MIXED PERFORMANCE FOR WESTERN EUROPE’S HOTEL MARKET IN H1 2012

-Uk remained the most liquid hotel investment market-

During the first half of 2012, hotel investment volume in France, Germany, Italy, Spain and the United Kingdom suffered a 37% drop compared to the same period a year ago, according to research by BNP Paribas Real Estate (BNPPRE), the leading property adviser. Interestingly, the United Kingdom remained the most liquid hotel investment market.

However, at the end of June 2012, the activity of the hotel sector in the major Western European countries (Germany, France and the United Kingdom) remained strong given the current economic context. On the other hand, the Southern countries of Italy and Spain continued to be affected by the consequences of the sovereign debt crisis.

More specifically, growth in the United Kingdom does not look significant but the levels of occupancy rates (+0.8pt) and revenue per available room (+0.9) are already high. Indeed, with an occupancy rate reaching 73.3% in H1 2012, the UK can brag about recording the highest occupancy rate in Europe, so can London at 85.6%. However, performance indicators for the month of June 2012 were down on last year. This may be explained by part of the clientele preferring to avoid Olympics preparations by postponing or cancelling their trip. Domestic tourists may have been deterred by June being the wettest month for 100 years.

The United Kingdom also continued to dominate the hotel investment market at 53% of overall investment amongst the top five markets. Hotel investment volumes totalled €2.8 billion on a rolling year basis to H1 2012, reflecting a 23% drop compared to the same period a year ago. Overseas equity rich investors continue to focus on “prime” assets regardless of their high cost per key and low yields.

Elsewhere, in France after two years of rising occupancy rates in 2010 and 2011, H1 2012 saw a slide of 1.2 points compared to the year-earlier period. Although the revenue per available room held up well, this was mainly thanks to the greater average rate. Germany enjoys a favourable trade fair calendar in 2012. Only in May 2012 did the occupancy rate decrease, but the revenue per available room continued to remain positive. In addition, Italy’s occupancy rate fell by 2 points to 57.9% during H1 2012.
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