Market Report

EMEA Hotel Investment Volume 39 % lower than Q1 2011

In the first quarter of 2012, hotel investment volumes in Europe, Middle East and Africa (EMEA) totalled ?1.5 billion, a 39 % decline compared to Q1 2011. However, volumes in Q1 2011 were distorted by approximately ?1billion from three significant transactions (Marriott Champs Elysées, Ritz Carlton Moscow and a large Accor European portfolio), so stripping these out, volumes increased by 7% compared to the same period last year. Single asset deals accounted for 74% of transactions.

Investment activity remains strong in Paris and London with a combined investment total of ?645 million in 14 deals and with continued trading, growth investor demand is expected to continue to be high. Christoph Härle, CEO Continental Europe Jones Lang LaSalle Hotels said: "Investment sentiment remains robust for quality assets in key cities, however, this sentiment could soften over the next months if growth in hotel performance continues to slow across some of the key European hotel markets". At year-to-date February 2012 hoteliers posted a fall in revenue per available room (RevPAR) in some cities, such as Munich (-7.7 %), Düsseldorf (-11.5 %), Amsterdam (-9.7 %), Zurich (-10 %) or Copenhagen (-2.6 %).

The UK remained the most liquid market in EMEA during Q1 2012 with total hotel transaction volumes reaching ?784 million, 52% of total EMEA transaction volumes. Activity was primarily concentrated on London with 11 hotel sales completing including the sale of the 4-star 129 room hotel Kingsley Thistle for about ?51 million to a private client of Citi Bank.

Jon Hubbard, CEO Northern Europe Jones Lang LaSalle Hotels said: "London was once again one of the most active hotel investment markets in Europe and we anticipate further strong interest across the market, including for trophy assets. The pricing gap between regional UK and London hotels is widening and, while trading in many of the regions remains weak, we do not anticipate a significant uptick in transactional activity in those markets in the short to medium term, except where driven by distress"

In France, hotel transaction volume totalled ?252 million in Q1 2012, 17 % of total EMEA transaction volumes. Activity was driven by three major hotel sales in Paris including the 4-star 617 room Pullman Paris Rive Gauche which was sold by Accor to French property company Bouygues Immobilier for ?77 million.

In Germany, total hotel transaction volume amounted to about ?70 million, 5 % of total EMEA transaction volumes. Significant transactions included the sale of a portfolio of 3 Pentahotels in Kassel, Braunschweig and Eisenach to the tenant HPI Germany Hotelbesitz GmbH (Hong Kong Chinese family owned group) and the acquisition of the Suite Novotel Hamburg City by German fund manager Deka Immobilien.

While the market remains very active negotiating deals, driven by the need for existing investment structures to be refinanced and that of new equity investors to place capital, the continued lack of debt and/or high margins from those active lending banks, make transactions difficult to complete. Larger transactions, involving multiple lenders are particularly difficult to execute, although

PROPERTY MAGAZINE
Michaela Schroer
Claudiusweg 1
59519 Möhnesee
Germany

Phone: +49 2924 879 988
Fax: +49 2924 879 989

info@property-magazine.eu
www.property-magazine.eu

Vat-ID-No. DE234396004

appetite remains for quality stock. However, bank restructuring activities are increasing which will help drive investment volumes. Therefore, the outlook for 2012 remains much the same as 2011, with a total hotel transaction volume of around ?8 billion forecast."

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