Investor interest in Europe?s hotels improves, says HVS Index

Hotel values for the majority of the key European cities have grown during 2013, according to the **2014 European Hotel Valuation Index (HVI)** published this week by global hotel consultancy HVS London.

Hotel values are expected to continue to increase as the lending environment becomes more favourable and the economic recovery improves demand.

The European Hotel Valuation Index monitors annual percentage changes in the values of typically four- and five-star hotels in 33 European cities. An index is calculated ranking each market relative to a European average, as well as an average value per room for each market.

Most hotel markets had a slow start into 2013, but saw improvements in the second quarter with strong third and fourth quarters. Consequently, during 2013 two-thirds of the hotels in the cities surveyed experienced a growth in value, compared with only about half in 2012.

?Cash-rich investors such as real estate trusts, institutional investors and high-net?worth individuals continue to be key players, but a gradual, cautious return of bank lending has been observed, although there have been no material changes in loan to value ratios. It is at least a good sign that banks are, again, becoming comfortable with hotel real estate,? commented HVS London director Sophie Perret, co-author of the report.

The five cities with the most expensive hotel rooms in Europe remain unchanged: Paris (?671,000), London (?625,000), Zürich (?501,000), Geneva (?427,000) and Rome (?362,000).

Amongst those with the least expensive rooms, Tallinn (?103,000) has moved up a place, from bottom of the list last year, leaving the lowest position to Sofia (?93,000). Athens (?112,000) climbed two places following its good performance in 2013, becoming the city showing the biggest percentage increase in room value ? up 7.6%, while Bratislava (?111,000) and Bucharest (?112,000) complete the bottom five.

Dublin (?179,000, up 6.6%) continued its strong growth from 2012 with investors showing renewed interest following its economic recovery. In January 2014 alone, three hotels in the city (just over 600 rooms) changed hands for about ?175 million. Another success was seen by Barcelona (?243,000, up 5%) and Lisbon with 6% growth in room value (?131,000).

Geneva (?427,000), normally a relatively stable market, saw a decline in value of 5.4%, although the city remains the fourth most valuable city in terms of room value.

?We expect 2014 to be the year for secondary, regional markets and for countries that are emerging from acute recessions and offer increased upside opportunities, albeit at a somewhat higher risk. Whilst only eight countries were at above pre-crisis peak levels in 2013, we expect this number to increase modestly to about 10 in 2014, and to just over a dozen by 2018,? commented report co-author Christof Bertschi, associate, HVS London.

Other cities this year's HVI earmarks for growth are Tallinn, owing to its continued strong performance, and Dublin, a current darling of investors, as well as more subdued growth for the main Eastern European markets including Prague, Bratislava, Bucharest and Sofia.

?Key gateway cities such as London, Paris and Barcelona are expected to remain attractive for developers and investors, whilst German cities such as Munich and Frankfurt will continue to be considered a haven owing to Germany's economic stability,? added Bertschi.

2014 European Hotel Valuation Index by Christof Bertschi and Sophie Perret can be downloaded at http://www.hvs.com/article/6802/2014-european-hotel-valuation-index/?campaign=email

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