

Trading improvement boosts hotel values, says HVS London

Improved trading performance has boosted hotel values across Europe by 2.3% to an average of ?220,000 per room, according to the latest Hotel Valuation Index (HVI), published by global hotel consultancy **HVS London**.

The annual HVI, which has analysed changes in upscale hotel values across 33 European cities since 1993, attributes the rise to strong trading performance in the region in the early part of 2011, rather than improved investor sentiment.

Paris and London remain in first and second place in the index with values of ?631,000 and ?587,000 per room respectively. Zürich and Geneva take the third and fourth spots with values of ?518,000 and ?467,000.

The 2011 surprise performer was the Eastern European market of Tallinn, which, although still in 33rd place in the HVI, topped the percentage-change leader board with a rise of 14% on 2010 to ?91,000, driven mainly by significant improvements in performance. Geneva showed the second highest percentage increase (13%), London (12%) and Zürich (11%). For the Swiss markets, currency appreciation was a determining factor in value changes.

After a fall of 29% in 2010, and despite its ongoing economic turmoil, Athens achieved an increase in hotel values of 6% to ?137,000, but remained in 27th place in the index. Out of the bottom five markets, only three - Sofia, Birmingham and Berlin - actually recorded a decrease in values.

Trading performance is expected to show an improvement across the sector for the rest of 2012, although value growth will become more prominent from 2013.

Looking ahead, Birmingham is the only market not expected to grow in 2012, while some cities are forecast to achieve only below inflationary growth. The HVI report forecasts a 20% growth in values over the next five years, an average of 4% per year, with the six more affluent markets showing a stronger growth in values of over 30%.

?Overall, 2012 is likely to herald a return to sound fundamentals, which will benefit stable markets like the German cities, Istanbul, Paris and London. Increased travel from emerging markets will also offer opportunity for hotels across Europe to improve their performance,? commented report co-author Sophie Perret, associate director, HVS London.

?Well established markets such as London and Paris are already operating at high occupancies, but a further increase in rates, with a varied business mix is expected to continue to push value. Secondary and provincial markets are likely to see modest growth as the much-valued corporate and meeting business takes time to recover fully.

?The slow growth in trading and, hopefully, increased lending levels will help these markets to recover further over the next five years. However, securing debt financing is unlikely to recover significantly within the short to medium term,? concluded Perret.

To download a free copy of the HVI please click onto <http://www.hvs.com/Content/3233.pdf>

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About HVS

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