

Asian Hotel Sales Reach Record High of US\$10.8 billion in 2007

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Hotel transaction activity in Asia reached US\$10.8 billion during 2007, more than double the previous high of US\$5.0 billion recorded in 2006.

During 2007, the Asian hotel market witnessed 83 major (valued above US\$5 million) transactions. Japan recorded the highest transaction activity totalling US\$6.8 billion, including four out of the five largest transactions including the IHG / ANA portfolio sold by Jones Lang LaSalle Hotels. "Asia's hotel markets continue to perform well, driven by strong local economies and expanding leisure markets," said Mr Scott Hetherington, Managing Director Asia, Jones Lang LaSalle Hotels.

On average, investors paid approximately US\$225,000 per room for hotels across Asia. "Reflective of a higher level of product being offered for sale throughout the year, this was a 15.3% increase over 2006 and the highest level recorded since 1997," said Mr Craig Collins, Managing Director Investment Sales Asia, Jones Lang LaSalle Hotels.

While regional players still dominate, cross-border transactions have also increased accounting for 46% of total hotel transaction activity - a significant increase on last year's 39% (+US\$3 billion). Investors remain bullish on expectations for short and medium term trading across Asia Pacific. "Continued urbanisation and development in Asia has the potential to drive economic growth for many years to come and while many forecasts suggest a slowdown in the US, developing Asia is perceived to be relatively protected from this," said Mr Hetherington. Capital inflows in 2007 were dominated by U.S. private equity groups, as well as Middle Eastern investors.

"Prospects for greater transaction volumes were restricted by the limited number of hotel assets for sale," said Mr Hetherington. With such positive hotel trading conditions, many investors are adopting a hold strategy. "In our latest Hotel Investor Sentiment Survey, buyers still outweigh sellers by 5:1 with buy sentiment prevailing in over half of surveyed markets, dominated by the regional investment hot spots of China, Japan and Singapore."

"Most countries across Asia witnessed transaction activity, however deals were concentrated in North Asia, namely Japan, Hong Kong, China and Macao," said Mr Hetherington. "Vietnam is also attracting unparalleled levels of interest," he added. "Markets tipped hot for acquisition by investors include Macao, Hong Kong, Guangzhou, Chengdu, Beijing, Tokyo, Osaka, Singapore, Shanghai and Ho Chi Minh City,"

Japan

Japan has emerged as Asia's hotel investment hot spot over the last four years. "Investors are lured to Japan by the low cost of debt, and while economic growth rates may not be as strong as some parts of the world, hotels still offer a positive yield spread. Mr Tom Sawayanagi, Managing Director, Jones Lang LaSalle Hotels Japan, said. "Investment activity continues to be dominated by two main trends: the disposal of non-core assets by Japanese companies, and acquisitions and dispositions by domestic and international real estate funds, many of whom have well-established platforms."

China

China's economy is proving resilient to the current turmoil in the global financial markets. "Direct investment in hotel real estate only started gaining pace over the past few years," said Mr Andreas Flaig, Executive Vice President, Jones Lang LaSalle Hotels China. "Transactions volumes have averaged around \$1 billion for the past two years compared with only \$200 million in 2005, and will increase as more hotel product comes on line and the market plays catch-up with a rapidly expanding domestic economy and tourism flows," he added.

Hong Kong SAR

Hong Kong remains one of the most highly sought investment destinations in Asia Pacific however it is also one of the most tightly held. "Hong Kong recorded its highest level of hotel investment activity ever in 2007 with two significant transactions occurring - the sale of the Ritz Carlton to China Construction Bank for \$464 million, and the Majestic Centre for \$216 million," said Mr Hetherington.

Vietnam

The growing exuberance surrounding Vietnam's accession to the WTO (World Trade Organisation) has increased foreign investor interest in Vietnam. Hotel transaction volumes increased fourfold to \$332 million in 2007, well up from US\$74 million last year. Mr Collins said, "We expect to see investor interest continue to increase as the market offers great value because of the low cost of land and opportunity for income and capital growth."

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