AUSTRALIA IS THE KEY MARKET FOR CHINESE HOTEL INVESTORS

In their latest report on the Asia Pacific Hotel Investment Highlights, JLL reported that in 2014 transaction volumes rose by 86% in the Australian hotel investment market, which is the prime target market of the Chinese investors. This rise in transaction volumes totaled to a whooping US$2.2 billion.

Overall, the Asia-Pacific region witnessed a completion of 146 hotel deals in the last calendar year. The deals, amounting to US$7.5 billion, were led by fairly large deals in Australia and Japan. Leading among the large deals completed was the selling of the Sheraton on The Park, which is in Sydney at US$398.2 million. It is a five-star asset located in the CBD. It was bought by Sunshine Insurance Group Corporation, which is a company based in China.

According to Mr. Peter Harper, various large scale transactions took place in Australia. This included the selling of the Sofitel Sydney Wentworth at US$191 million as well as the selling of the Sheraton Noosa Resort and Spa, which cost more than US$100 million. Mr. Harper is the Senior Vice President in charge of Investment Sales at the JLL's Hotels & Hospitality Group.

He further said that it was evident that China was significantly complementing the South-East Asia's usual capital source markets. This, he says, has raised the competition for chief hotel assets in Australia. **Therefore, it is expected that the 2015 calendar year will be interestingly characterized by numerous deals.**

While most of the high performance transactions took place in Australia, Asia's activity was commanded by Japan whose worth of hotel deals stood at US$2.3 billion. Mainland China followed Japan at US$1.4 billion, with Thailand taking the third place with hotel deals worth US$338 million. The drop in the investment activity in Asia shows that there is a shift in terms of where Asian hospitality assets investors prefer to invest in. They prefer to invest in markets that are emerging and recovering like those in Western Europe and America at the expense of the local hospitality assets.

The shift in interest by the Asian capital can be attributed to the drop in investment opportunities in Asia in 2014 compared to 2013. The second half of the 2014 calendar year recorded a total transaction of US$3.7 billion which was 34% less than the total volume of transaction recorded within the same time in 2013.

Mr. Harper said that Australia's volume of transactions went up due to the numerous prime hotel sales. Comparing the behavior of the price per key in Australia and the rest of Asia in 2014, **in Australia there was a 24% increase in price per key totaling $292,000 per key, while in the rest of Asia it dropped by 35% to $201,000 per key.** The selling of the Sheraton on The Park was a record-setter among the single-asset sales of hotels in Australia. This, he says, shows that the rest of Asia is lacking in terms of large scale transactions.

In the second half of the 2014 calendar year, investment endeavors in Asia Pacific was commanded by Australia at US$1.6 billion and Japan at US$1.2 billion. In mainland China, independent transactions totaled US$250 million, reflecting further that Chinese investors prefer large scale purchases abroad. With sales of more than 100 hotels, many of which were part of portfolio deals, Japan was the most profound and operative market.

Mr. Harper concluded that prospecting into the future Australia will remain to be the key target for global investors from Asia. According to him, the already attractive state of the market will be boosted by the return of fair exchange rate levels and the notion that the Australian market offers better value compared to the other global markets.

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