

HOTEL INVESTMENT - 2014 WAS A RECORD YEAR FOR EUROPE



2014 was the best year for hotel investment in Europe in recent years – reaching EUR 12.2 billion. Particularly outstanding was the activity in Spain with almost EUR 1.1 billion, which is double the investment in previous years, according to property consultants BNP Paribas Real Estate.

Hotel investment in the main five European markets (France, Germany, Italy, Spain and the UK) increased by 68% over the 2013 figures, exceeding the previous 2007 record.

"Hotel investment in 2014 was boosted by foreign capital, mainly from North America, the Middle East and Asia. We also saw the Chinese investment to gain momentum," explained Bruno Juin, Managing Director Hotels at BNP Paribas Real Estate.

Spain got back on track with an investment volume of EUR 1.1 billion representing 17% of European investments and almost double the figures for 2013. Approximately 20% of the investments went into properties that will be converted into hotels.

The Spanish hotel market became a target for foreign investors. 2014 saw increased interest from Asian investors: their investments last year amounted to two thirds of the total they have invested in Spanish hotels over the past five years.

However, the report states, the hotel markets in Spain and Italy are still recovering, with revenue per available room (RevPAR) still 12% and 15% respectively below the 2007 levels. Despite this, 2014 showed new signs of improvement with occupancy rates exceeding all-time highs.

44% of investments in the five countries went to the UK which continues dominating this sector in Europe. Transactions involving major trophy assets and hotel portfolios have allowed investments volume to almost double when compared to 2013, and to set a new record with EUR 5.4 billion.

The most active investors were the Americans, but to a lesser extent, investors from the Middle East and Asia have also been very active, focusing on luxury hotels.

In Germany, hotel sales and purchases recorded remarkable growth in 2014, passing the EUR 3 billion mark for the first time to set a new record and produce 82% growth over the figure for 2013.

As in the case of the UK, this excellent result is to be attributed to various large portfolio transactions and numerous individual operations, such as Le Méridien Munich and the Hilton Frankfurt.

Activity in the hotel investment market in France was also outstanding in 2014, with an investment volume above the EUR 2 billion mark, a 21% increase over 2013. Foreign investors continued to drive the market, focusing especially on the luxury hotels segment which had 86% market share.

Among trophy assets transferred in 2014 the most notable were the Meridien Etoile Paris, the Marriott Champs Elysées or the Carlton Cannes, which were sold to US, Chinese, and Qatari

investors respectively.

In spite of a generally more modest property market, hotel investment in Italy grew by 11% between 2013 and 2014. Although investors prefer high quality assets, the search for opportunities with higher profitability is becoming increasingly common. As a result, it is expected that investment in hotels will continue to grow in 2015, albeit at a slower pace.

"In our opinion the market for hotel investment in Europe is supported by good fundamentals. Since 2010, the hotel business has been solid and 2014 has been no exception. International tourist arrivals in the top five destinations also created a new record last year, "said Céline Cotasson-Fauvet, Head of European analysis at BNP Paribas Real Estate's International Research department.

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