



# Global Hotel Investment Trends


**Year-End 2022**

**JLL Research Hotels & Hospitality**

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# 2022 in review



## RevPAR recovery accelerated driven by the Americas; green shoots emerge in APAC

Global RevPAR recovered 97.8% on average across all regions in 2022 relative to 2019, with Q4 showing the highest performance of the year. The Americas and the Middle East have outperformed other regions underpinned by strong leisure demand and international tourism events, respectively. China's recent reopening has already increased performance across Asia and should give the region a much-needed boost in 2023.



## Gravitation towards safe-haven markets

Global safe-haven markets such as London, Paris, Japan, Singapore, Boston, and New York, continue to attract hotel investors amid ongoing macroeconomic volatility and geopolitical tensions. Look for these markets, London and Japan in particular, to be the recipient of foreign capital in 2023 as the Pound and Yen weaken, respectively.




## Total number of transactions reached an all-time high despite decline in volume

Global hotel investment volume reach \$71.1 billion in 2022, a decline of 3.2% relative to 2021 underpinned by geopolitical tensions and capital market dislocation in the back-half of the year. Total number of transactions reached an all-time high at 1,773 underscoring the appeal for small cheque sizes as sellers look to expand their buyer pool.




## Bifurcation of hotel acquisitions: luxury and select-service

Select-service hotels accounted for 45% of global single-asset liquidity, their highest portion in history underpinned by strong operating performance and an increased buyer-pool for smaller cheque sizes. Conversely, luxury hotels remain in high demand from buyers looking to acquire irreplaceable assets.



## International travel and cross-border hotel investment remains limited

Following the removal of many travel restrictions, international travel increased meaningfully in 2022 reaching 63% of pre-pandemic levels, with Europe and the Middle East benefitting the most. Cross-border hotel investment remains limited though, accounting for only 6% of total transaction volume, a decline of 14pp relative to pre-Covid averages (2015-19).



## New investors entering the sector

Private Equity continues to be the largest acquirer of hotel assets globally underpinned by massive amounts of dry powder on hand. 2022 also saw a notable increase in new investors entering the sector; in fact, 16% of the year's global investment volume was generated by first-time buyers, predominantly comprised of family offices and HWNIs.



# Top trends for 2023 ahead

## 1 Robust Fundamentals to Partially Offset Capital Market Headwinds, Catalyze Hotel Investment

While ongoing macroeconomic volatility and capital market dislocation could lead to short-term suppression of hotel investment activity, expect fundamental performance to be robust in 2023 underpinned by strong international travel and muted supply growth. This, combined with a substantial amount of impending debt maturity on the horizon and significant amounts of dry powder on-hand, should catalyze hotel investment opportunities. Buyers who are well-capitalized and less reliant on leverage will have an advantage to acquire quality assets.

## 3 Juxtaposition of Acquisition Composition

Amidst ongoing capital market dislocation, two sectors on opposite ends of the spectrum have emerged as most appealing and liquid: irreplaceable luxury assets and select-service/extended-stay hotels. Both sectors reached all-time highs in portion of Q4 single-asset liquidity, with luxury hotels representing 28% and select-service accounting for 47%. Expect this trend to continue in the first half of 2023 underpinned by an increased lender pool for smaller cheque sizes and luxury assets with in-place cash flow.

## 2 All Eyes on China and the Return of International Travel & Cross-Border Investments

The potential impact of China's reopening cannot be understated. Domestic and regional travel to broader Asia has already seen an uptick, with travel to the U.S. and Europe likely to increase soon. Widespread border reopenings could be the impetus to the reemergence of cross-border investments which have been largely absent for the past three years. Look for cash-rich Middle Eastern and Latin American investors to deploy capital across Europe and in select U.S. markets, particularly in the luxury space.

## 4 2023 Will be a Year of Tremendous Innovation, Particularly in the Luxury Sector

As the lines between work, life, and travel become increasingly blurred, traditional hotel brands and investors have an opportunity to expand their product offerings to new verticals. Expect a rise in non-traditional hotel offerings (e.g., branded residential, co-living, and private membership clubs), particularly in the luxury space. As the world's wealth grows faster than ever before, look for luxury travel brands to expand even further in 2023 with the goal of owning the entire traveler experience.

# Global hotel investment by the numbers | 2022

\$71.1B

**Total Transaction Volume,**  
Down 8.7% from 2019, Down 3.2% from 2021

1,773

**Total Trades,**  
The highest in history

37

**\$1M+ per Key Single-Asset Transactions**  
The 2<sup>nd</sup> highest in history

\$51.8B

**Total Single-Asset Transaction Volume**  
Highest portion of overall volume in the past decade

\$27.8B

**Total Funds Raised,**  
Up 46.1% from 2019, Down 39.3% from 2021





# Top-3 largest markets worldwide

**by transaction volume  
2022**

Source: JLL Research. Includes all transactions \$5M+ excluding casinos. Portfolios are included only when all hotels traded were in the same market. \*STR relabeled Anaheim to Orange County.



## New York

\$2.0B  Down 20.6%  
from 2019

**Total Transaction Volume**



## Anaheim\*

\$1.4B  Up 56.7%  
from 2019

**Total Transaction Volume**



## Seoul

\$1.2B  Up 83.2%  
from 2019

**Total Transaction Volume**

# Top-largest global hotel transactions | 2022

## Global gateway and high-growth markets dominate the top-10 largest transactions

Global Hotel Single-Asset Transactions					
Property	Region	Price	Rooms	Price per Room	Buyer
Hilton Millennium Seoul	APAC	\$929,831,000	680	\$1,367,000	IGIS Asset Management
Hyatt On The Bund	APAC	\$720,000,000	631	\$1,141,000	Shanghai Land (Group) Co., Ltd
Montage Laguna Beach	Americas	\$661,000,000	260	\$2,542,000	Fertitta Entertainment Inc.
Trump International Hotel Washington DC (future Waldorf)	Americas	\$375,000,000	263	\$1,426,000	CGI Merchant Group
Sheraton Hotel New York Times Square *	Americas	\$373,000,000	1,780	\$210,000	MCR Development LLC
Hilton Sydney *	APAC	\$361,148,000	587	\$615,000	Baring Private Equity Asia
Prima Hotel <sup>1</sup>	APAC	\$338,030,000	120	\$2,817,000	LE PIED Choengdam PFV
W Hotel Nashville	Americas	\$328,700,000	346	\$950,000	Xenia Hotels & Resorts, Inc.
Four Seasons Resort Jackson Hole	Americas	\$315,000,000	156	\$2,019,000	Host Hotels & Resorts

Global Hotel Portfolio Transactions					
Property	Region	Price	Rooms	Price per Room	Buyer
Watermark Lodging Trust/Brookfield	Americas	\$3,800,000,000	7,478	\$508,000	Brookfield Asset Management (Thayer)
Highgate-Cerberus CorePoint Lodging	Americas	\$1,500,000,000	17,572	\$85,000	Highgate Holdings / Cerberus Capital Management, L.P.
Blackstone-Starwood WoodSpring Suites	Americas	\$1,455,000,000	12,347	\$118,000	The Blackstone Group / Starwood Capital Group
ECS Portfolio	EMEA	\$900,354,000	2,880	\$313,000	Davidson Kempner Capital Management LP
Flynn/Varde Select-Service Portfolio	Americas	\$880,000,000	8,292	\$133,000	Varde Partners, Inc. / Flynn Properties

Source: JLL Research; Transactions are listed from highest to lowest by price and are inclusive of deals \$5M+, excluding casinos. Confidential deals are not included. Price per room is rounded to the nearest thousand.

<sup>1</sup>Prima Hotel transacted as a conversion to residential redevelopment, which influenced the sales price. \*JLL represented the seller.

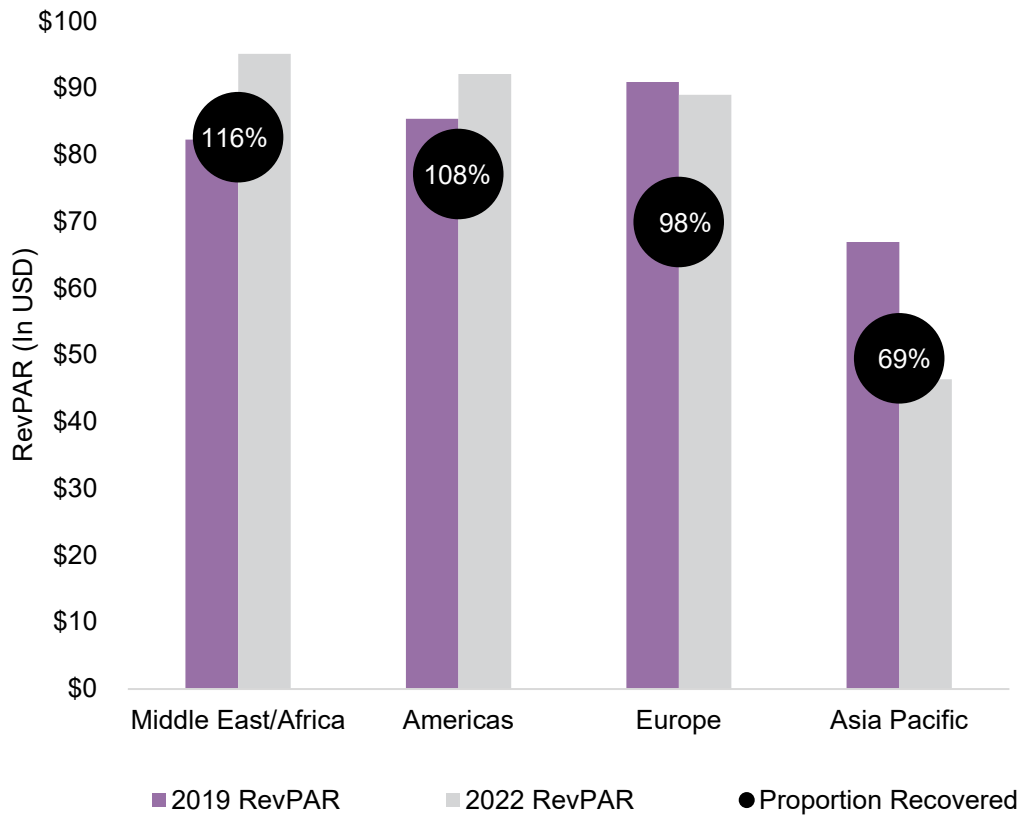




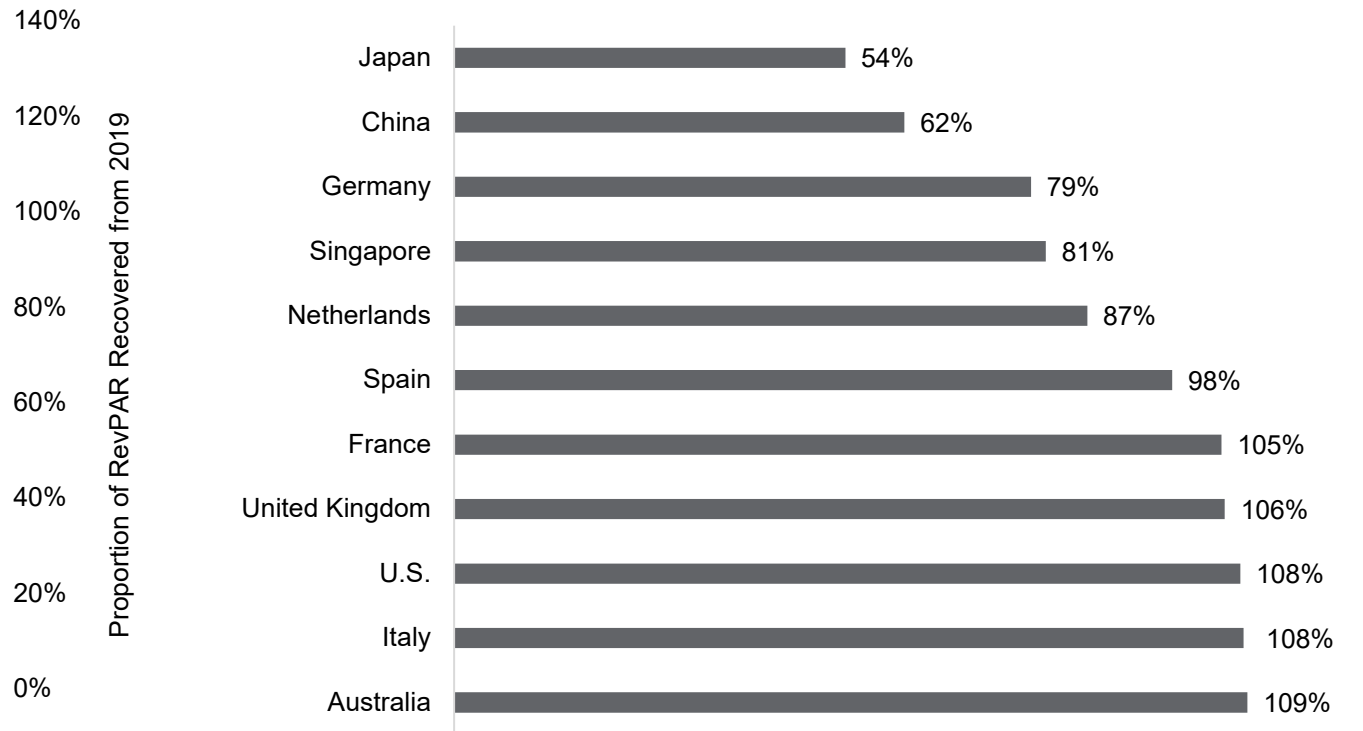
# Global hotel performance trends

Recovery continues to weigh the strongest in the Americas, Middle East/Africa, and Europe. Green shoots have started to emerge in Asia Pacific following China's recent reopening which is expected to benefit domestic and regional travel to broader Asia in the short-term.

**RevPAR Recovery from 2019 by Region, 2022**



**RevPAR Recovery from 2019 by Country, 2022**

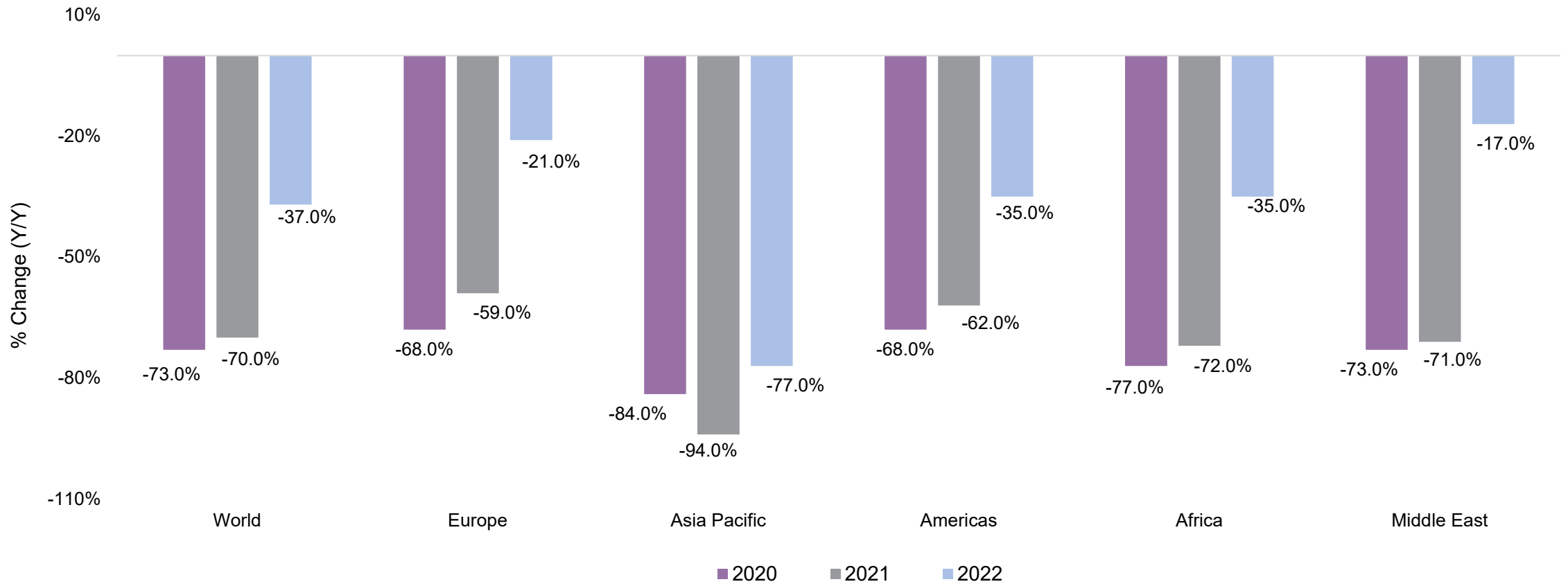


Source: JLL Research, STR; Data reported based on STR's standard reporting methodology.



International tourism accelerated in 2022, reaching 63% of pre-pandemic levels. Expect even further improvement in 2023 underpinned by China's reopening, which represents the world's largest outbound market.

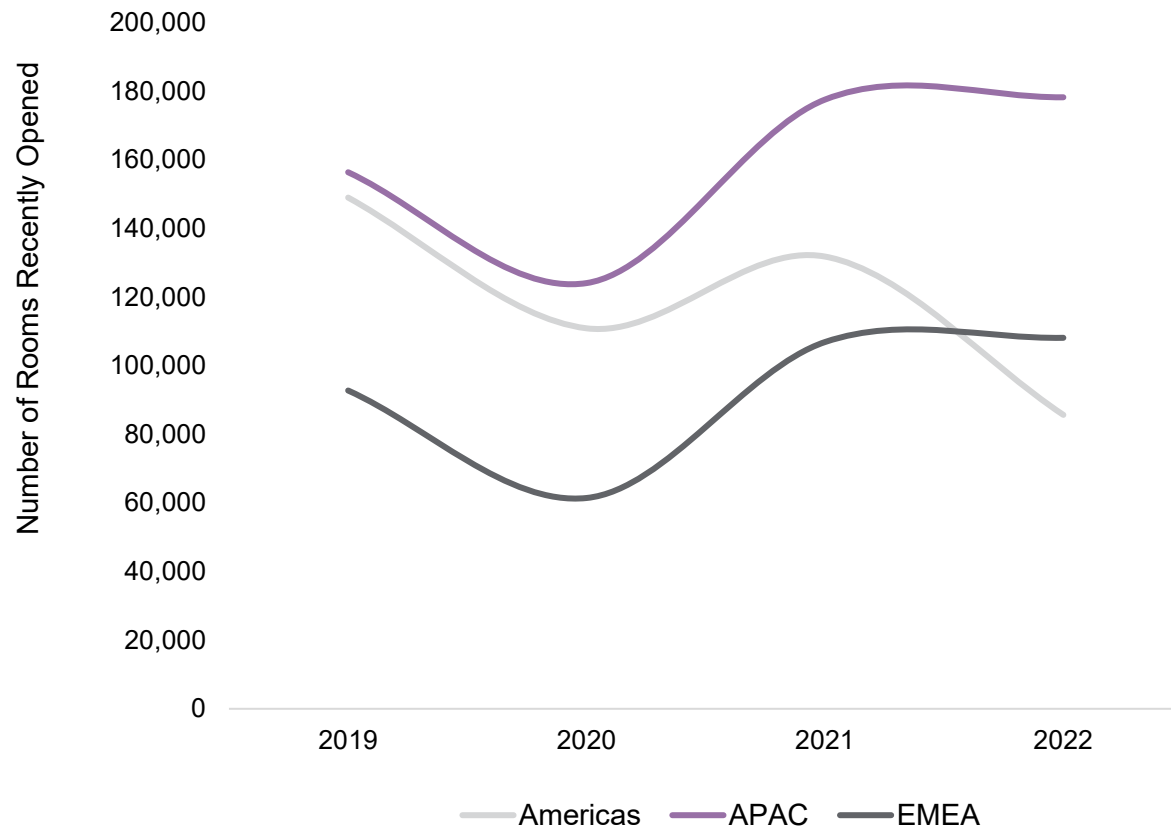
**International Tourist Arrivals by Region (% Change from 2019)**



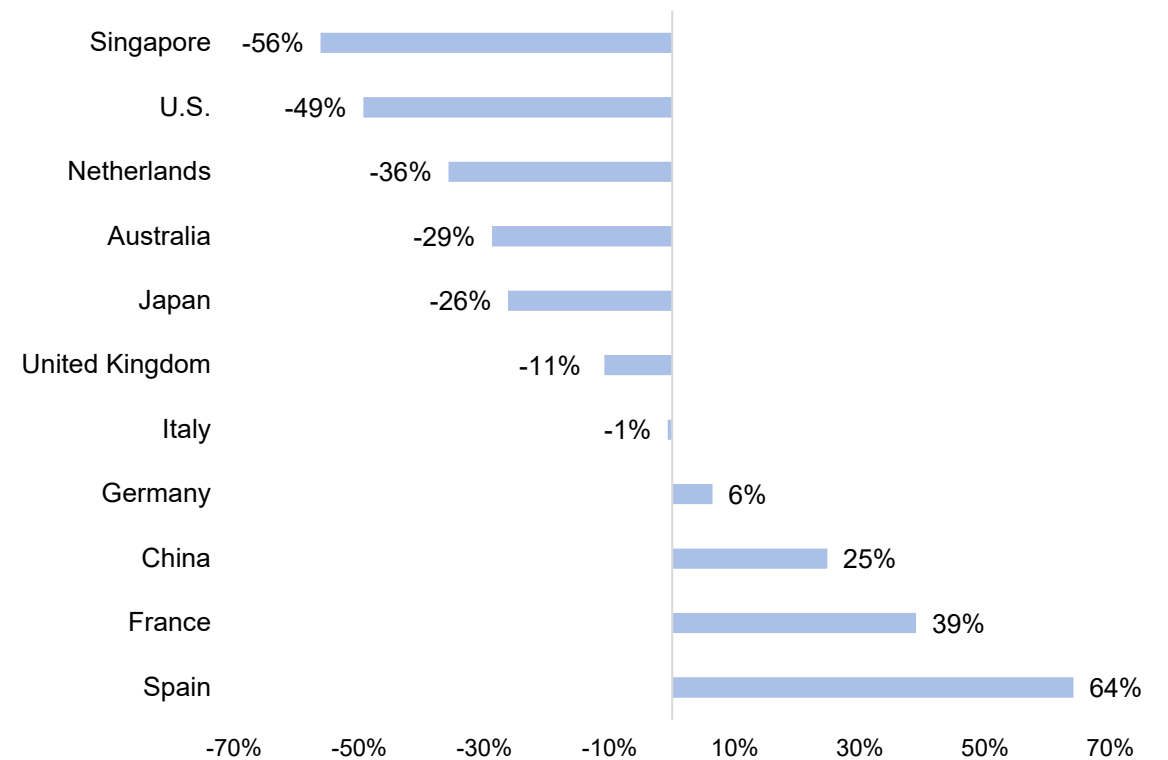
Source: JLL Research, UNWTO

Muted supply growth across most of the world underpinned by high construction costs, labor shortages, and increased interest rates for development financing provides an opportunity for further growth in fundamental performance, particularly via increased ADR. With the cost to buy less than the cost to build in many markets, look for increased acquisitions as well as possible conversions.

**Rooms Recently Opened by Region, 2019-2022**



**Rooms Recently Opened by Country, 2022 vs 2019 (% change)**



Source: JLL Research, STR

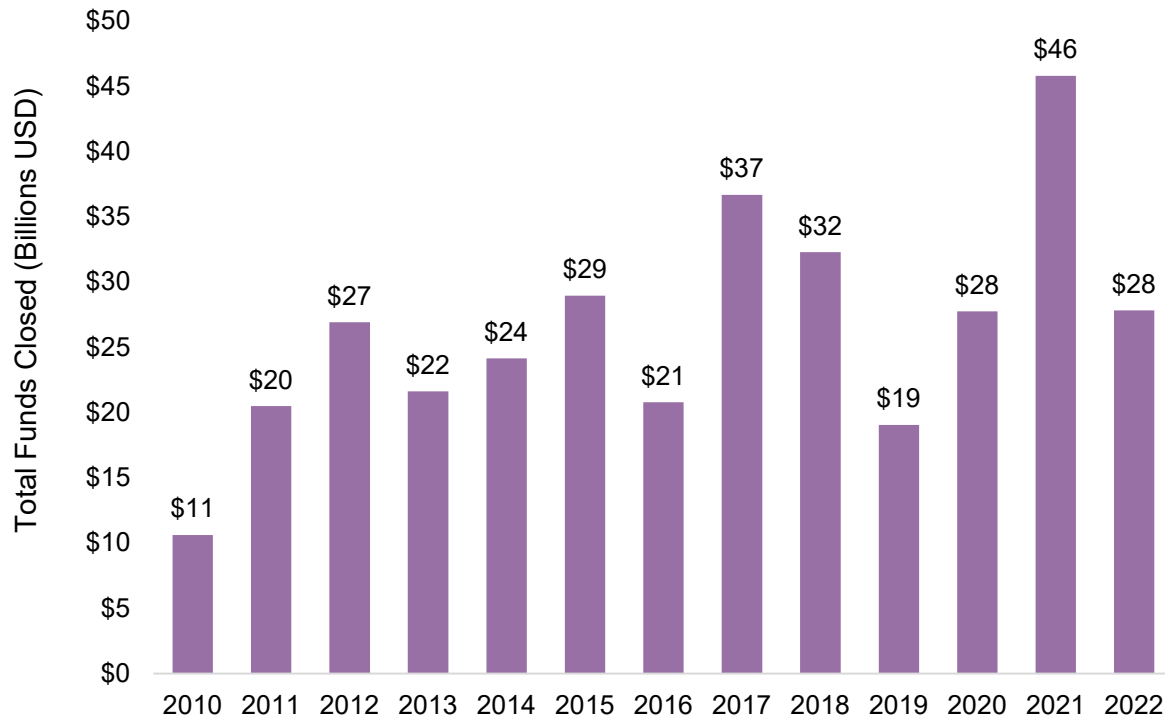




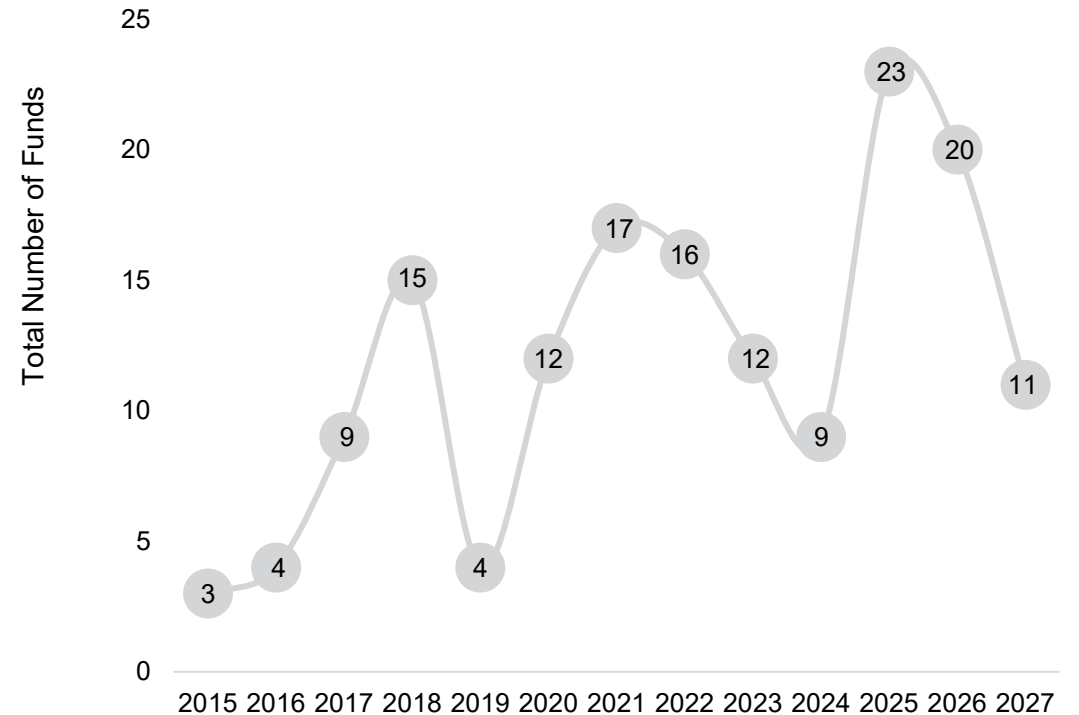
# Global hotel investment trends

Significant levels of dry powder available for investment and increased closed-end funds reaching the exist stage of their investment lifespan should catalyze hotel transaction activity over the next three years.

### Global Closed-End Funds Targeting Hotel Assets



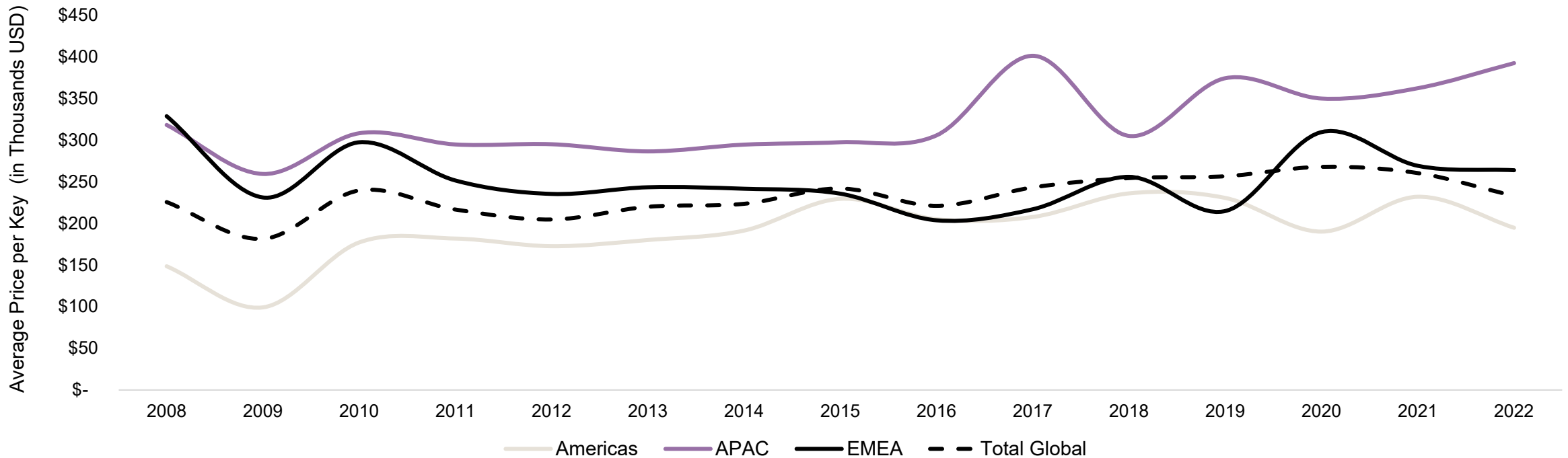
### Number of Closed-End Funds Reaching Exit Stage of Lifespan





Ongoing macroeconomic volatility and capital market dislocation lowered global single-asset average price per key by 11% in 2022 relative to prior year and 9% below 2019. With assets trading below pre-pandemic pricing levels, anticipate some investors to be highly acquisitive.

**Global Single-Asset Hotel Average Price per Key by Region, 2008 – 2022**

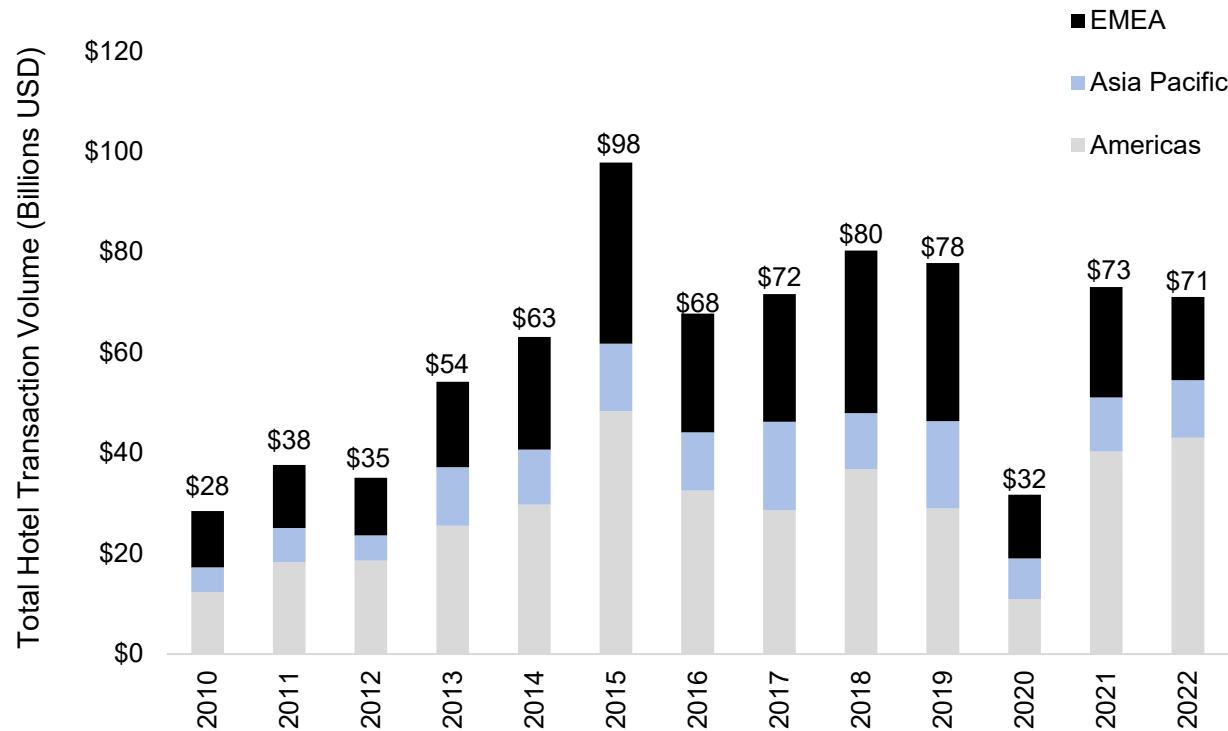


Annual Comparisons	2019	2021	2022
Average Price per Key (USD Thousands)	\$257.0	\$259.5	\$232.9
Y/Y % Change	+2.6%	-3.2%	-10.6%

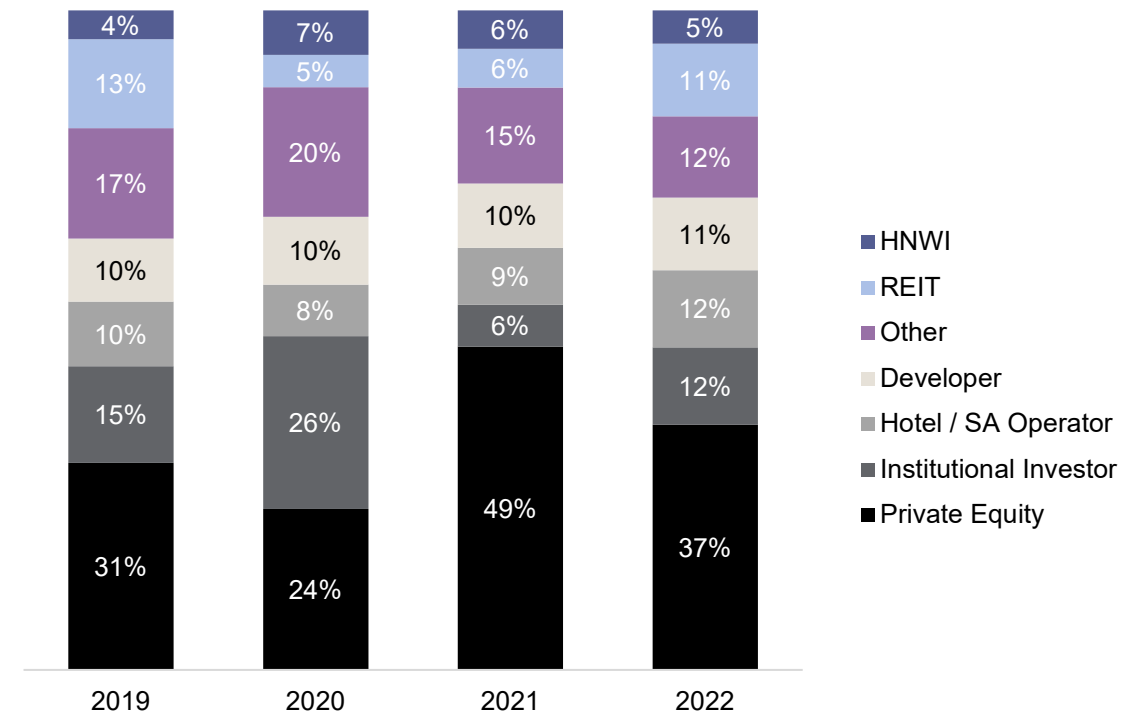
Source: JLL Research; Pertains to single-asset transactions worth \$5 million and above, excluding casinos.

Global hotel investment, while just below pre-pandemic levels, has surpassed its five-year average in each of the past two years driven by heightened activity from HNWI, developers, operators, and REITs. Expect a rise in first-time buyers with a focus on gateway markets where currencies are weaker against the dollar.

**Global Hotel Investment Volume Breakdown by Region**



**Portion of Investment Volume by Buyer Type**

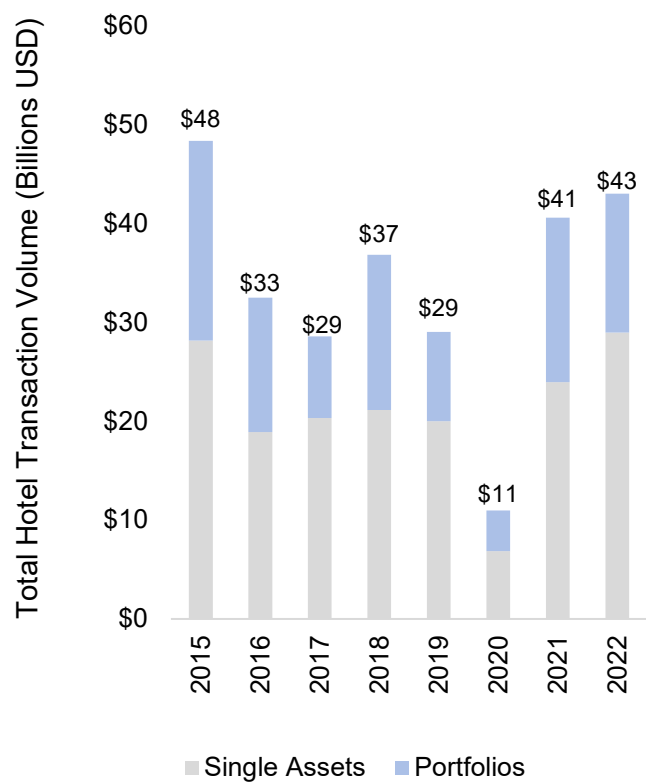


Source: JLL Research; Pertains to transactions worth \$5 million and above, excluding casinos. Includes entity-level transactions. Buyer type of "Others" includes Corporates, Banks and Sovereign Wealth Funds. Figures above the bar chart indicate total global hotel investment volume.

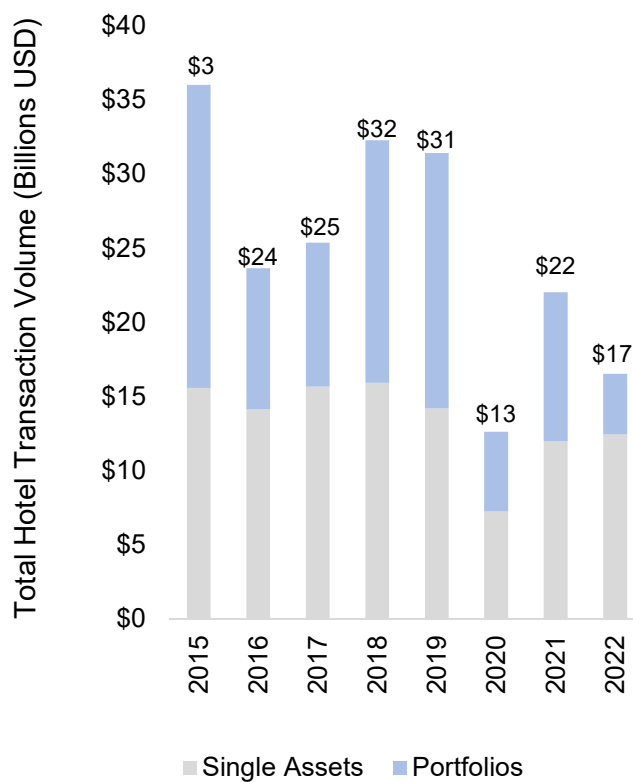


All three regions benefitted from strong single-asset investment activity, with the sector representing 77.6% of total transaction volume, on average across all regions. Expect single-asset investment to stay elevated as investors are generally focusing on smaller transactions.

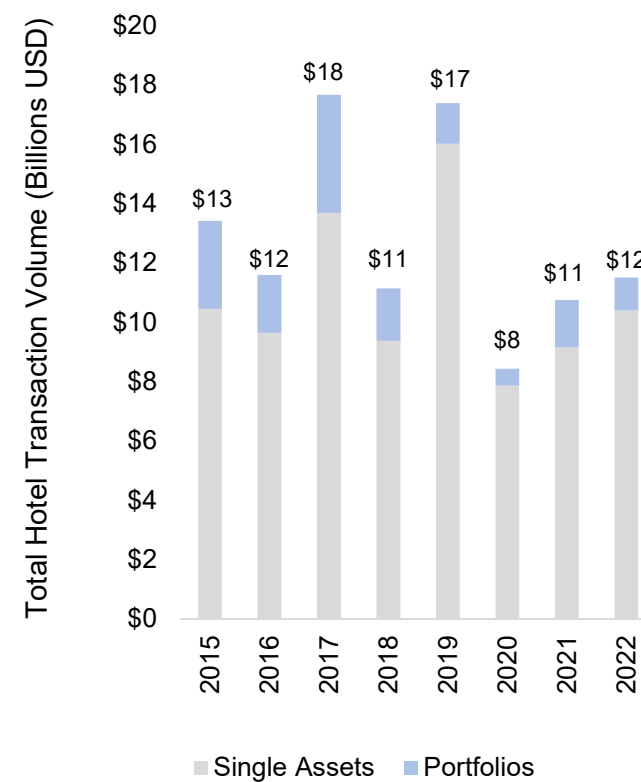
**Americas Transaction Volume by Type**



**EMEA Transaction Volume by Type**



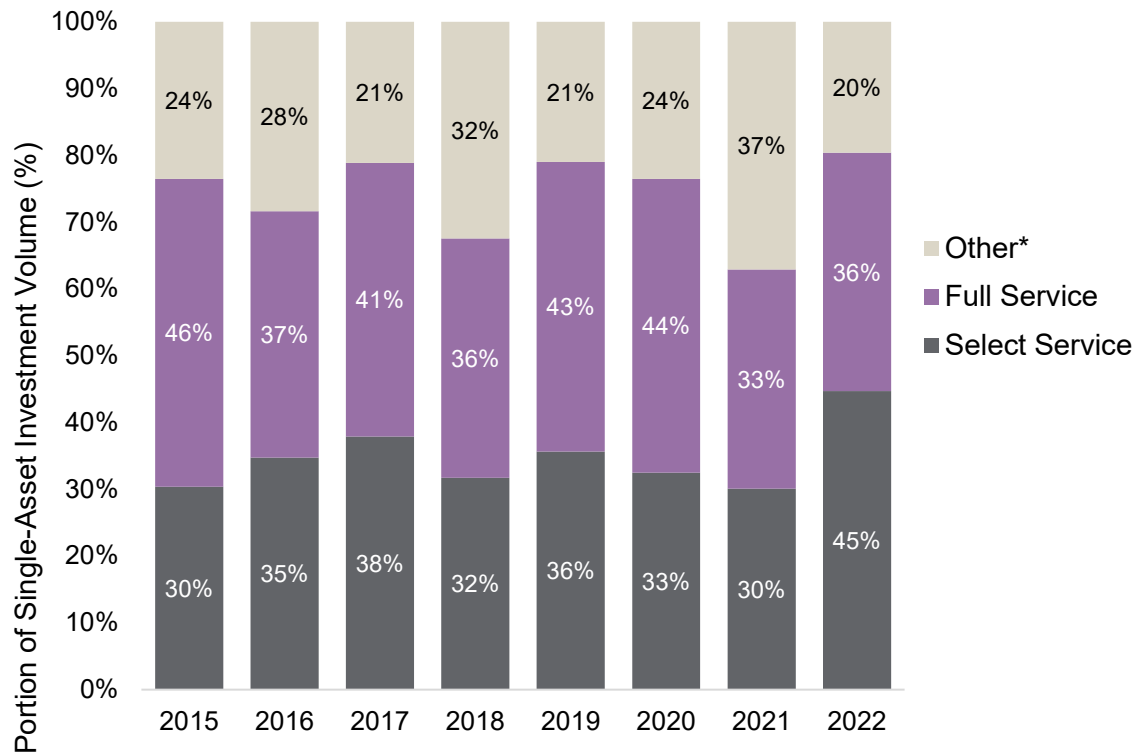
**APAC Transaction Volume by Type**



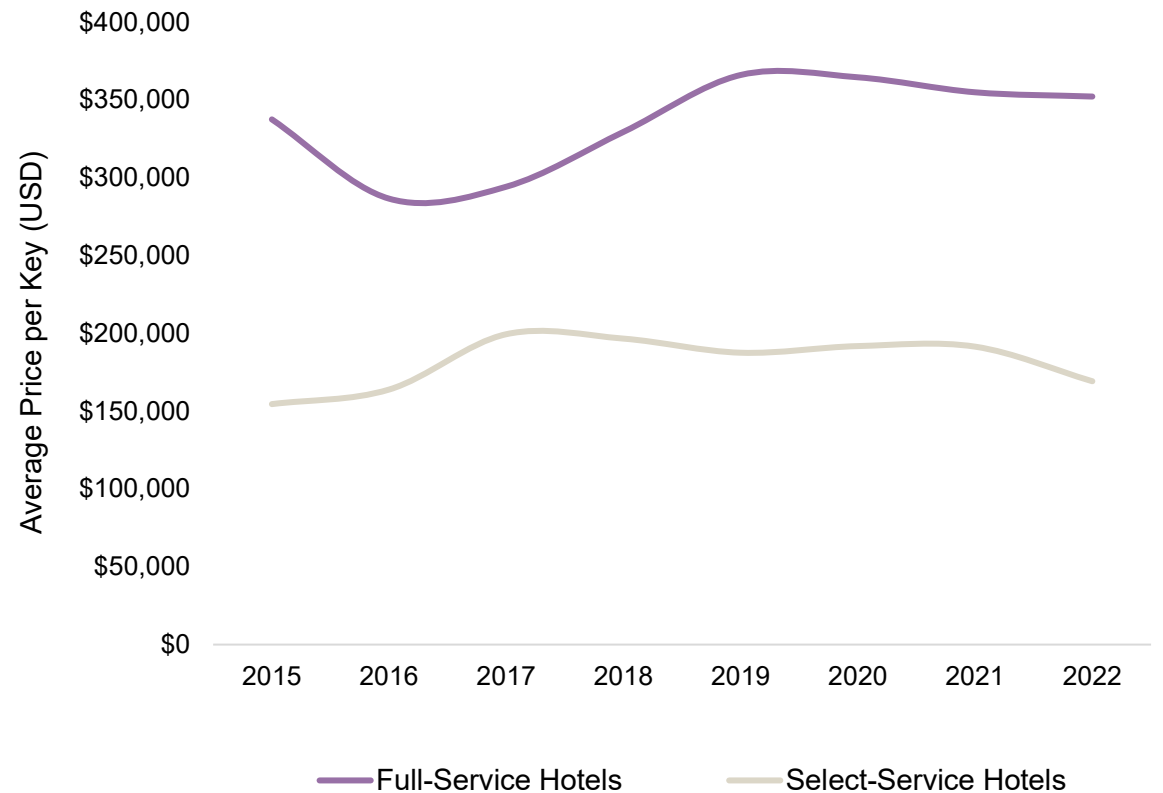
Source: JLL Research; Pertains to transactions worth \$5 million and above, excluding casinos. Includes entity-level transactions. Buyer type of "Others" includes Corporates, Banks and Sovereign Wealth Funds. Figures above the bar chart indicate total regional hotel investment volume.

Global investment appetite for select-service hotels continues to grow, with the sector accounting for a record-breaking 45% of single-asset liquidity in 2022. Expect elevated investment in the sector as well as full-service hotels in recovering urban gateway markets in 2023, as pricing remains below pre-pandemic levels.

**Portion of Single-Asset Volume by Property Type**



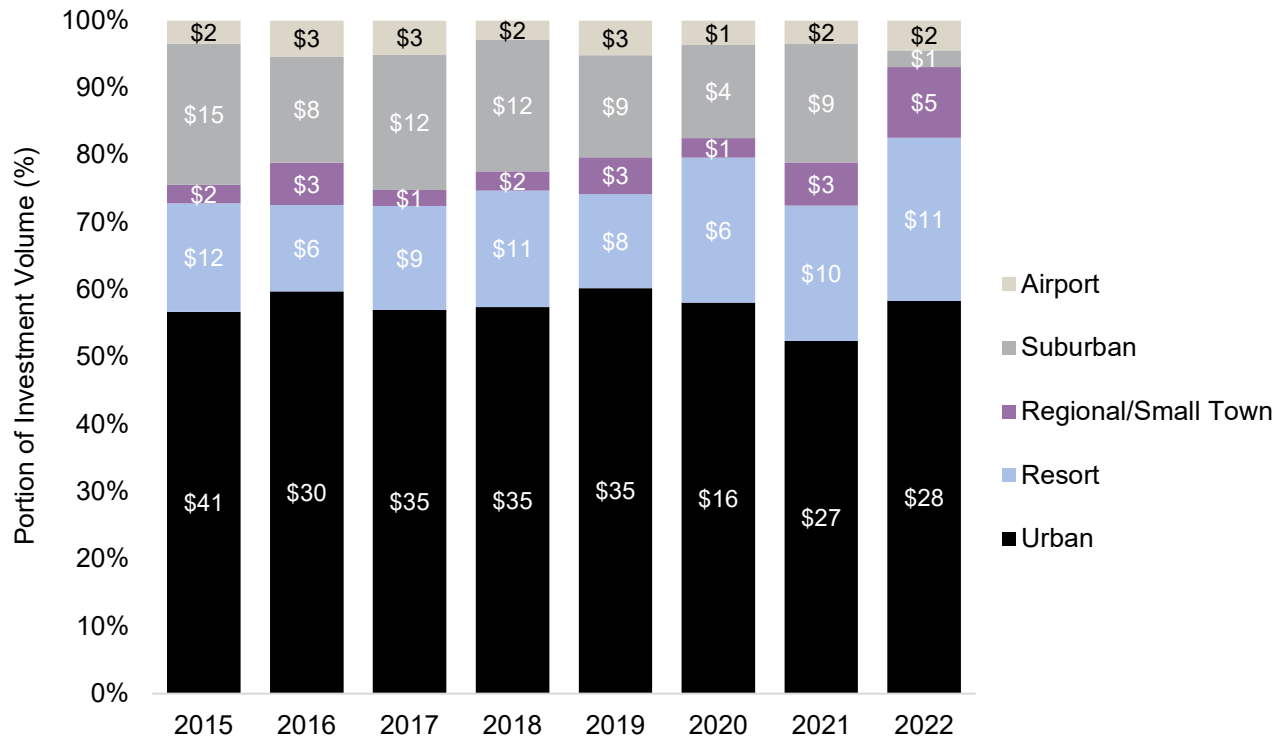
**Single-Asset Average Price per Key**



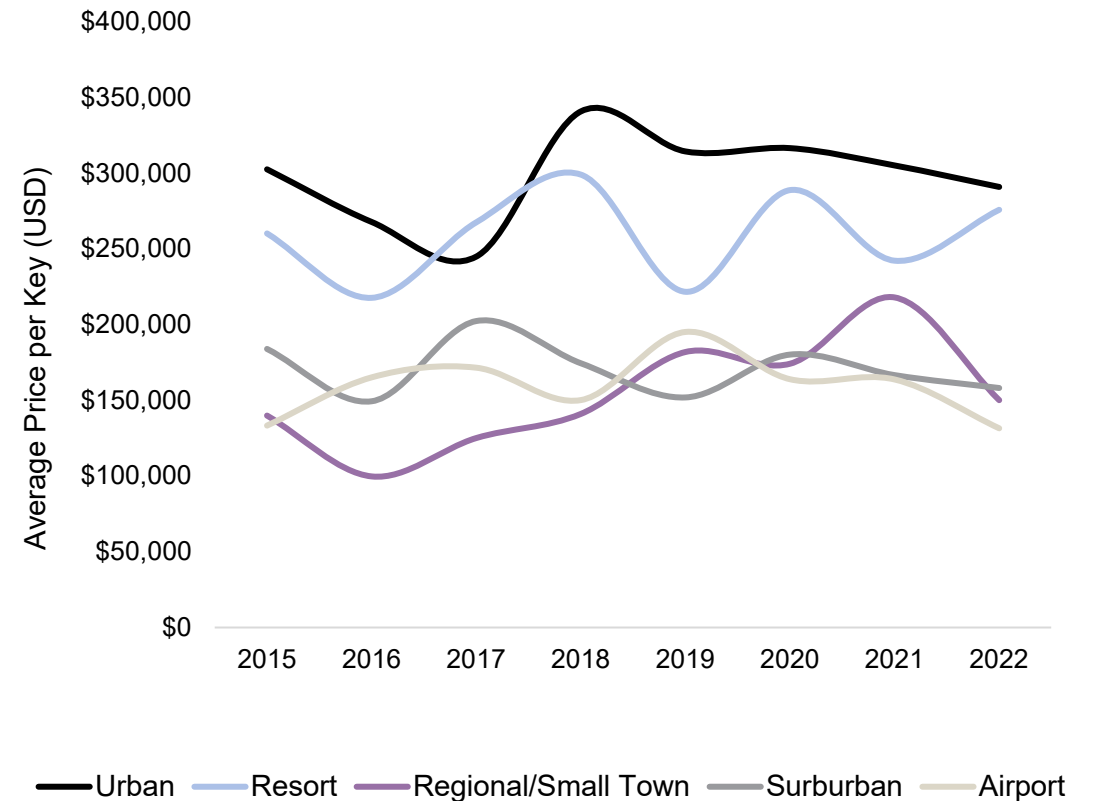
Source: JLL Research; Transaction volume pertains to single-assets and portfolios that are \$5 million and above, excluding casinos. Average price per key pertains to single-assets that are \$5 million and above. \*Other is inclusive of multi-property portfolios that do not exclusively comprise full service or select service assets, mixed-use developments, development sites, etc.

Urban and resort assets with a strong mix of leisure demand, particularly in the luxury segment, will continue to represent a favorable investment opportunity. Expect well-capitalized buyers who are less reliant on leverage to have a competitive advantage amidst ongoing capital market dislocation.

**Portion of Investment Volume by Hotel Location**



**Average Price per Key by Hotel Location**

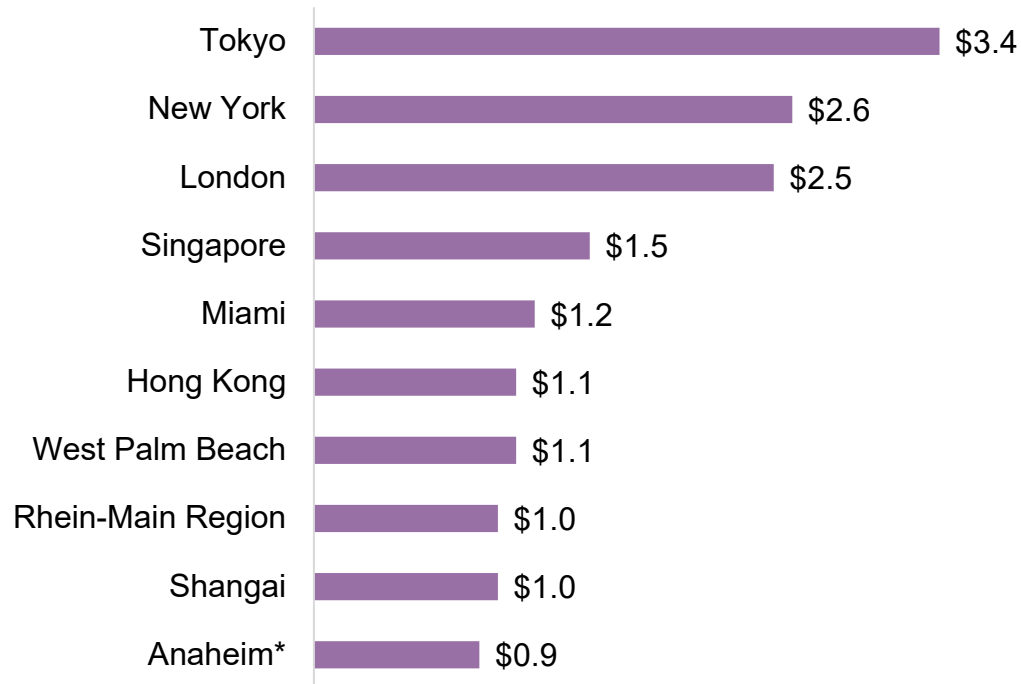


Source: JLL Research; Transaction volume pertains to single-asset and portfolios that are \$5 million and above, excluding casinos. Figures on the bar charts pertain to total investment volume.

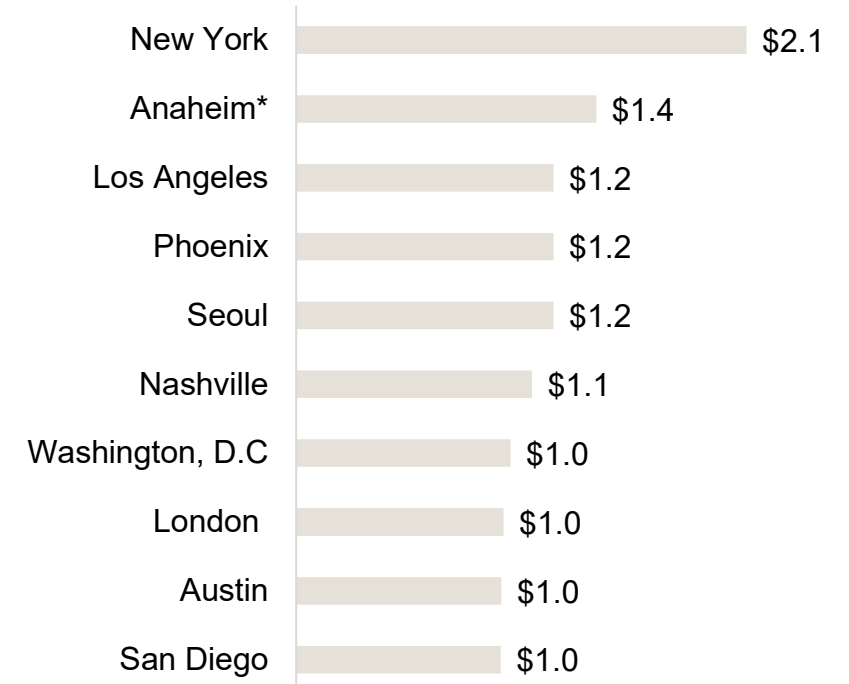


Safe-haven markets will remain key for foreign investors in 2023, particularly those in the U.K., France, Japan, among others where the currency is weaker against the dollar. The most sought-after U.S markets to be characterized by improving operating performance and strong pent-up demand across all segments.

**Top-10 Global Markets by Investment Volume, 2019  
(Billions USD)**



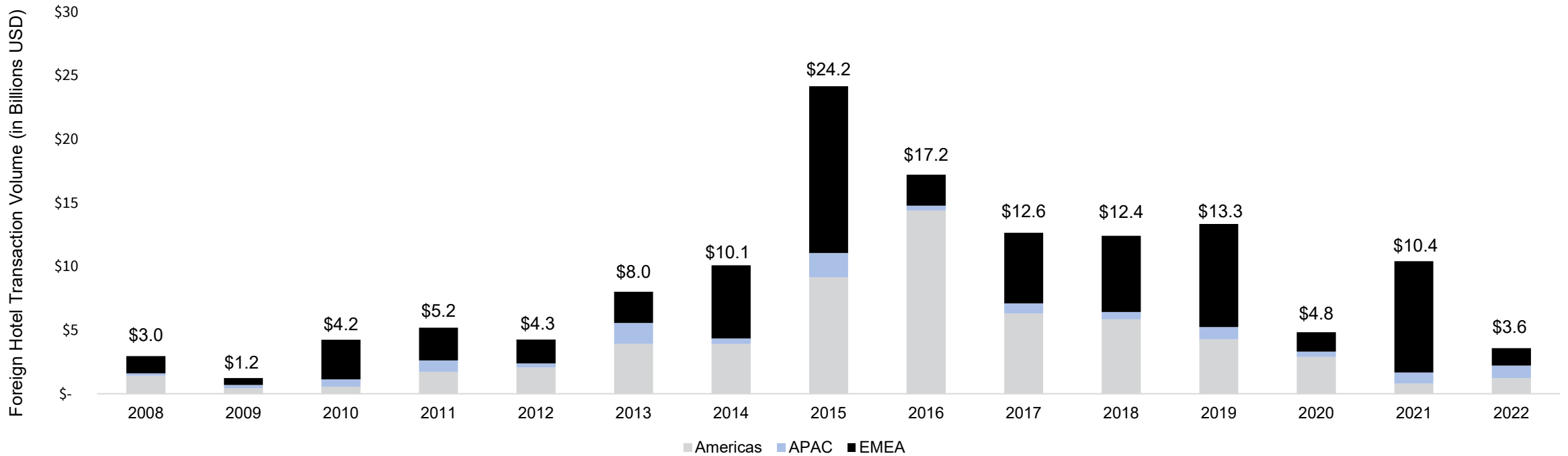
**Top-10 Global Markets by Investment Volume, 2022  
(Billions USD)**



Source: JLL Research; Transaction volume pertains to single-asset and portfolios that are \$5 million and above, excluding casinos. \*STR relabeled Anaheim to Orange County.

Ongoing international border closures and global tensions resulted in limited cross-border hotel investment in 2022. Expect foreign hotel investment to re-emerge in 2023, with global safe-haven markets such as London, Paris, Japan, Singapore, Boston, and New York likely the largest beneficiaries.

### Inbound Hotel Foreign Investment Volume by Region, 2008 – 2022

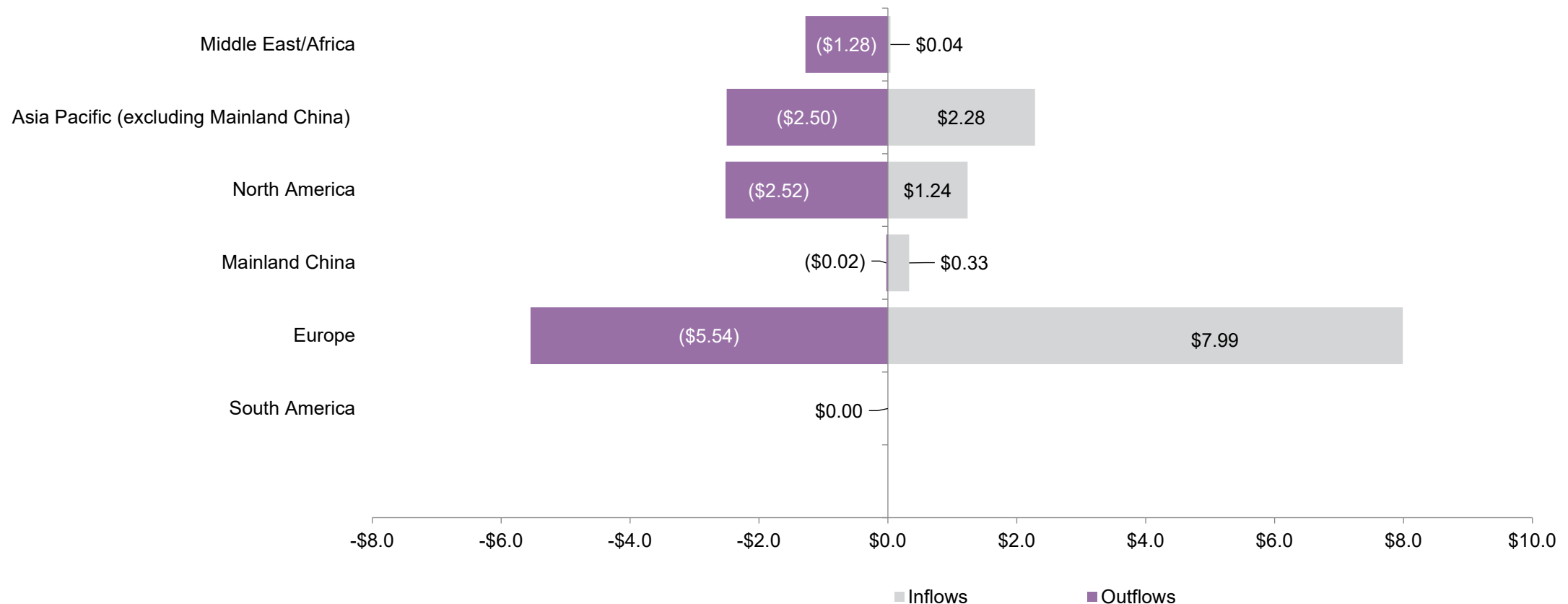


Annual Comparisons	2019	2021	2022
Total Cross-Border Volume (USD Billions)	\$13.3	\$10.4	\$3.6
Y/Y % Change	+7.5%	+115.2%	-65.5%

Source: JLL Research; Pertains to transactions worth \$5 million and above, excluding casinos in which the buyer originated from a different region than where the asset is located. Includes entity-level transactions. Figures above each bar represent total foreign transaction volume.

In year-end 2022, Europe continued to represent the largest recipient of foreign capital investment, followed by Asia Pacific and North America as private equity, HWNIs, and family offices grow their presence in the region, predominantly in urban locations.

### Capital Outflows and Inflows, Year-End 2022 (Billions USD)



Source: JLL Research; The analysis excludes non-cross border investments and unknowns. Pertains to transactions \$5M and above.





# Global hotel debt market trends

Debt markets are open with a key focus on quality of sponsorship. Expect the volatility of debt costs to ease through the year, the current phase of price discovery to pass, and more certainty to enter the market as underwriting becomes clearer and the appetite for risk returns.



Key focus for lenders is **quality of sponsorship** – we are seeing the wider lending community support the top sponsors in the current climate.



**New financings now structured with significant down-side protection** for lenders, through structures such as interest guarantees/reserves, lower leverage, etc.



High demand for **hedging cost management** (i.e., selling caps, selling floors, buying down swaps, lowering the % of notional, reducing initial cap term).



**Construction financing continues to be selective and challenging** with certain lenders taking a longer-term view on refurb/development, assuming schemes will deliver in a more normalized market.



**Increased lender scrutiny on underwriting assumptions** and more stress-based calculations.



**Diversity of lenders remain active**, with new players entering the real estate credit market.





# Global hotel ESG considerations



The pandemic has served as a catalyst to pre-existing trends towards greater ESG integration. It has pushed companies to intensify their efforts to improve work-life balance, create healthy work environments, and confront wider societal issues. This, paired with ever-increasing climate crises, has put ESG at the forefront.

## CRE market drivers for sustainability and broader ESG goals:



### Corporate net zero goal

Corporate commitment to limiting carbon emissions as well as their negative environmental impact has been increasingly present across all industries



### Healthy & inclusive workspaces

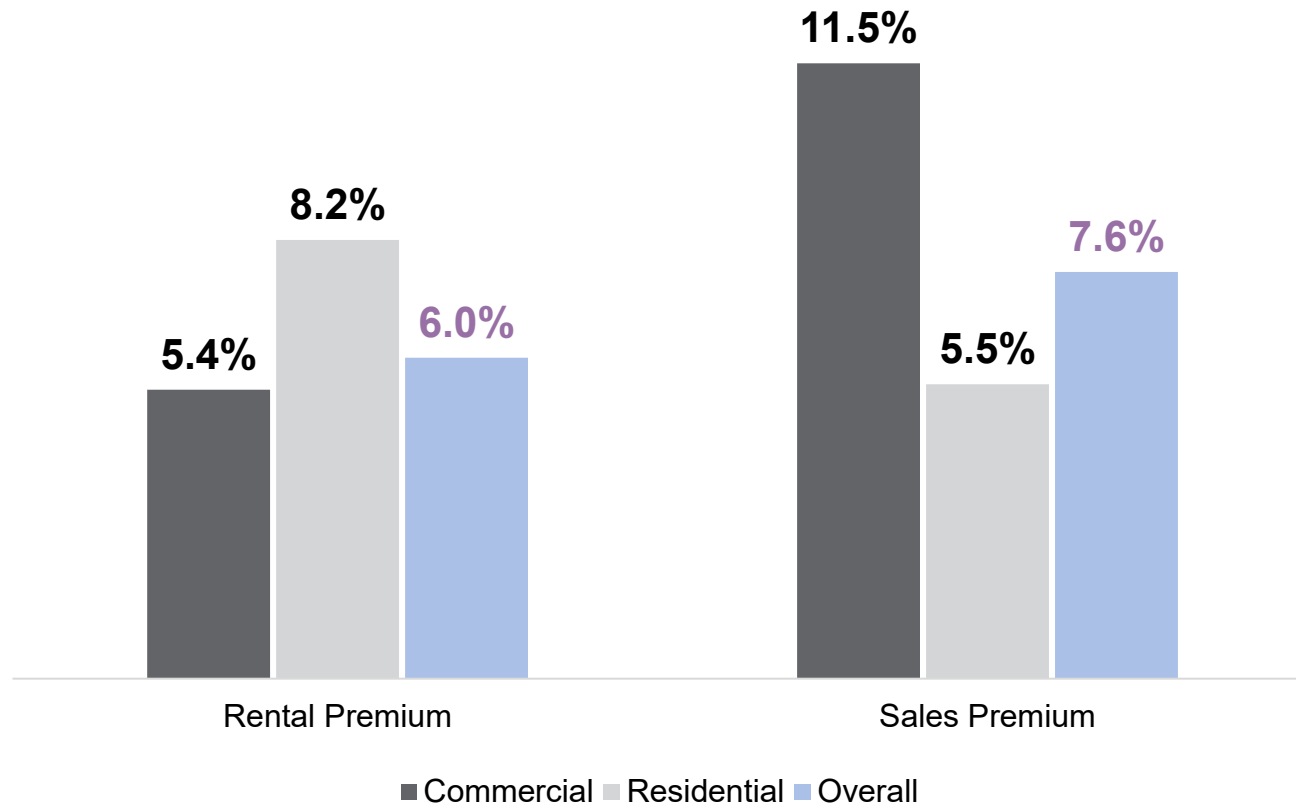
Healthy and inclusive buildings have become a focus for a wide range of professionals, from employees to governments and investors, as they are central to achieving climate and community goals



### Demand for transparency

Regulatory mandates as well as consumers and investors are calling for greater transparency around climate impact and emissions

# The age-old question answered: Do green-certified buildings achieve a financial ROI?



**Green certifications result in a rent premium of 6.0% and a sales premium of 7.6%**



# Appendix

## USD Investments

### Hedging environment turning for the better?

- Short-term generally better hedging environment for most cross-border investors the last two months
- Most Cross-border have a negative impact from hedging when investing in USD-assets, Australian and UK investors are the exception
- Long-term trend show a mixed picture after recovery the last two months, but for Asian and Canadian investors the negative trend is still intact with lower hedged returns of around and over 1 percentage points since their last peak.

## EUR Investments

### Everyone is a winner when investing in EUR-assets, although less so lately

- Most investors across the board have a pick-up when hedging EUR-assets, Japanese investors and now also Singaporean investors are the exception
- The general trend, both short and longer, show a worse hedging environment for cross-border investors when hedging EUR-assets

## GBP Investments

### Recovery from lower hedged returns

- Short-term recovery with better hedging environment for most cross-border investors the last three months
- Most cross-border investors struggle due to negative impact from hedging when investing in GBP-assets, Australian investors are the exception
- Asian and Canadian investors have seen the biggest long-term change in hedging costs with lower returns compared to a year ago.



# Thank you!



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