Experience the future
2018 Deloitte European Hotel Investment Survey
Focus on Europe

Almost 50% say the UK is at the peak of the investment cycle whilst 25% think it is already experiencing a downturn. Greece, France and Spain are perceived to be in the upturn.

Traditional bank debt is expected to be the most common source of financing in the market (53%), followed by private equity (44%). Institutional investors have risen from 34% to 44% in 2018.

Respondents view Europe to be the dominant source of hotel investment in 2019 with activity anticipated to decline from North America as a result of fewer opportunities for private equity funds. With continued Chinese capital restrictions, respondents anticipate that Asian-based investment will be dominated by Singapore, Malaysia and Thailand.

45% view lack of investment opportunities as the key challenge for their organisation over the next 5 years, followed by staffing (38%) and lack of growth opportunities (28%).

In the absence of recent major terrorist attacks, the perceived threat of terrorism for hotels has dropped significantly from last year. 'Overtourism' appeared for the first time in the top-5 risks.

Almost 50% say the UK is at the peak of the investment cycle whilst 25% think it is already experiencing a downturn. Greece, France and Spain are perceived to be in the upturn.

Traditional bank debt is expected to be the most common source of financing in the market (53%), followed by private equity (44%). Institutional investors have risen from 34% to 44% in 2018.

Respondents view Europe to be the dominant source of hotel investment in 2019 with activity anticipated to decline from North America as a result of fewer opportunities for private equity funds. With continued Chinese capital restrictions, respondents anticipate that Asian-based investment will be dominated by Singapore, Malaysia and Thailand.

45% view lack of investment opportunities as the key challenge for their organisation over the next 5 years, followed by staffing (38%) and lack of growth opportunities (28%).

In the absence of recent major terrorist attacks, the perceived threat of terrorism for hotels has dropped significantly from last year. 'Overtourism' appeared for the first time in the top-5 risks.

Amsterdam retains the top spot for the most attractive European city for investment in 2019. London has climbed back up to 2nd place but is challenged by Paris in 3rd place. Owing to the moratorium over hotel development, Barcelona has slipped to 6th place after being relatively strong over the last few years, having previously been one of the most desirable markets.
Major industry trends

Capturing the consumer
Opportunities for new brands
74% believe there should be more brands. The greatest branding opportunities exist for targeting millennials in the economy (55%) and midscale ‘extended stay’ (49%) segments.

Institutional investors and pension funds have risen from 34% to 44% in 2018.

Investment choices
Opportunities for the unconventional
The alternative accommodation sector (25%) has replaced hotel start-ups (20%) as the most popular personal investment choice, which now ties for 2nd place with blue chip companies. 9% would invest their own money in traditional hotel companies.

Talent
Attracting and retaining talent
Three in five say increasing pay will help to attract talent to the industry over the next three years, followed by faster career progression and improved employee benefits.

Labour issues are identified as key risks for the UK hotel industry in 2019 with 96% worrying about increasing employee costs and 91% concerned about shortage of skilled staff. Other key risks are Brexit (93%) and slowing economic growth (90%).

Capturing the consumer
Opportunities for new brands
74% believe there should be more brands. The greatest branding opportunities exist for targeting millennials in the economy (55%) and midscale ‘extended stay’ (49%) segments.

Institutional investors and pension funds have risen from 34% to 44% in 2018.

Investment choices
Opportunities for the unconventional
The alternative accommodation sector (25%) has replaced hotel start-ups (20%) as the most popular personal investment choice, which now ties for 2nd place with blue chip companies. 9% would invest their own money in traditional hotel companies.

Talent
Attracting and retaining talent
Three in five say increasing pay will help to attract talent to the industry over the next three years, followed by faster career progression and improved employee benefits.

Labour issues are identified as key risks for the UK hotel industry in 2019 with 96% worrying about increasing employee costs and 91% concerned about shortage of skilled staff. Other key risks are Brexit (93%) and slowing economic growth (90%).

Major industry trends

Capturing the consumer
Opportunities for new brands
74% believe there should be more brands. The greatest branding opportunities exist for targeting millennials in the economy (55%) and midscale ‘extended stay’ (49%) segments.

Institutional investors and pension funds have risen from 34% to 44% in 2018.

Investment choices
Opportunities for the unconventional
The alternative accommodation sector (25%) has replaced hotel start-ups (20%) as the most popular personal investment choice, which now ties for 2nd place with blue chip companies. 9% would invest their own money in traditional hotel companies.

Talent
Attracting and retaining talent
Three in five say increasing pay will help to attract talent to the industry over the next three years, followed by faster career progression and improved employee benefits.

Labour issues are identified as key risks for the UK hotel industry in 2019 with 96% worrying about increasing employee costs and 91% concerned about shortage of skilled staff. Other key risks are Brexit (93%) and slowing economic growth (90%).

Major industry trends

Capturing the consumer
Opportunities for new brands
74% believe there should be more brands. The greatest branding opportunities exist for targeting millennials in the economy (55%) and midscale ‘extended stay’ (49%) segments.

Institutional investors and pension funds have risen from 34% to 44% in 2018.

Investment choices
Opportunities for the unconventional
The alternative accommodation sector (25%) has replaced hotel start-ups (20%) as the most popular personal investment choice, which now ties for 2nd place with blue chip companies. 9% would invest their own money in traditional hotel companies.

Talent
Attracting and retaining talent
Three in five say increasing pay will help to attract talent to the industry over the next three years, followed by faster career progression and improved employee benefits.

Labour issues are identified as key risks for the UK hotel industry in 2019 with 96% worrying about increasing employee costs and 91% concerned about shortage of skilled staff. Other key risks are Brexit (93%) and slowing economic growth (90%).
Edinburgh remains the most attractive Regional UK city for investment for the 5th year in a row with Cambridge in 2nd place. Both cities are seen to have the biggest potential for further RevPAR growth in 2019. Leisure orientated Oxford is still high on the agenda for investors.

Nearly 50% expect 0-1% GOPPAR growth in London and Regional UK in 2019 with c. 25% expecting negative growth.

No big shifts were anticipated on EBITDA multiples. Over half of respondents expect attractive pricing multiples in the Regions at between 11-14x and in London at ≥15x.

73% expect Regional UK RevPAR growth below 3% in 2019, with Edinburgh and Cambridge expecting the highest growth. 87% expect London to achieve less than 3% growth.

Labour issues are identified as key risks for the UK hotel industry in 2019 with 96% worrying about increasing employee costs and 91% concerned about shortage of skilled staff. Other key risks are Brexit (93%) and slowing economic growth (90%).

Institutional investors are expected to be the most active hotel acquirers in 2019 (36%), followed by Private Equity (22%). Domestic investment will dominate followed by Asia Pacific (excl. China) and MENA with activity from North America expected to level off.

The view of the impact of Brexit on the Regional UK remains negative and unchanged, while London is now seen as less resilient than a year ago. 58% of respondents however remain optimistic about the long term future of the UK hotel market.
These are key findings from the 2018 Deloitte European Hotel Investment Survey, conducted as part of the annual European Hotel Investment Conference.
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:

Andreas Scriven  
+44 (0) 20 3741 2068  
ascriven@deloitte.co.uk

Aino Tan  
+44 (0) 20 7007 4406  
aintan@deloitte.co.uk

David Samson  
+44 (0) 20 7007 8221  
dsamson@deloitte.co.uk

Important notice

This document has been prepared by Deloitte LLP for the sole purpose of enabling the parties to whom it is addressed to evaluate the capabilities of Deloitte LLP to supply the proposed services.

Other than as stated below, this document and its contents are confidential and prepared solely for your information, and may not be reproduced, redistributed or passed on to any other person in whole or in part. If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities). No other party is entitled to rely on this document for any purpose whatsoever and we accept no liability to any other party who is shown or obtains access to this document.

This document is not an offer and is not intended to be contractually binding. Should this proposal be acceptable to you, and following the conclusion of our internal acceptance procedures, we would be pleased to discuss terms and conditions with you prior to our appointment.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

© 2018 Deloitte LLP. All rights reserved.

Designed and produced by The Creative Studio at Deloitte, London. J16723