

## HVS Hotel Lending Survey reports positive outlook for financing although banks showing caution on over-supply

06 February 2018, London: A survey of leading European banks has shown that despite on-going uncertainty surrounding Britain's exit from the EU they are still positive about lending on hotel projects in Britain, ranking the UK as their most preferred hotel lending market along with Germany and the Netherlands.

According to the **European Hotel Lending Survey 2018**, published today by brokerage and investment services specialist HVS Hodges Ward Elliott, debt is widely available for all types of hotel projects across the continent.

‘Over the past year cautiousness due to increased political risks and economic policy challenges has been replaced by a more positive outlook for hotel lending,’ commented report co-author Peter Szabo, associate at HVS Hodges Ward Elliott.

‘Strong hotel performance means that debt continues to be available in most regions, with hotels proving a popular alternative real estate asset class, with increasing interest from investors.’

The survey, of leading banks active in hotel financing, revealed that lending is commonly available across Europe for hotel property acquisitions, refinancing, renovations and expansions, although there is less financing for developments than other projects.

‘This mirrors the banks' perception of the market being at a more mature phase in the cycle,’ added Szabo. ‘As a result we are now seeing slightly more cautious lending for new developments amidst fears of oversupply, particularly in Western Europe.’

According to the survey the average loan size from major international banks has started to decrease slightly, as the investment cycle reaches its ninth year in 2018, although those from smaller regional lenders has shown less change.

Fixed interest rates continue to be offered at historical lows, below 4% in all major markets. A slight decrease of 0.28%, due to increased competition among lenders, was seen over the past 12 months for hotels with management agreements in Western Europe.

The survey also reveals that lenders across Western Europe show a preference for upscale and midscale projects, with 13% of loans financing luxury hotels and a further 36% supporting upscale properties. Only 16% of loans are given to economy projects with the exception being in the Nordics, where lenders allocate an average of only 3% of loans to luxury hotels, showing a clear preference for midscale properties.

The survey concludes that it remains a borrower's market with historically low interest rates, although the end of the prolonged era of cheap money in Europe is becoming apparent.

‘Although we cannot expect interest rates to remain at historically low levels in the long-term, investors will continue to benefit from attractive terms over the next 12 months and be able to secure financing for their hotel investments,’ concluded HVS London analyst and report co-author Simon Hult n.

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Download a copy of 2018 European Hotel Lending Survey by Peter Szabo and Simon Hult n at <https://www.hvs.com/article/8198/2018-european-hotel-lending-survey/?campaign=email>

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#### About HVS

HVS, the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries, was established in 1980. The company performs 4,500+ assignments each year for hotel and real estate owners, operators, investors, banks and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of some 40 offices and more than 350 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. [HVS.com](https://www.hvs.com)

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