

## Global hotel transactions soared 56% in 2007 on back of 'mega-deals'

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Hotels remain an attractive investment despite financial market uncertainty

Global hotel transactions soared for the fifth consecutive record year according to the latest Hotel Investment Outlook 2008 published today by Jones Lang LaSalle Hotels, the leading global hotel investment services firm. It reveals that \$113bn worth of hotels changed ownership, despite the impact of the sub-prime crisis in the second half of 2007.

Global CEO of Jones Lang LaSalle Hotels, Arthur de Haast, says 'The outstanding level of transaction activity was of course bolstered by the record breaking hotel transaction which saw Blackstone acquire Hilton for \$26bn. However, even if we exclude this single corporate transaction, we have still experienced 20% year on year growth, which is extraordinary given that 2006 was already a 67% increase on 2005, and this was a 61% increase on 2004.'

Jones Lang LaSalle Hotels believes that changes in both the availability and cost of debt will slow transaction activity in 2008 although it will have less of an impact than on other property sectors.

De Haast continues, 'Our research highlights a different dynamic at play within the hotel investment market when compared to other investments. The general M&A market is reported to have slowed down around 40% following the sub-prime crisis, whereas hotel transaction activity has slowed just 17% compared to the same period in 2006'.

As financial market uncertainty persists in 2008, hotel transaction activity will consequently slow. However, hotel activity is likely to rebound sooner and may indeed be impacted to a lesser degree. De Haast suggests, 'Hotels have been a favoured investment for less leveraged buyers such as Sovereign Wealth Funds, High Net Worth Individuals and Real Estate Investment Trusts, who we expect will take advantage of the changed market conditions'.

Jones Lang LaSalle Hotels states that hotel investment activity will be limited by the reduced availability of assets for sale in several markets in 2008, especially as sellers adjust to new pricing levels. De Haast continues, 'Yields had started to turn in some markets before the sub-prime crisis and realistically we had anticipated this shift. The reduced level of liquidity will soften yields, especially in secondary markets, until the third quarter of 2008 when we expect the market to start to rebound'.

Despite the economic fundamentals providing challenges for the sector, debt continues to be paid, private equity buyers continue to be active both as buyers and sellers, new sources of capital from China, India and Russia are helping to support transactions volumes and hotel brands are becoming a critical component in driving asset values.

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