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Sentiment on hotel markets dampens

hospitalityInside INVESTMENT BAROMETER spring 2016:

- **Return expectation mixed**
- **London and Munich are the outperformers**

Sentiment on the hotel investment market has dampened in spring 2016 - nevertheless, the market assessment remains positive overall and at a high level. Those surveyed painted a mixed picture when asked about returns and locations. These were the findings from the hospitalityInside INVESTMENT BAROMETER spring 2016.

"This slightly cooler sentiment on hotel markets is not surprising after the soaring heights of recent years," Andreas Loecher says, Head of Investment Management Hotel at Union Investment Real Estate GmbH, commenting on the results of the current survey carried out by the Augsburg-based publisher HospitalityInside in collaboration with Union Investment. "The terrorist attacks in Europe in particular and the uncertainties and risks around the Mediterranean in general have formed new hurdles for tourism over the last year. This obviously has an impact on expectations, in particular also in relation to hotel occupancy. Brussels, for instance, has recently suffered a massive collapse in hotel occupancy. Whilst free capital can be redirected to safe locations, some is trapped in crisis regions, and the hotel operators must attempt to master these challenges."

The survey also revealed revenue expectations for the industry to have fallen by 5.7 percent, though this still means that 75% of those surveyed continue to expect good to very good business for the sector. This also applies for the other individual indices. Those surveyed viewed the current situation and expectations for their own business over the coming six months with more optimism than they viewed the market in general. Sentiment with regard to development of new hotels has tended lower - after a sharp rise in the last survey - and is now 8.5 percent lower. All the same, all individual indices closed with the second highest value since the beginning of the survey in autumn 2013. The overall index falls just under the 4,000 mark, also the second highest value since the beginning of the survey.

The question as to whether and in what direction returns will develop for gateway cities and secondary cities in Europe revealed a mixed picture. The question as to where is best to invest is currently a hotly debated issue. All the more interesting to see then that half of those surveyed did not expect any relative change in the position of the segments. Although the other half did expect a change, just as many expected the distance between the segments to contract as expected it to widen. It follows then that there is still enough room for manoeuvre in both segments and in both directions.
With respect to the second trend question - what top location will be the outperformer in 2016 - most of those surveyed mentioned Munich and London. "In both locations, new hotel locations are and remain rare. In London, the risk of Brexit has not yet had any significant impact on the hotel market, and in Munich a range of hotel chains are still looking for their first opportunity," Andreas Loecher says.

Extracts of the results are published at the website www.hospitalityInside.com (see "Market Check") and at the Union Investment website http://realestate.union-investment.com/mainpage/downloads/surveys.html

Participants who joined the survey will get the detailed results via e-mail.

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