



European Hotel
Investment Survey
Changing gears:
a new era?



Key findings from the Deloitte European Hotel Investment Survey, conducted as part of the 2015 European Hotel Investment Conference.

The survey represents the views of a sample of senior hospitality figures including owners, operators, lenders, developers and investors.

The European hotel market

Where are we heading?



Looking longer-term
(into the next decade)

74%

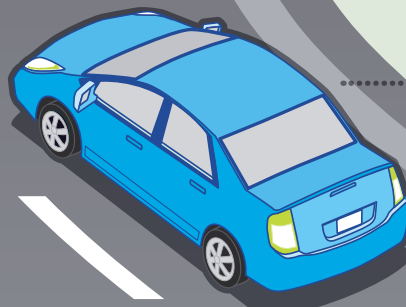
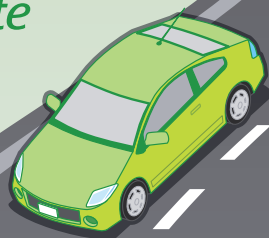
of respondents believe that
*franchised international
brands will dominate
future growth* in both
the UK and across Europe.

54%

of respondents believe that we are
*less than 18 months
away from the peak
in the current
investment cycle.*

41%

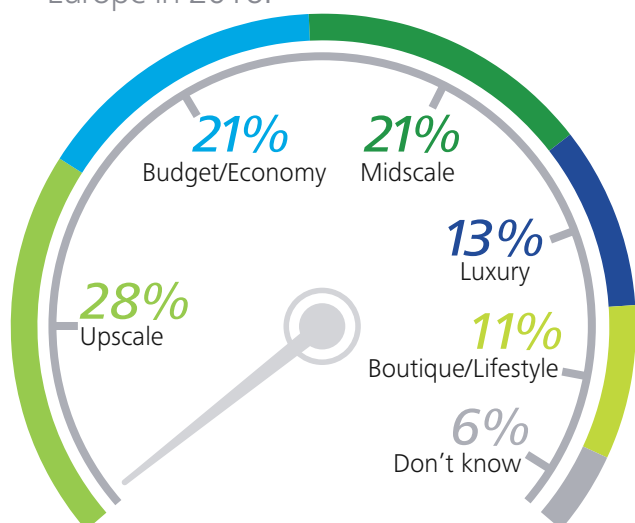
of respondents expect
*independent management
companies to perform best*
in the UK and across Europe.



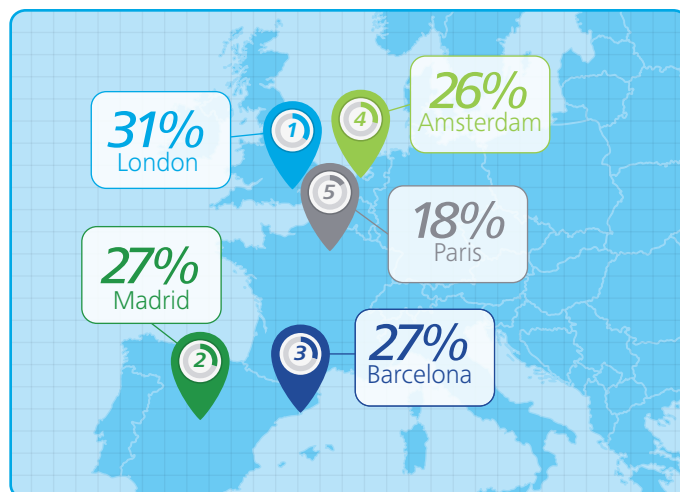
European hotel investment Accelerating into 2016



The upscale segment is expected to be the most attractive for hotel investment in Europe in 2016.



In addition to **London**, **Madrid**, **Barcelona**, **Amsterdam** and **Paris** are considered to be in the **Top-5 most attractive European gateway cities** in 2016.



Who will be investing in Europe?

Investment from **China and North America** is expected to continue to dominate in 2016.



Private equity and traditional bank debt

are expected to be the most common sources of financing in 2016.

Prominent themes in European hotel investment

As well as continued acquisition appetite from **private equity** 6/10 respondents rate **"shape and hold" strategies** and disposals from private equity as the most prominent investment theme for 2016.



Risks and challenges for European hotel investment

The main risks to the industry in Europe in 2016 are:



54% Geopolitical instability



54% Lack of economic growth

The main challenges to investment in Europe in 2016 are expected to be:



61% Yield compression



49% Lack of sellers/products

Spotlight on Regional UK

A steady steer for the UK?



Edinburgh is still considered to be the most attractive investment destination in Regional UK.

47% rank it in their Top-3 cities to invest in the UK in 2016

The appetite for investing in Aberdeen has seen a sharp decline.

37% in 2014 v 3% in 2015

Manchester is seeing renewed investment interest.

33% in 2014 v 40% in 2015

Risks for Regional UK hotel investment

Increasing labour costs are a key concern, with over half the respondents citing this amongst the key risks in 2016.

Other key concerns include *slowing economic growth (35%)* and a *rise in interest rates (33%)*.

Investment demand in Regional UK

The largest source of capital for portfolios is expected to be *driven by private equity*.



North America and China are expected to be the most significant investors while *almost a third expect other Asia Pacific investors* to fuel investment into Regional UK.

Pricing	
12x	34%
10x	26%

34% of *respondents expect to see multiples at 12x or higher in Regional UK*, with 26% expecting pricing to be more conservative at 10x.

Trading outlook in Regional UK



RevPAR is expected to continue to grow in 2016; but at a slower pace of 3-5%.

Contacts

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