

European hotel investment drops 16%

London tops this year's European hotel investment league, as single asset transactions along with the sale of hotel development sites in the UK's capital have boosted what is otherwise a depressed hotel investment market.

Overall, however, the scarcity of debt and economic uncertainty will continue to dampen investment until at least the end of 2012, says hotel consultancy HVS.

The company's latest hotel transaction figures, released to coincide with this week's Hotel Investment Conference Europe in London, show that investment in both single assets and hotel portfolios during 2012 has been significantly down on 2011 levels as difficult trading and a severe lack of quality hotel stock has deterred investors.

Trading has been difficult in recent months for many European markets, even Paris and London have experienced a slowdown, said Tim Smith, Director, HVS London.

The first eight months of 2012 saw hotel investment activity in Europe total around ?3.5 billion (£2.8 billion), a 16% decline on the same period in 2011.

Some 46 hotels (around 9,500 rooms) each more than ?7.5 million (£6 million) were sold, 28% below the same period in 2011 when 59 qualifying transactions took place. Total single asset investment volume reached ?2.1 billion (£1.68 billion) in the first eight months of 2012, a 10% decline on 2011. The average sale price per room was ?215,000 (£172,000) compared with ?251,000 (£208,000) in 2011.

As in 2011, the majority of investment has been based in the UK, where volume reached more than ?1 billion (£800 million), 46% of overall single asset investment volume. In London some 12 hotels changed hands including the four-star Cavendish London for just under ?200 million (£160 million).

A number of hotel development sites have also been sold in London, including the InterContinental Westminster and Hilton Bankside. In addition, the Odeon Site in Leicester Square has been acquired by the Edwardian Group.

Investment in Germany also remains strong, accounting for 15% of total transaction volume. Several hotels have changed hands including the Courtyard Düsseldorf Seestern for ?15.5 million (?70,100 per room) and the Suite Novotel Hamburg City for ?18 million (?96,800 per room).

France has also been fairly active, accounting for 11% of total single asset investment volume. Significant transactions include the sale of the 617-room Pullman Paris Rive Gauche for ?77 million (?124,800 per room) and the sale of the 60-room Hotel Lancaster for ?61 million (?1 million per room).

A total of nine portfolio transactions, involving 29 hotels, have taken place in the first eight months of 2012, reaching a volume of ?1.5 billion (£1.2 billion). This represents a 22% decrease compared with the same period in 2011.

Transactions this year have included the acquisition of six hotels from investment vehicle aAim by Principal Hayley for ?238.1 million (£200 million). This was £75 million less than Principal Hayley sold the portfolio to aAim for during the property boom in 2006. Principal Hayley went on to sell these properties for £90m in a sale and leaseback agreement with Pramerica. Following this, the whole Principal Hayley portfolio, consisting of 22 hotels (3,700 rooms), has been placed on the market for £500 million.

In addition, PPHE Hotel Group acquired the remaining 50% interests in four hotels in the Netherlands from a subsidiary of Elbit Imaging for ?26.5 million.

Invesco Real Estate has been active in Germany acquiring two separate portfolios. In April 2012 it acquired two recently opened

InterContinental Hotel Group properties in Berlin from Azure Property Group for ?60 million (?151,900 per room) and more recently two MGallery Hotels from Accor for a reported ?44 million (?123,900 per room).

?Until debt becomes more readily available and trading significantly improves, it is difficult to estimate when the hotel investment market will improve but we hope to see transaction figures rising during 2013,? added Tim Smith.

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About HVS

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