

European hotel values see healthy growth for 2010 following two years of decline, says HVS report

Europe's hotel sector saw a year of recovery in 2010 with average hotel values per room (in euros) increasing by 1.5% to ?215,200 following two consecutive years of double-digit percentage falls, according to the latest edition of HVS London's annual Hotel Valuation Index (HVI).

The review of European hotel value trends, released today ahead of next week's International Hotel Investment Forum in Berlin, has tracked trends in upscale hotel values across 33 key European markets since 1993.

This year's survey shows that Paris and London retained first and second place in the index with the highest value per room, although the 2010 star performers were Frankfurt and Munich, with the highest percentage change in values per room of 19% and 15%, respectively.

Owing to its recent economic turmoil, Athens fell eight places to 27th, with a drop in value per room of 29% to ?129,100. St Petersburg, however, showed a meteoric rise to tenth place from 33rd in 2009, and an increase in values per room of 11%, owing to a significant recovery in hotel occupancy.

Although the HVI analyses performance and value for each market, the focus of this year's review is on future growth. For the first time, HVS has included a five-year forecast of values for each city. Overall, 15 of the 33 cities analysed are expected to increase hotel values by 2015 to above the previous 2006/2007 peak. Only five markets are not expected to grow; but they are not predicted to contract either.

HVS London director Tim Smith said: ?The importance of understanding the local dynamics of each city is more pronounced than ever. There is no longer a European hotel market but a group of independent markets sharing the same geographical proximity that is Europe.

?In prior years, there was a clear divide between Eastern and Western European markets with cities in the west clearly outperforming those in the east. In 2010, that clear distinction blurred, with some cities (such as Warsaw) showing growth beyond those in the west. Given the improving conditions in the majority of the countries analysed, the big question is whether the bottom been reached??

On 2011, Smith noted: ?An interesting year awaits, but it may be for differing reasons. Some cities will enjoy performance and value growth, others will remain reasonably static (and relieved to be so), whilst others may fall still further in the early part of 2011. Although we expect all markets to stop declining during the year, the importance of the next few months will be dramatic as it will show the depth, shape and speed of the recovery.?

(ENDS)

* To see HVS projections for, and analysis of, each city in full, download a copy of the European HVI 2011 at <http://www.hvs.com/article/5114/2011-european-hotel-valuation-index/>.

* Russell Kett, managing director, HVS London, will be chairing a session on the opening day [7th March] of the International Hotel Investment Forum in Berlin in which leading CEOs in the hotel sector discuss the state of the industry.

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About HVS

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