

Germany becomes star performer for hotel transactions

1 March 2017, London: Hotel transaction volume across Europe reached ?17.8 billion in 2016, down 25% on the previous year's record volume, according to the annual European Hotel Transactions report, published this week by HVS and its brokerage and investment services division HVS Hodges Ward Elliott.

While portfolio activity halved to ?7.2 billion-worth of sales, single asset transactions remained strong with volumes of ?10.6 billion, up almost 17% year-on-year.

?Last year's fall in portfolio hotel transactions came as no surprise, particularly as it followed an extremely active 2015 during which there were ?14.6 billion-worth of portfolio transactions,? commented report co-author Friederike von Büнау, associate, HVS London.

?Many investors sat tight last year as the world experienced a number of political and societal changes, although an appetite remained for single asset acquisitions.?

Germany's hotels were the star performers during 2016 with transaction volumes reaching ?4.4 billion, including ?2.45 billion-worth of portfolio assets, a 30% rise on 2015. Single asset transactions in Germany valued ?1.95 billion with key deals being the sale of the Hyatt Regency Dusseldorf to Algonquin and Aviva France's Primotel Europe fund and the sale of the Grand Hotel Taschenbergpalais Kempinski in Dresden.

Despite a 70% fall in transaction levels the UK was still the second best performer in Europe. Of its total volume of ?3.6 billion, ?2.1 billion were single asset transactions. Portfolio transactions fell 83% year-on-year to ?1.5 billion (£1.2 billion).

London maintains its position as the leading European hotel transaction market, with a total volume of ?1.8 billion. The fact sterling lost 10% of its value between 2015-16 is thought to have affected acquisition decisions throughout the year, as well as weakening the UK's year-end ranking.

Transaction volume in France increased in 2016, up from ?1.5 billion to ?1.9 billion. Single asset transactions showed a 130% growth year-on-year, although operating performance continues to struggle in Paris and Nice.

In Spain market fundamentals continued to strengthen last year with the country showing a 12% increase in transaction activity to ?2.1 billion. Ireland and Austria also showed a rise in transaction activity in 2016.

The majority (83%) of total investment volume was acquired by European players, totalling ?14.8 billion of acquisitions (up from last year's 40%). The market saw a large fall in North American, Middle Eastern, and Asian investors' investments, by about 88%, 70% and 61% respectively, and, of the ?980 million of Asian inflow, almost 40% was invested in London.

?The new normal, in a period of political uncertainty, Brexit and low interest rates seems to be a race for fixed income hotel assets, as a variety of investors reach to hotels as an alternative in the search for yield, ? concluded report co-author Peter Szabo, analyst, HVS London.

?Despite the lack of stock, appetite for hotel assets will likely be strong in 2017 until interest rates turn and pricing levels adjust across the spectrum.?

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Download a copy of **2016 European Hotel Transactions** by Friederike von Büнау and Peter Szabo at <http://www.hvs.com/article/7951/2016-european-hotel-transactions/?campaign=email>

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