

Economic Growth And Tourism Continues To Drive Positive Results For Hotel Investors in EMEA

2008-03-13

The hotel market in the EMEA region achieved another year of positive performance results in 2007, with growth recorded in the majority of markets. Whereas the strongest growth was reported in the Middle East and North African region at 12.5 per cent, Europe also reported a solid 8.1 per cent increase year on year. These positive results were driven by EMEA's growing economy and ever increasing leisure and business tourism.

Mark Wynne-Smith, CEO Europe, Middle East & Africa, Jones Lang LaSalle Hotels said: 'Following a record year in 2006, the EMEA hotel investment market contracted in 2007 and reached a total volume of \18.7 billion in combined single asset and portfolio transactions. Total volume for the year was 15 per cent below the \21.6 billion achieved in 2006 but still surpassed the 2005 volume by 19 per cent, representing the second highest year on record for the region. We are now heading into a period of wide divergence in trading performance and pricing where asset management skills will be the key to success.'

The changes in the market following the sub-prime crisis have and will play to the benefit of groups with strong equity positions. These investors are now expecting to acquire properties that are being priced realistically and they are placing a greater emphasis on recent trading performance. Uncertainty in the market will push vendors to focus on closing deals in a fast and efficient manner. Relationships with balance sheet lenders will also be an important determinant of success.

In 2007, continental Europe experienced significantly stronger single asset activity due to the continued strength of the hospitality real estate markets in France, Germany and Italy, combined with growth in several key central and eastern European markets, as well as Turkey and Russia. The German, French and Italian markets continued to dominate single asset investment volume across Europe achieving total single asset sales volume of \2.8 billion, accounting for approximately 62 per cent of total single asset volume in continental Europe. The level of transaction activity in the UK was affected by the tightening of the U.S. capital markets, which had a ripple effect in lending activity across the UK. The decrease in total single asset transaction volume is attributed to a 48% decrease in single asset activity in the UK to \1.6 billion, which was partially offset by an increase of \553 million or 14% recorded in Continental Europe.

Mark Wynne-Smith concluded: 'The credit issues which appeared in the middle of last year are likely to start having an impact on consumer confidence and hence leisure tourism across the region, but we don't foresee this thwarting High Net Worth Individuals and sovereign wealth funds continued interest in acquiring trophy hotel assets and the bigger portfolio's respectively.'

'Overall, we expect to see the hotel investment market remaining active in 2008, although at lower transactional levels compared to 2007. Investor activity is expected to be focused on markets with strong income growth potential, such as Scandinavia, Germany, CEE and the MENA region. In addition, key cities in Western Europe will remain popular, although off-market deals could become the norm in these markets.'

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