

Global Hotel Sales Decline 76%

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But \$13.9 billion worth of global hotel transactions still close in the first half of 2008

Notwithstanding the continued uncertainty of the financial markets, Jones Lang LaSalle Hotels reported that \$13.9 billion worth of hotels have traded globally in the first half of 2008.

This represents a decline of 76% from the record levels seen in the same period of 2007. By region, the highest drop was recorded in the Americas (-81%), followed by Asia Pacific (-67%) and EMEA (-59%), although the Americas remains the most liquid region, accounting for more than \$6.0 billion of transactions in 1H2008.

'Whilst transaction activity has shown a marked decline from the historical highs achieved over the last two years, we are still cautiously optimistic about the future of hotel investments over the medium term,' said Jones Lang LaSalle Hotels' Global CEO Arthur de Haast. 'At \$13.9 billion, hotel investment volumes are now at a level comparable to that of 2004, which similarly recorded \$14.0 billion worth of transactions within the first half of the year.'

'More importantly, transaction volumes are still significantly higher than those achieved in 2002/2003, which remains the lowest point for the industry in this decade,' added Mr. de Haast. 'Following the events of September 11, 2001, the Iraq War, and the SARS outbreak in 2003, transaction volumes sunk to a low of \$3.6 billion in the first half of 2002 and remained weak through the end of 2003. Based on year-to-date numbers, the hotel investment market in 2008 appears to be in a much stronger position relative to the 2002/2003 period.'

Beyond transaction volumes, the hotel investment market is also witnessing change in other respects. Reflecting the reduced availability of debt, the majority of hotel transactions (84%) that have been undertaken to-date globally have been less than \$100 million in size. Compared to the first half of 2007 where more than a dozen portfolio transactions of over \$1 billion took place, only one such transaction has been recorded for the first half of 2008.

In contrast to previous years where transaction activity has been largely driven by private equity players, a significant proportion of hotel acquisitions in 2008 have been undertaken by hotel and serviced apartment operators. For the first half of the year, hotel and serviced apartment operators accounted for \$3.1 billion, or 22% of all global transactions, reflecting a shift from debt driven transactions to more traditional real estate investment deals.

Further, whilst strong demand and pricing is still being achieved on quality assets in key markets worldwide including France, Germany, and Italy in Europe, there is notable increasing investor interest in emerging markets including Thailand, Vietnam, and emerging European countries such as Russia and Turkey.

Buyer and seller sentiments are also continuing to adjust in current market conditions. Jones Lang LaSalle Hotels' latest research, Hotel Investor Sentiment Survey (HISS) suggests that globally investors are still optimistic about the medium to long term prospects for hotel investments, with buyers still outnumbering sellers by nearly 4:1. 'On the other hand, with the weaker trading outlook anticipated for most markets, sellers are expected to start adjusting to new pricing levels,' concluded Mr. de Haast.

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