

Low interest rates prompts rise in financing on European hotels, says HVS lending survey

24 February 2017, London: Europe has seen an upturn in the availability of hotel financing due to low interest rates and strong performance, according to the annual **European Hotel Lending Survey**, published this week by brokerage and investment services specialist HVS Hodges Ward Elliott.

'The widespread availability of bank financing for hotels is partly due to stronger hotel market fundamentals and a more resilient banking sector across Europe,' commented report author Peter Szabo, analyst with HVS Hodges Ward Elliott.

The survey of leading European banks found that although debt for hotels has become more widely available, there are regional differences in lending activity. Debt funding was also found to be easier to obtain for existing property acquisitions, refinancing, renovations and expansions, than new hotel constructions.

'Only half of Western European lenders in the survey were willing to consider new constructions, indicating their perception of the market being more mature with fears of possible oversupply,' said Szabo.

Furthermore, lenders showed a clear preference for full-service properties at the higher end of the market than economy hotels, while larger loans were found to be originated by major Western-European banks, with the lending parameters in Western Europe the least stringent.

Southern European banks were the most positive about hotel lending over the next 24 months, while Western European banks varied in their outlook.

An equal number of banks in Western Europe predicted an increase in hotel loans as a decrease, another signal of a possible tipping point in the cycle, while 60% agreed that lending from non-bank lenders was likely to increase.

'Bank lending has undoubtedly become more available over the past few years with more favourable hotel fundamentals across Europe, but most banks are cautious about increasing their lending,' concluded Szabo.

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Download a copy of 2017 European Hotel Lending Survey by Peter Szabo at
<https://www.hvs.com/article/7947/2017-european-hotel-lending-survey/>

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About HVS

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