

# CURRENT TRENDS IN THE EUROPEAN HOSPITALITY INDUSTRY



The third edition of Hotel Investment Conference Europe which took place at the end of September focused on transactional and financial trends in the European hospitality Industry. The panelists, who were the members of the International Hotel Investment Council, gave opinions and facts about the industry. The following trends were identified at the conference.

## 1. Capital

The panelists confirmed that there are huge amounts of capital in the European market as evidenced by the funds raised by the equity real estate funds. A member revealed that the real estate equity fund raised \$100 billion the previous year and in the current year, the same funds reached \$40 billion. The panelists also pointed out that a lot of transactions will be witnessed in Europe since players, volumes and capital is enough.

## 2. Europe has great opportunities

The lack of opportunities in other parts of the world will be advantageous to the European hotels. They pointed out that even those European countries that have been hit by recession will be able to seize the opportunities that result from the low interest rates. The panelists claimed that a difference between winners and losers will come out clearly since those who have expertise and are willing and able to partner with others will be able to gain a competitive advantage in the bidding environment.

## 3. Leases will still remain a good option

Leases and sale-lease backs still remain profitable and reliable in the European industry. In Europe, leases take long durations and in certain situations, a lease may go for 200 years. This long duration assures comfort to buyers and according to the participants, cap rates for any deal that include a long lease can be in the 3-4 range. In this regard, leasing and sale-lease backs are expected to continue standing.

## 4. The future is good

Basically, it is an exciting moment in the United Kingdom. This is portrayed by the good things that are being witnessed in the country. For instance, banks are quite considerate about offloading their own assets. This means that anyone who is thinking of investing in the UK should go ahead to invest since he/she is bound to reap good returns. Come 2014, the provincial UK assets with more risk will be the primary hotels. Such hotels will be bought with interest rates of around 10%. In addition, arrangements for capital expenditure programs are underway.

## 5. Main concerns

Even though various good things are bound to happen, the panelists also raised some concerns about certain issues. First, there is concern of the inability of the entire industry to raise rates even when there is significant growth. STR Global managing director, Elizabeth Winkle, clarified that there is a demand growth but the demand may not necessarily turn everything into a success in the

European Hotel Industry.

In conclusion, the panelists asserted that there is need to find ways of growing income since it is a challenge faced by the entire industry.

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