



Catella: Budget and luxury hotels expected to give highest returns and best prospects

The new Catella Market Tracker, The European Hotel Market, shows a clear shift in the structure of hotels in recent years – the budget and luxury segments are the two winners from this development. In 2016, approximately EUR 17.8 billion was invested in the hotel asset class, and growth is expected in almost all European countries, especially Spain, Germany, Austria, Ireland and Sweden.

The increasing connection of destinations through transport links, the global emergence of an Asian middle class with a high willingness to spend, and changed social preferences in terms of exotic locations, length of holidays, entertainment and individualisation all illustrate the strong attraction of the tourism sector.

In this structurally growing market, the established hotel asset class is a key element of portfolio diversification, putting it increasingly at the focus of investor attention. Germany is the most popular European investment location for hotel properties, with a transaction volume of EUR 4.4 billion last year, followed by the UK. Of the European transaction volume in 2016 of EUR 17.8 billion, EUR 10.6 billion was invested in single-asset deals.

“However, we assume the transaction volume for specific countries is likely to be well above this, due to the substantial systemic lack of market transparency due to single deals,” says Dr. Thomas Beyerle, Head of Group Research at Catella, explaining the challenges of the semi-transparent market.

“No uniform certification system exists for European hotels, which complicates comparisons between countries. Secondly, some of the new providers avoid classification, claiming “We are the benchmark, including a cool brand,” continues Beyerle.

Also, for better or worse, online travel agencies (OTAs), complemented by metasearch engines, determine occupancy rates, or rather economic success. Nevertheless, Catella still sees no really disruptive threat to the European hotel market from sharing portals.

In general, it can be noted that positive growth will be generated in nearly all countries, with Spain, Germany, Austria, Ireland and Sweden set to benefit most. Budget and luxury hotels will be the most investor-friendly hotel types, with the highest returns and best prospects.

The complete Catella Market Tracker, The European Hotel Market, is now available at catella.com/research.

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