing 3,626 rooms in the five star segment as of January 2011. According to forecasts of the Vienna Tourist Board, this figure should increase to a total of 17 hotels with 3,833 rooms by the end of 2011. However, due to the cancelation of the launch of the Shangri-La Hotel an increase of only four five star hotels can be anticipated within the next two years. Nevertheless, these additions to the market will add 454 hotel rooms with 908 beds to the luxury

segment. Figures may change due to the unclear situation of the Shangri-La Hotel project.

3.2.2 Future Hotel Supply

As mentioned previously, the five star hotel market will be expanded by three hotel projects within the next years. These hotel projects include the Sans Souci Hotel Vienna and the Palais Hansen Kempinski Vienna, both already under construction. Due to the location in the seventh district of Vienna, the Sans Souci Hotel, which will operate 80 rooms is, not included in the list of future competitors. The Palais Hansen Kempinski Vienna will capture a quite competitive position in terms of location, which is planned to be at Schottenring within the first district and in the vicinity of the proposed project site "Am Hof 2". The Kempinski hotel project will add 150 rooms to the market and is due to be launched in the end of 2012. Even though the location of this hotel is estimated to be quite good, it still cannot compete with the site "Am Hof 2". Other Hotels projects either discussed or projected include the Four Seasons in the first inner district and the Palais Schwarzenberg in the third district of Vienna.

The Four Seasons Hotel project with approximately 160 rooms, located in the former "Handelsgericht" (Commercial court) at Riemergasse, pursued by the Van Herck Group, is still in the planning stage and estimated to not open before. With a well-established operator like Four Seasons Hotels & Resorts it is very likely that this hotel will be positioned in the luxury segment and will represent one of the key competitors for the proposed hotel "Am Hof 2". Anyhow, the location in Riemergasse is less appealing than the location "Am Hof", but the property also benefits from an historic setting.

The 102-room Palais Schwarzenberg, which is owned by Sheik Mohammed bin Issa el Dschaber, terminated operations in 2006 and reconstruction has ceased. Upon opening, it will be operated under the JW Hotels & Resorts brand, as are the Grand Hotel Vienna and The Ring hotel and will be positioned at the top end of the market benefiting from its new product and historic setting.

Nevertheless, both the Four Seasons and the Palais Schwarzenberg projects are expected to open in 2013. A big brand hotel project of a relatively high competitiveness, the Shangri-La Vienna was planned and constructed over the last

few years and was originally expected to open in April 2011. However, according to recent news, the Shangri-La hotel project has been cancelled. At the moment, no concrete information about an eventual re-planning, a new operator selection or a conceivable finish of the project is available.

However, even if all these hotel projects come to fruition and hotel supply grows, not one of these new hotel developments is estimated of being comparable to the proposed project "Am Hof" in terms of location and property. This notion is also supported due to the fact that further investments and additions to the luxury grand hotel segment in the inner city, especially in private areas such as "Am Hof", are expected to be limited. Therefore the proposed hotel should be able to secure a premium position in the market quickly and sustain a significant long-term advantage.

3.2.3 Competitive Analysis

From today's perspective the proposed hotel will face approximately five main competitors. The list of competitors summarizes the assessment of the main leading hotels in Vienna, which are most likely to be the chief competitors of the hotel "Am Hof" (see Diagram 5). This assessment was conducted by an evaluation of the most prominent features and facilities of these hotels in terms of location, size of hotel, size of rooms, pricing, product attributes, strengths, specials, key accounts, market segmentation as well as average occupancy rate. After assessing all venues within the five star segment in Vienna, the following hotels are identified as the most important competitors on the market:

- Hotel Sacher Vienna
- Hotel Imperial
- Sofitel Vienna Stephansdom
- Grand Hotel Vienna
- Palais Coburg

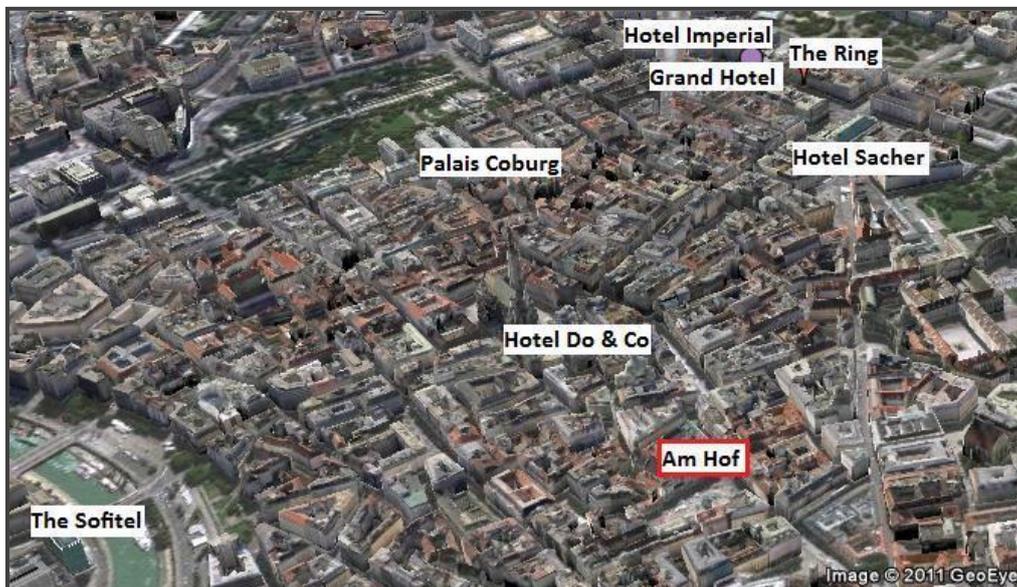


Diagram 5: Map - Competitors

As the intention is to position the proposed project "Am Hof" at the very top end of the market, other hotels such as the Le Meridien, the Do & Co or The Ring Vienna are not summarized in the competitive set either due to size, location, category or pricing attributes. These hotels are categorized as low competing hotels.

In general, the Le Meridien is a strong competitor but due to its categorization as a design hotel it is less comparable with the hotel "Am Hof". Having said that the previously mentioned five existing hotels need to be regarded as primary competitors, it needs to be acknowledged that further five star houses may be of interest to the consumer segment targeted by the hotel "Am Hof". These hotels include the The Ring hotel, the Hotel Bristol or the Le Meridien. To the inexperienced Vienna visitor, who is either not familiar with the environment or not interested in top notch accommodations, these houses may seem as an appropriate alternative to the "Am Hof" project. Long-established five star hotels in Vienna, such as the Bristol hotel and the Radisson Blu hotel, may be perceived as luxury accommodations although, due to their overall appearances and technical standards, these houses are not able to compete with the standards of a newly opened five star luxury hotel. Furthermore, many of these establishments have the disadvantage of relatively small guest room sizes.

The Palais Coburg, which is privately owned and operated, is included in the competitive set due to its categorization as exclusive all-suite hotel whose guests are willing to pay premium rates. Finally, though the Do & Co Hotel benefits from its unique and hence comparable location, it is still not compatible due to its weak awareness level and size of the hotel.

The following pages include the most important facts and figures which substantiate their selection to the competitive set.

Hotel SACHER Vienna

Philharmonikerstrasse 4,
 1010 Vienna



Diagram 6: Hotel Sacher Vienna

Since 1876

Number of rooms/suites 152

Positioning/Category 5 *Deluxe
 Privately
 owned & operated
 LHW Member

Rooms & Suites	m²	Price/room
Superior room	30	€ 475
Deluxe & Top Deluxe	35 – 50	€ 498
Junior suite	50 – 60	€ 828
Executive suite	50 – 60	€ 1,338
One-bedroom suite	80 – 90	€ 1,868
Two-bedroom suite	80 – 110	€ 2,450
“Madame Butterfly” Presidential suite	160	€ 4,850
“Magic flute” Presidential suite	165	€ 4,850

F&B Outlet Gourmet restaurant “Anna Sacher”
 Restaurant “Rote Bar”
 “Blaue Bar”
 Café – Winebar “Sacher Eck”
 Café Sacher Vienna

Spa facilities Sacher Spa & Day Spa
 Massages & beauty treatments
 ~ 350 sp m.
 Gym & Fitness

Conference/meeting 8 rooms
 ~ 345 sq m.

Hotel Imperial

Kärntner Ring 16,
 1010 Vienna



*Diagram 7: Hotel Imperial
 Vienna*

Since 1873
Number of rooms/suites 138

Positioning /Category 5* luxury hotel
 A Starwood Hotel
 Member of “The Luxury Collection”

Rooms & Suites	m²	Price/room
Classic room	25 – 30	€ 359 – 819
Deluxe room	35 – 40	€ 409 – 919
Imperial junior suite	50 – 60	€ 509 – 1,119
Executive junior suite	60 – 70	€ 609 – 1,319
Elisabeth suite	55 – 65	€ 709 – 1,519
Maisonette suite	58 – 70	€ 809 – 1,719
Imperial suite	70 - 95	€ 1,700 – 3,700
Royal suite	160	€ 2,600 – 5,000

F&B Outlet Restaurant Imperial
 Bar “Maria Theresia”
 Café Imperial
 Imperial cake - Specialty

Spa facilities -

Conference/meeting 7 rooms, 132 guest capacity

SOFITEL Vienna Stephansdom

Praterstrasse 1
 1020 Vienna



Diagram 8: Sofitel Vienna Stephansdom

Since 2010
Number of rooms: 182

Positioning/Category 5* luxury hotel
 Accor Hotels

Rooms & Suites	m²	Price/room
Classic room	29	€ 290 – 310
Superior room	29	€ 325 – 350
Luxury room	37 – 43	€ 365 – 390
Junior suite	55	€ 455 – 480
Imperial suite (Black suite)	57	€ 485 – 490
Prestige suite	75	€ 585 – 590
Vilas & Bungalows (Magnifique suite)	180	€ 3,200

F&B Outlet Restaurant “Le Loft”
 Le Loft Bar & Lounge
 Le K-FÉ (Café)

Spa facilities So Spa & So Fit
 5 treatment rooms
 2 Whirlpools
 2 Hammam
 Fitness centre

Conference/meeting 9 flexible rooms
 ~ 700 sq m.
 ~ 130 guest capacity

Grand Hotel Vienna

Kärntner Ring 9,
 1010 Vienna



Diagram 9: Grand Hotel Vienna

Since 1870

Number of rooms/suites 175 rooms
 30 suites

Positioning 5* luxury hotel
 JJW Hotels & Resorts
 LHW Member

Rooms & Suites	m²	Price/room
Superior room	30 – 35	€ 370
Deluxe room	35 – 45	€ 420
Exclusive room	45	€ 470
Junior suite	60	€ 850
Executive suite	70	€ 1,400
Senior suite	116	€ 1,900
Deluxe suite	130	€ 2,250 – 2,650
Presidential suite	220	€ 3,900 – 4,500

F&B Outlet Gourmet Restaurant “Le Ciel”
 Restaurant “Unkai”
 Unkai Sushi
 Coffee & Tea Lounge “Rosengarten”
 Kavalierbar
 “Grand Guglhupf” – Specialty

Spa facilities -

Conference/meeting 13 rooms
 Up to 480 guest capacity

Palais Coburg

Coburgbastei 4
 1010 Vienna



Diagram 10: Palais Coburg Vienna

Since 1995

Number of rooms/suites 35 suites

Positioning/Category 5*luxury all-suite hotel
 Privately owned and operated
 Member of Relais & Châteaux

Rooms & Suites	m ²	Price/room
Imperial suites	113 – 136	€ 2,100 – 2,700
Palais suites	78 – 165	€ 860 – 2,100
City suites	54 – 96	€ 670 – 1,050
Modern suites	54 – 101	€ 670 – 1,800

F&B Outlet Gourmet Restaurant
 Unique Wine cellar
 Wine bistro “Basteigarten”
 Champagne bar
 Garden pavilion & Wine bar

Spa facilities Spa & Wellness facilities,
 Sauna, steam bath, indoor pool
 Massages & beauty treatments
 Fitness & Gym Facilities

Conference/meeting several event venues
 ~ 565 sq m. + 78 sq m. terrace

3.2.4 Hotel Demand

2007 was a record year in terms of hotel demand with almost four million arrivals and some nine million bed nights. Before the economic crisis, hotel demand in Vienna had developed very positively between the years 2003 and 2007 with an average plus of 5.5 per cent per annum regarding bed nights in hotels and guest houses. With an impressive increase of 10.1 per cent in bed nights, the upmarket hotels in particular, prospered remarkably in comparison to 2006.

Moreover, in 2008, for the first time the hotel market in Vienna recorded eight-digit overnight figures. With 10.2 million overnights, the year 2008 will prevail due to its extraordinary positive outcome (Vienna Tourist Board). To some extent, this is a result of the European Football Championship, which was partly hosted in Vienna.

Positive developments in hotel demand have been recorded since the turn of the century, bed nights having increased by 3.6 per cent per annum between 2000 and 2008. While bed night figures decreased slightly from 2000 until 2002, statistics have recovered thereafter. Notably, the number of bed nights has increased by four per cent on average between 2003 and 2008. Thanks to the hosting of UEFA Euro 2008, these positive developments could be upheld in that year although other markets started to incur dropping numbers.

According to latest statistics of TourMIS, the demand of four and five star accommodation facilities in Austria increased by 4.5 per cent to approximately 4.6 million bed nights only in January 2011. Furthermore, hotels of the four and five star category could achieve an average bed occupancy of 66.4 per cent.

Finally, a recent press release of the Vienna Tourist Board notes that the record level of 10.8 million guests' overnights provoked a rise of the average bed occupancy to 56.8 per cent. Accordingly, average room occupancy rose to approximately 71 per cent. These results are advantageous for all categories of the tourism market.

“The top ten list in Vienna's overnight ranking is still headed by Germany (2,311,000, +11%) ahead of Austria (2,245,000, +14%), Italy (625,000, +12%) and the USA (561,000, +11%). Of Vienna's core markets, Russia contributed the highest growth of 35%, ranking in 5th place with 384,000 bed nights. It is followed by the United

Kingdom (373,000, +4%), Spain (331,000, +7%), France (318,000, +12%), Switzerland (307,000, +8%) and Japan in 10th place (267,000, ±0%) The following graph shows the development of occupancy rates of five star hotels in Vienna from 2008 to year-to-date July 2010” (Vienna Tourist Board, 2011).

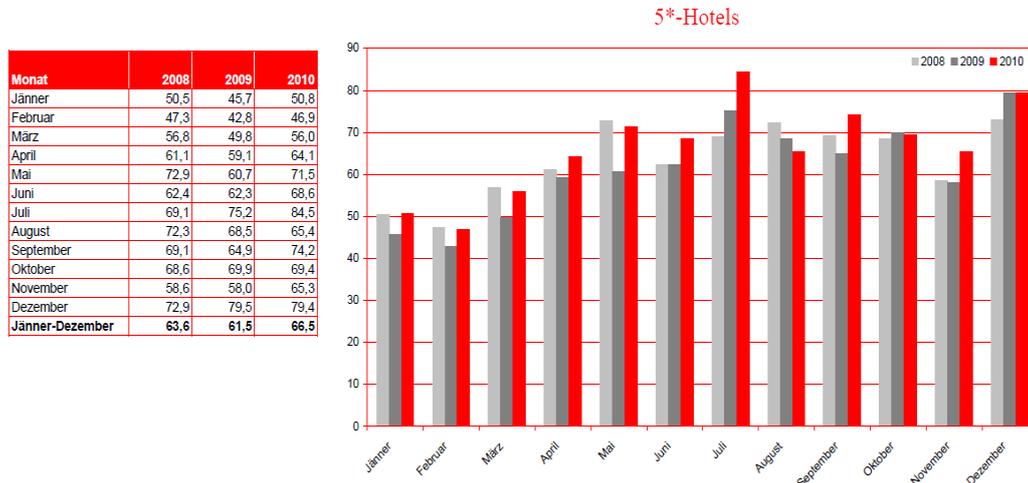


Chart 9: Occupancy of five star Hotels in Vienna from 2008 - 2010

According to the Vienna Tourist Board, year-to-date July 2009 arrivals and bed nights decreased by 7.2 per cent and 7.1 per cent respectively. This decline in bed nights and arrivals is a result of the challenging conditions of the economic crisis and their impacts on business and convention tourism, in particular.

In 2010, Vienna achieved about 11.7 million overnights, of which the inner city accounted for 9.4 million overnights, which results in a value added of € 3.6 million. According to the latest survey of the Vienna Tourist Board, the number of overnights in January 2010 exceeded the record value of the previous year by 0.4 per cent with some of 605,000 overnights. The net-overnight income of the hotel sector in 2010 is rated second best behind the performance of 2008 with an increase of 6.1 per cent and € 451 million in comparison to 2009.

3.3 Conclusion

As Vienna is a global leader in terms of conference and meetings as well as a center of economic and political activity, the city is anticipated as a strategic market with strong growth prospects. Thus, Vienna is expected to remain extremely popular amongst both domestic and international leisure as well as business tourists. Hence,

the planned hotel should be able to position itself in the luxury segment and thus at the top of the hotel market in Vienna, capturing a significant rate premium. Among the hotels within the upmarket segment, supply of leading luxury brands, by international standards, is in very limited. The projected hotel “Am Hof” is expected to set a new benchmark within the market and clearly distinguish itself from other high-end hotels. Therefore, this hotel project is expected to compete with some of the current leading hotels such as the Hotel imperial, Hotel Sacher and the Grand Hotel Vienna as well as the all-suite Hotel Palais Coburg.

Moreover, due to extremely high barriers for entering the first city district, with limited opportunities for competing hoteliers to gain representation in this part of the city, as well as the unique location of the proposed building, estimates for a very promising future of the hotel project can be made even though the market already hosts several luxury hotels.

Although the market consists of renowned hotels offering relatively high standards in the luxury segment, the hotel project “Am Hof” should be able to position itself at the very top end, or at least head-to-head, with the very top players of the market. This is due to a mixture of an exceptionally exclusive location, grand hotel flair character, supreme architecture and consistent state-of-the art design and product standards, especially with all rooms at superior luxury level thus successfully filling this niche position.

Therefore, a specialized and professional operator transmitting elegance and unique contemporary luxury should be selected in order to guarantee maximum advantage from the location’s potential.

4 The Project

4.1 The Building

The residential building originally was designed as the headquarters of “Österreichische Länderbank” (now Bank Austria and UniCredit Group). The splendid monumental property, which occupies almost the entire block between “Am Hof”, Seitzergasse, Bognergasse and Steindlgasse, was constructed between 1913 and 1915 by the famous Austrian architects Ernst Gotthilf and Alexander Neumann on behalf of the bank.

In the years between 1995 and 1997, the prominent architect Hermann Czech completely refurbished the offices of the bank. Nevertheless, for many years the building has been famous for its unique main banking hall, the luxurious first floor and the exceptional safe vaults in the basement.

A re-development of the palais-like building, with the preservation of these historic and prominent features will provide guests and visitors with a unique flair combined with the uncompromising quality standards of leading international luxury hotel operators. Moreover, the building consists of a famous façade which features reliefs of Johannes Gutenberg.

4.2 The Concept

The whole project site encompasses approximately 4,054 square meters. The estimated net floor space of 2,838 square meters is spread over six floors above ground and two underground floors. The following overview illustrates the elements foreseen within the framework of the project:

Main Entrance and Lobby

The main entrance established at the “Am Hof” square provides a highly exclusive access to the historic main banking hall and to the lobby (see Diagram 11). The integration of a generous lounge into the lobby will serve guests either arriving or departing but also visitors as a “meeting point” of a special atmosphere due to the outstanding ceiling height and the imposing stairs which lead to the restaurant in the mezzanine floor. Furthermore, the attractiveness of the ground floor is enhanced by the integration of a state-of-the art champagne bar & café.

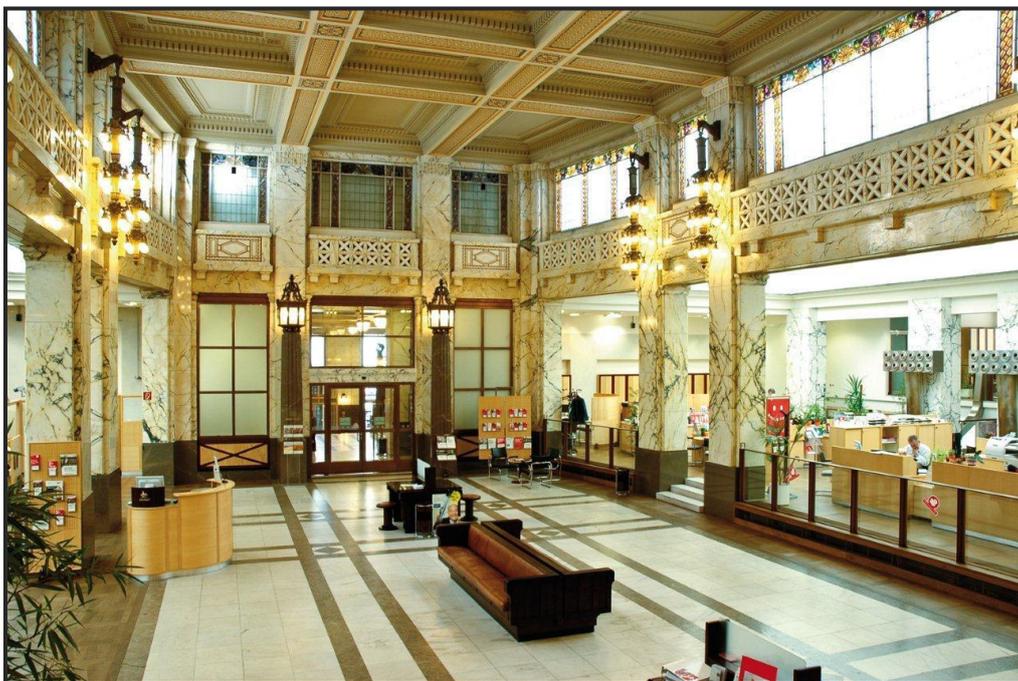


Diagram 11: Banking hall – Ground floor – Main entrance

The Restaurant

In the mezzanine, a restaurant, a lounge and a bar will be integrated into the historic setting of architecture of the building with grand interior design providing guests with a magnificent atmosphere. The restaurant will offer the highest international standards in terms of a comprehensive, contemporary arrangement of food and wine in combination with an outstanding and unique service on a total of approximately 820 square meters, including the bar with an integrated lounge area. A historic mezzanine floor plan is attached in Appendix 3. Although this plan dates

back to 1913, the main outline is assumed to be almost unchanged to date due to existing and binding preservation orders of local authorities.

Wine Cellar

The former safe vaults located on the first underground floor, just below the souterrain, are planned to occupy an impressive wine cellar with a great number of famous and well-known wines and possibilities for private wine tasting.

Roof Top Bar

In addition to previously mentioned gourmet facilities, the hotel will integrate a splendid roof top bar on the attic floor of the building, providing a magnificent view of the old city Vienna.

Conference and Meeting

The conference and banqueting facilities are planned to be located in the former historic ballroom in the first floor, which has an exceptionally high ceiling, hence providing space as well as unique atmosphere for glamorous and grand events and festivities (See Diagram 12). Moreover, parts of the ballroom will provide a variety of smaller conference and banqueting rooms in order to assure private and exclusive accommodation for large-scale, but also small, meetings.



Diagram 12: Historic Ballroom – First floor

The majority of the conference and banqueting rooms will possess balconies providing attractive views onto “Am Hof” square. Furthermore, the first floor will be featured with a generous pre-function area.

Guest Rooms

From the first floor to the attic floor, the hotel will be equipped with 173 guest rooms and suites, all featuring the highest international luxury standards in terms of size, layout, furnishings and equipment. Approximately 75 per cent of the total amount of guest rooms will be designed as superior double rooms with an average size of approximately 44 square meters. Apart from that, these 130 superior double rooms are planned to be distributed over the floors one to three providing interiors of the highest international luxury standards in terms of size, layout, furnishings and equipment.

Furthermore, the remaining 25 per cent of all guest rooms will be designed as suites. In order to attract the very high-end clientele, these 43 suites will be of classic and timeless design in accordance with the historic features of the building. Depending on type and size, the suites will feature spacious living and dining areas, one to three bedrooms, state-of-the-art bathrooms equipped with wellness and spa facilities as

well as splendid balconies. Furthermore, the terraces of the presidential suites will be equipped with outdoor whirlpools and lounges.

Spa & Wellness Area

Plans include an exclusive spa and wellness area offering all types of treatments, therapies and further amenities as well as recreation facilities such as sauna and herbal steam bath. The generous spa and wellness area is planned to be spread across the entire souterrain floor on approximately 1,850 square meters. An indoor pool and a whirlpool will be integrated on the same floor, but separated by a reasonable distance from the “Healthclub”. This area will cover approximately 700 square meters. In addition, an exercise room including a gym will be attached, which will occupy some 570 square meters.

Car Parking Facilities

In order to guarantee advanced service for the luxury seeking guest, a drop-off zone will be integrated in the generous drive-up zone in front of the hotel entrance. Car parking possibilities will be provided in the neighboring public garage “Am Hof” occupying approximately 600 parking spaces. This garage will be directly connected to the property via a throughway on the underground floor.

4.3 Hotel Area Programming

The following table summarizes the general outline of rooms and suites with the percentage of the total number of rooms, the square meters of each room and suite as well as the total square meter number of all rooms and suites. In total the hotel will occupy 173 keys including 130 rooms and a total of 43 suites. The foundations for this layout are recommendations and guidelines introduced by the hotel owner and the responsible architect.

No. of rooms	%	sq m.	total sq m.
<i>130 Superior double rooms</i>	75	44	5,720
<i>33 Junior suites</i>	19	93	3,069
<i>8 Executive suites</i>	4	122	976
<i>2 Presidential suites</i>	1	220	440
173 Total keys	100 %		

The following illustration will provide an overview of the proposed hotel layout:

<i>1st underground floor</i>	Wine cellar & bar, maintenance, engineering & mechanical areas, laundry and housekeeping department, machinery rooms, general storage areas, employee lockers and toilets, receiving- and trash area
<i>Souterrain</i>	Spa & wellness area – “Healthclub”, exercise room & gym, storage space, indoor pool & whirlpool, recreation area, showers, changing room
<i>Ground floor</i>	Main entrance, lobby, delivery zone, front desk and front office, back offices (booking, guest relations), general storage facilities, lounge area, champagne bar & café
<i>Mezzanine floor</i>	Restaurant, bar, lounge, kitchen, F&B storage area, several office rooms (HR, M&S, sales and catering, accounting offices, executive office), staff training rooms
<i>1st floor</i>	Guest rooms/suites, conference rooms, pre-function area, banqueting room
<i>2nd floor</i>	64 superior rooms, laundry/cleaning storage
<i>3rd floor</i>	64 superior rooms, laundry/cleaning storage
<i>4th floor</i>	2 superior rooms, laundry/cleaning storage, 30 junior suites
<i>Attic floor</i>	3 junior suites, 8 executive suites, 2 presidential suites, laundry/cleaning storage, roof top bar

5 Financial Analysis

According to the market analysis in point 3, Vienna represents a solid hotel market with strong growth rates not only prior to the economic crisis but also during the first years after.

During recent years there have been particularly three outperforming hotels in the Viennese market due to their strong tradition and the high proportion of suites. These hotels comprise the Hotel Sacher Vienna, the Grand Hotel Vienna and the Hotel Imperial. However, the market in Vienna does not consist of an individual market leader which achieves a considerable rate premium as seen in other European countries.

5.1 Assumptions

Assuming that the Hotel "Am Hof" will be operated by a hotel brand such as The Ritz Carlton, which is well known for its exclusiveness and luxury, the proposed hotel should be able to position itself as market leader, providing a consistently generous guest room product, a state-of-the-art spa in a prestigious location. As indicated in section 2 of this report, the hotel will differentiate itself from its key competitors with a unique top luxury product of contemporary design in a historic building and truly excellent service. Hence it is allegeable that this hotel is estimated to be able to achieve occupancy of 75 per cent at a relatively high projected average daily rate of € 699 in the first stabilized year.

Sizes as well as the number of rooms and suites offered are considered to be a strong and unique selling proposition. With a size of 220 square meters the hotel will offer one of the most generous presidential suites in the city. Some hotels in Europe support the examples for the proposed strategy to operate considerably ahead of the competition. For instance, the Four Seasons in Milan is charging a room rate of approximately € 750, which is very much higher than any competitor but also records very strong occupancy rates. The hotel will appeal to the business- as well as the affluent leisure traveler.

With high-quality services of an exclusive brand and all aforementioned assets of the property, it can be assumed that the hotel "Am Hof" will be able to represent an

alternative for quality-sensitive guests seeking a high level of privacy, comfort and luxurious surroundings, which they are less likely to find at another luxury hotel in the market. Moreover, the hotel will benefit from the fact that it is newly built and hence will better meet the requirements of the experienced international traveler, who tends to stay in the world's best hotels rather than traditionally designed and refurbished existing hotels.

Furthermore, the generous in-house fitness and spa, which will be spread on approximately 1,800 square meters offering whirlpool, steam bath, indoor pool as well as treatment rooms, will be a strong competitive advantage, helping to achieve premium average rates in comparison to the existing competition.

5.2 Hotel Trading Estimates

The detailed trading estimates for the proposed "Am Hof" project are illustrated and summarized in the tables in Appendix 1 and 2. The financial forecast depends partly upon key assumptions. The forecasted income reflects the most likely future development from today's point of view assuming that the hotel is operated by an exclusive luxury brand. External circumstances such as economic crises may have a considerable impact on the financial performance. The stated values are partly subject to rounding. In some cases, rounding differences may apply since calculations were conducted upon exact figures, but rounded figures are displayed.

The forecast is based on the following parameters:

- Positioning of the hotel: Five star luxury
- Number of keys: 173
- Management: international luxury hotel brand
- Inflation after stabilization period: 1.9 per cent per annum (estimations by the author referring to globalrates.com)
- Stabilization phase after four years; 2018 is calculated as the first full business year after the end of the start-up phase on the price basis of 2011

The late stabilization reflects the current hotel market situation in Vienna. According to the market analysis, it is expected that rates and occupancy of five star hotels in Vienna will increase only slightly due to further hotel supply.

Rooms Revenue					
<i>No. of rooms</i>	<i>Type of room</i>	<i>m²</i>	<i>price/room</i>	<i>Total room revenue</i>	
130	Superior double	44 m ²	€ 480	€	62,400.00
33	Junior suites	93 m ²	€ 1,945	€	64,185.00
8	Executive suites	122 m ²	€ 2,376	€	19,008.00
2	Presidential suites	220 m ²	€ 6,745	€	13,490.00
				€	159,083.00

100% occupancy	Total daily revenue	159,083.00
	Total yearly revenue	58,065,295.00
Year 1	Total daily revenue	89,086.48
56% occupancy rate	Total yearly revenue	32,516,565.20
Year 2	Total daily revenue	93,858.97
59% occupancy rate	Total yearly revenue	34,258,524.05
Year 3	Total daily revenue	103,403.95
64% occupancy rate	Total yearly revenue	37,742,441.75
Year 4	Total daily revenue	109,767.27
69% occupancy rate	Total yearly revenue	40,065,053.55
Year 5	Total daily revenue	119,312.25
75% occupancy rate	Total yearly revenue	43,548,971.25

Chart 10: Total room revenue/Occupancy

The following trading estimates will illustrate figures of appendix 1 and appendix 2:

- **Timeline**

The financial forecast reflects the first ten years from 2013 to 2022. The first four to five years of operation will constitute the hotel's start-up phase, hence the first stabilized year of operation is assumed to be 2017. The first four to five years are all trading years representing full calendar years. Leap years are not taken into consideration.

- **Inflation rate**

The inflation rate is assumed to be at approximately two per cent per annum for the projected period up to the end of 2017.

- **Rooms**

Based on the assumption of 173 guest rooms and suites, an average room occupancy is estimated to be at 56 per cent in the first year and is rising continually during the first four years. In 2017, the start-up phase ends with an average room occupancy rate of 75 per cent. The anticipated occupancy levels are above historic levels in the luxury segment due to the special type of project.

- **RevPAR**

RevPAR for the superior standard room is calculated with € 312 in a representative year on the price basis of 2013. Rooms' revenue is expected to make up the largest part of total room income with a percentage of 65.

- **Food & Beverage**

Food and Beverage revenue is composed of income from the restaurant and bar in the mezzanine, the lounge and champagne bar in the main floor, the roof top bar, the wine cellar, conference/banqueting division as well as from room service including minibar. As the hotel is anticipated to attract a high number of external guests for business dinners and drinks, the total income of F&B is estimated to stabilize at approximately € 14 million. The unique design of the conference and banqueting facilities will attract high-quality functions and events, hence contributing the high F&B income of approximately 28 per cent of total room revenue.

- **Minor Operated Departments**

MODs are expected to carry revenue of approximately € 2 million, accounting for about three per cent of the total revenue in the first stabilized year. The majority of this income represents revenue from the generous spa and recreation facilities but also from minor services such as laundry and telephone.

- **Departmental Costs**

These expenses are expected to stabilize at approximately 40.5 per cent in the fourth operating year. Departmental costs are calculated with assumed parameters as a percentage of total revenue (see Chart 11).

Department	Costs of Total Revenue (%)
Rooms	25
F&B	78
Conference and banqueting facilities	17
Minor operating departments	66

Chart 11: Departmental costs of total revenue (%)

- **Operating Expenses**

Operating costs are calculated with 27 per cent of departmental revenue in the first operating year. Undistributed expenses are estimated to stabilize at some 25 per cent in 2017 and include the following:

- Administrative & General expenses
- Sales & Marketing
- Repairs & Maintenance
- System costs
- Heat, Light & Power

- **Fixed Expenses**

The fixed expenses include the property tax & insurance, a base management fee, an incentive fee and the FF&E reserve. The property tax and insurances are assumed to amount approximately 1.4 per cent of total revenue. The base management fee is assumed to be at about two per cent of total revenue in the first year, 2.3 per cent in year two and 2.5 per cent in year three and thereafter. Moreover, an incentive fee of five per cent is expected within the first operating year, rising up to eight per cent in

2017. The FF&E reserve is calculated with two per cent of total revenue in year 1, 2.4 per cent in year 2 and 3, and four per cent in the fifth year and all subsequent years. All percentages to be calculated in line with industry standards.

- **Gross Operating Profit**

In the first operating year, the Gross Operating Profit margin is anticipated to account for around 32 per cent of total revenue whereas for the fifth operating year, the GOP is estimated to reach 34.5 per cent of total revenue of around € 68 million. This corresponds to approximately € 12.9 million in 2017. These margins are acceptable for such a luxury product and are supported by the assumed high room rate and respectful occupancy levels.

- **Net Operating Income**

After subtraction of all fixed costs and payables, the Net Operating Income (NOI) is estimated to amount to around 22 per cent, which corresponds to € 11.2 million in year 1. In the fifth operating year, in 2017, the NOI is expected to reach € 12.9 million, which amounts to 19 per cent of total revenue. Nevertheless, in order to achieve these high levels of profit, a very efficient and well- controlled operation of the hotel is necessary and indispensable.

- **Rent/Lease**

The rent, payable by the lesser (hotel operator), is dependent on the contract framework. International operators generally prefer management contracts where most of the operating risk lies with the investor. If the investor wants security, he prefers a performance based annual rent. In this case, the payable rent is based on an annual net minimum rent (see Chart 12).

Annual net minimum rent		
Year 1	€	1,000,000
Year 2	€	3,000,000
Year 3	€	4,500,000
Year 4	€	5,000,000
Year 5	€	5,200,000

Chart 12: Annual net minimum rent

In case of exceeding the minimum rent, the rent is calculated as a stipulated percentage of the annual Net Operating Income of the hotel. Exact policies and agreements are usually recorded in the lease agreement or contract.

In this feasibility study it is assumed that the lessee is obliged to pay 75 per cent of the annual Net Operating Income of the hotel. If the annual rent of 75 per cent of the Net Operating Profit is less than the annual net minimum rent, the lessee has to pay for these rent deficiencies.

Hence, the annual rent is equal to 75 per cent of the annual net operating profit of the hotel or equal to the minimum rent, whatever is higher in any given fiscal year.

The projected rental levels would be broadly as follows:

Rent/Lease agreement		
75 % of net operating profit/fiscal year		
Year 1	€	8,421,282
Year 2	€	8,511,102
Year 3	€	9,332,408
Year 4	€	9,625,003
Year 5	€	9,696,451

Chart 13: Rent/Lease agreement

Due to significant risks which occur under the terms of the proposed project, it is obvious that the majority of international hotel operators generally prefer management contracts where most of the risk is carried by the investor. Hence, these issues are critical when selecting the appropriate operator as not every hotel operator is able to manage these risks.

6 Conclusion

Generally speaking, there are only a limited number of hotels in the entire market of Europe which actually are able to achieve a rate premium far higher than competing luxury hotels. Admittedly, the basis for the success of an individual market leader is the right location. Hence, not every city is suitable for hotels performing in this segment with respective prices. Referring to section one of this study, Vienna is ready for a new signboard, a truly unique development, bringing national and international capital to the market. The city is well-positioned as a destination for business as well as leisure travelers.

By following the concept of combining tradition and history with latest trends and innovations, exceptional services, furnishings of the highest standards, traditional architecture with contemporary interior design, and private and historic location with an exclusive luxury brand, the hotel will be able to secure the highest position in the market and target the upper premium business and leisure market.

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Appendices

Appendix 1

Ten-year forecast of net operating income, 2013 - 2017

<i>Ten-year Forecast of Net Operating Income</i>											
<i>Calendar year</i>	2013		2014		2015		2016		2017		
No. of rooms		173		173		173		173		173	
No. of occupied rooms/year		35361		37256		40413		43570		47359	
Occupancy		56%		59%		64%		69%		75%	
Average daily rate €	€	514.95	€	542.54	€	588.52	€	634.49	€	689.67	
RevPAR €	€	288.37	€	320.10	€	376.65	€	437.80	€	517.25	
RevPAR Growth				11%		18%		16%		18%	
Total sales											
Rooms 64%		32,516,565.2		34,258,524.05		37,742,441.75		40,065,053.55		43,548,971.25	
F&B 28%		14,225,997.3		14,988,104.27		16,512,318.27		17,528,460.93		19,052,674.92	
Conference 4%		2,032,285.3		2,141,157.75		2,358,902.61		2,504,065.85		2,721,810.70	
Minor operated dpts 3%		1,524,214.0		1,605,868.31		1,769,176.96		1,878,049.39		2,041,358.03	
Diverse 1%		508,071.3		535,289.44		589,725.65		626,016.46		680,452.68	
Total revenue		50,807,133.1		53,528,943.83		58,972,565.23		62,601,646.17		68,045,267.58	
Expenditures											
Rooms 25%		8,129,141.30		8,564,631.01		9,435,610.44		10,016,263.39		10,887,242.81	
F&B 78%		11,096,277.87		11,690,721.33		12,879,608.25		13,672,199.52		14,861,086.44	
Conference 17%		345,488.51		363,996.82		401,013.44		425,691.19		462,707.82	
Minor operated dpts 66%		1,005,981.24		1,059,873.09		1,167,656.79		1,239,512.59		1,347,296.30	
Departmental costs		20,576,888.92	41%	21,679,222.25	40.5%	23,883,888.92	40.5%	25,353,666.70	40.5%	27,558,333.37	40.5%
Operating costs											
S&M, A&G, Heat, Light, Repairs & Maintenance		13,717,925.94	27%	14,131,641.17	26.4%	15,332,866.96	26.0%	15,963,419.77	25.5%	17,011,316.89	25.0%
Total revenue		50,807,133.1		53,528,943.83		58,972,565.23		62,601,646.17		68,045,267.58	
Departmental costs		20,576,888.92		21,679,222.25		23,883,888.92		25,353,666.70		27,558,333.37	
Gross operating income		30,230,244.21	59.5%	31,849,721.58	59.5%	35,088,676.31	59.5%	37,247,979.47	59.5%	40,486,934.21	59.5%
Operating costs		13,717,925.94	27.0%	14,131,641.17	26.4%	15,332,866.96	26.0%	15,963,419.77	25.5%	17,011,316.89	25.0%
Gross operating profit		16,512,318.27	32.5%	17,718,080.41	33.1%	19,755,809.35	33.5%	21,284,559.70	34.0%	23,475,617.31	34.5%
Fixed charges											
Property Tax & Insurance		711,299.86	1.4%	642,347.33	1.2%	589,725.65	1.0%	626,016.46	1.0%	680,452.68	1.0%
Management -Base fee		1,016,142.66	2.0%	1,231,165.71	2.3%	1,474,314.13	2.5%	1,565,041.15	2.5%	1,701,131.69	2.5%
Management - incentive fee		2,540,356.66	5.0%	3,211,736.63	6.0%	3,833,216.74	6.5%	4,382,115.23	7.0%	5,443,621.41	8.0%
FF & E Reserve		1,016,142.66	2.0%	1,284,694.65	2.4%	1,415,341.57	2.4%	1,878,049.39	3.0%	2,721,810.70	4.0%
Total Fixed Charges		5,283,941.85	10.4%	6,369,944.32	11.9%	7,312,598.09	12.4%	8,451,222.23	13.5%	10,547,016.47	15.5%
Net operating profit		11,228,376.42	22.1%	11,348,136.09	21.2%	12,443,211.26	21.1%	12,833,337.47	20.5%	12,928,600.84	19.0%

Appendix 2

Continued: Ten-year forecast of net operating income, 2018 - 2022

<i>Continued: Ten-year Forecast of Net Operating Income</i>											
<i>Calendar year</i>	2018		2019		2020		2021		2022		
No. of rooms		173		173		173		173		173	
No. of occupied rooms/year		47.359		47.359		47.359		47.359		47.359	
Occupancy		75%		75%		75%		75%		75%	
Average daily rate €	€	689.67	€	689.67	€	689.67	€	689.67	€	689.67	
RevPAR €	€	517.25	€	517.25	€	517.25	€	517.25	€	517.25	
RevPAR Growth		0%		0%		0%		0%		0%	
Total sales											
Rooms 64%		43,548,971.25		43,548,971.25		43,548,971.25		43,548,971.25		43,548,971.25	
F&B 28%		19,052,674.92		19,052,674.92		19,052,674.92		19,052,674.92		19,052,674.92	
Conference 4%		2,721,810.70		2,721,810.70		2,721,810.70		2,721,810.70		2,721,810.70	
Minor operated dpts 3%		2,041,358.03		2,041,358.03		2,041,358.03		2,041,358.03		2,041,358.03	
Diverse 1%		680,452.68		680,452.68		680,452.68		680,452.68		680,452.68	
Total revenue		68,045,267.58		68,045,267.58		68,045,267.58		68,045,267.58		68,045,267.58	
Expenditures											
Rooms 25%		10,887,242.81		10,887,242.81		10,887,242.81		10,887,242.81		10,887,242.81	
F&B 78%		14,861,086.44		14,861,086.44		14,861,086.44		14,861,086.44		14,861,086.44	
Conference 17%		462,707.82		462,707.82		462,707.82		462,707.82		462,707.82	
Minor operated dpts 66%		1,347,296.30		1,347,296.30		1,347,296.30		1,347,296.30		1,347,296.30	
Departmental costs		27,558,333.37	40.5%								
Operating costs											
S&M, A&G, Heat, Light, Repairs & Maintenance		17,011,316.89	25.0%								
Total revenue		68,045,267.58		68,045,267.58		68,045,267.58		68,045,267.58		68,045,267.58	
Departmental costs		27,558,333.37		27,558,333.37		27,558,333.37		27,558,333.37		27,558,333.37	
Gross operating income		40,486,934.21	59.5%								
Operating costs		17,011,316.89	25.0%	17,011,316.89		17,011,316.89		17,011,316.89		17,011,316.89	
Gross operating profit		23,475,617.31	34.5%								
Fixed charges											
Property Tax & Insurance		680,452.68	1.0%	680,452.68	1.0%	680,452.68	1.0%	680,452.68	1.0%	680,452.68	1.0%
Management -Base fee		1,701,131.69	2.5%	1,701,131.69	2.5%	1,701,131.69	2.5%	1,701,131.69	2.5%	1,701,131.69	2.5%
Management - incentive fee		5,443,621.41	8.0%	5,443,621.41	8.0%	5,443,621.41	8.0%	5,443,621.41	8.0%	5,443,621.41	8.0%
FF & E Reserve		2,721,810.70	4.0%	2,721,810.70	4.0%	2,721,810.70	4.0%	2,721,810.70	4.0%	2,721,810.70	4.0%
Total Fixed Charges		10,547,016.47	15.5%								
Net operating profit		12,928,600.84	19.0%								

