

Contacts

If you would like to discuss any of the topics in this report, or our services, please contact one of our hospitality specialists below:



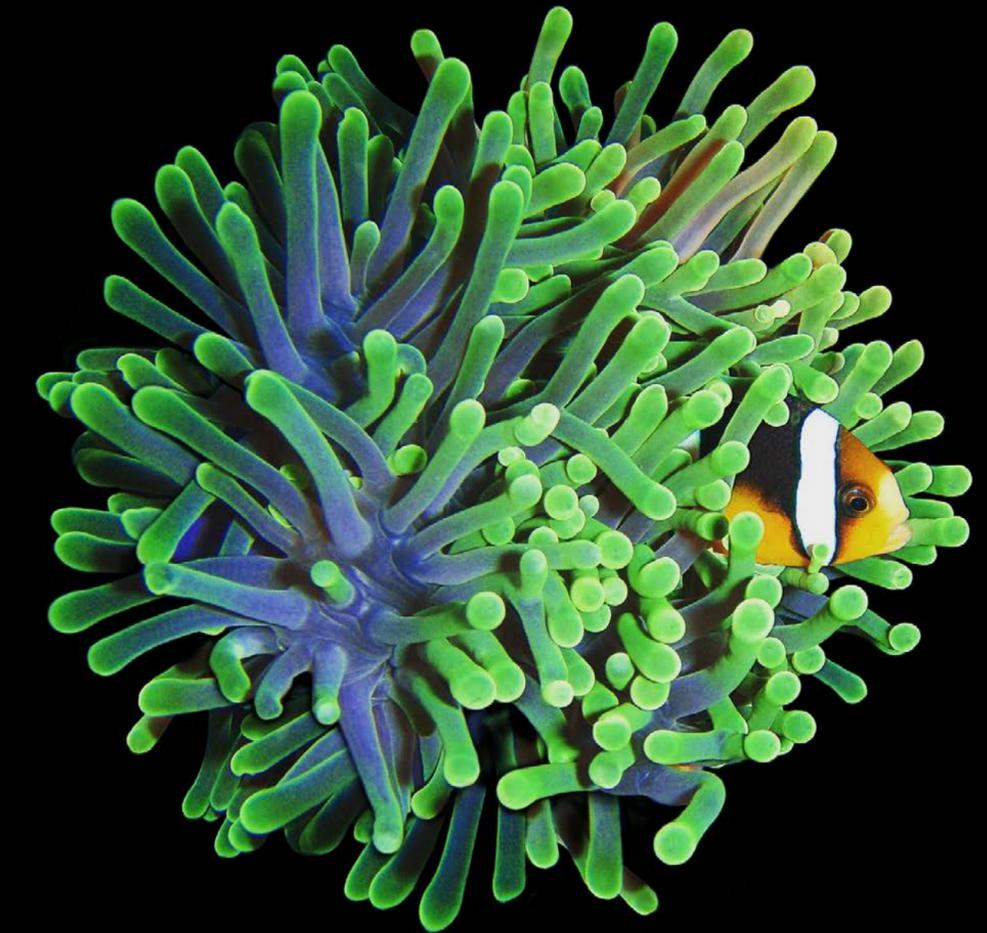
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Key findings from the 2016 Deloitte European Hotel Investment Survey, conducted as part of the European Hotel Investment Conference.

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

Outlook for the European hotel market

Sailing into 2017

Key: ■ Europe ■ Regional UK



Despite being under pressure from the sharing economy, **investment in hotels** (60%) is expected to **dominate** hospitality asset class activity in the next **10 years** with **serviced apartments** following (17%)

64% think the **peak** of the current **investment cycle** will occur within the next **18 months**

Private equity is expected to continue to be the **main source of investment** for **Regional UK hotel portfolios** in 2017

China and North America are expected to be the **most active investors** across both the **UK and Europe**

The **biggest risk** for **UK** hotel investment is considered to be a lack of or low **economic growth**

Geopolitical instability and a **lack of economic growth** remain **key risks** in 2017

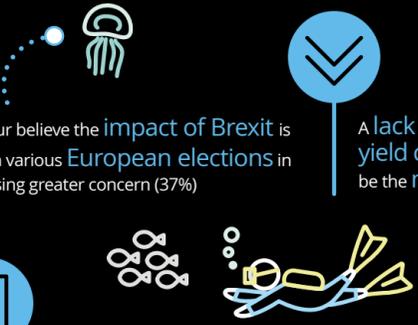
European hotel investment

An ocean of opportunity



The **Top-5** most attractive European gateway cities in 2017 are Amsterdam, London, Barcelona, Dublin and Madrid

Amsterdam has surpassed London as the most attractive city



The **Top-3** most attractive segments in 2017 are **budget** (31%), **upscale** (24%) and **midscale** (20%)

One in four believe the **impact of Brexit** is a risk with various **European elections** in 2017 causing greater concern (37%)

A lack of **sellers/product** (46%) and **yield compression** (45%) are considered to be the **main challenges** to investment in 2017

Investment in **gateway cities** is expected to be a dominant theme in 2017 (63%) while 59% think **disposals by private equity firms** and **consolidation** will be prominent

Transaction activity is expected to be dominated by **China** (62%) and **North America** (46%)

Traditional **bank debt** (53%) and **private equity** (45%) are expected to be the **most common source of financing**

Spotlight on Regional UK

Navigating deep waters



Edinburgh continues to be the **most attractive UK city** (47%) for a third year in a row

Manchester (46%) and **Birmingham** (22% vs. 9% previous year) follow suit



The **biggest risks** for **Regional UK hotels** in 2017 are considered to be **slow economic growth** (66%), **increased employee costs** (52%) and the **UK's decision to leave the EU** (42%)

Private equity is still considered to be the **main source of investment for portfolios** (38%) despite a slight dip from the previous year. Increased activity from **institutional investors, hotel funds** and **trade** is expected in 2017

38% expect to see **multiples of 10x**, with 20% expecting pricing to be higher at **12x** or more

Almost half (47%) expect **Regional UK RevPAR** to **continue to grow** at **3-5%** in 2017

Regional UK hotel investment is expected to be dominated by **China, North America**, and the **UK**