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# Global Hotel Investment Trends

**State of the Lodging Industry | H1 2023**

JLL Research Hotels & Hospitality

# Content Summary


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# 01 Quarterly review & annual outlook

# Quarterly trends – H1 2023

## 01 Performance robust, boosted by nascent return of international travel

- Despite economic volatility, the global hotel industry remains resilient, with RevPAR surpassing 2019 levels by 11% in the first half of 2023. Most regions, including the Middle East, the Americas, and Europe, have fully rebounded. While Asia Pacific is not yet back to pre-pandemic levels, its performance has surged since China's reopening, with RevPAR only 7.9% behind 2019.

## 02 Green shoots in foreign investment as borders are fully reopen

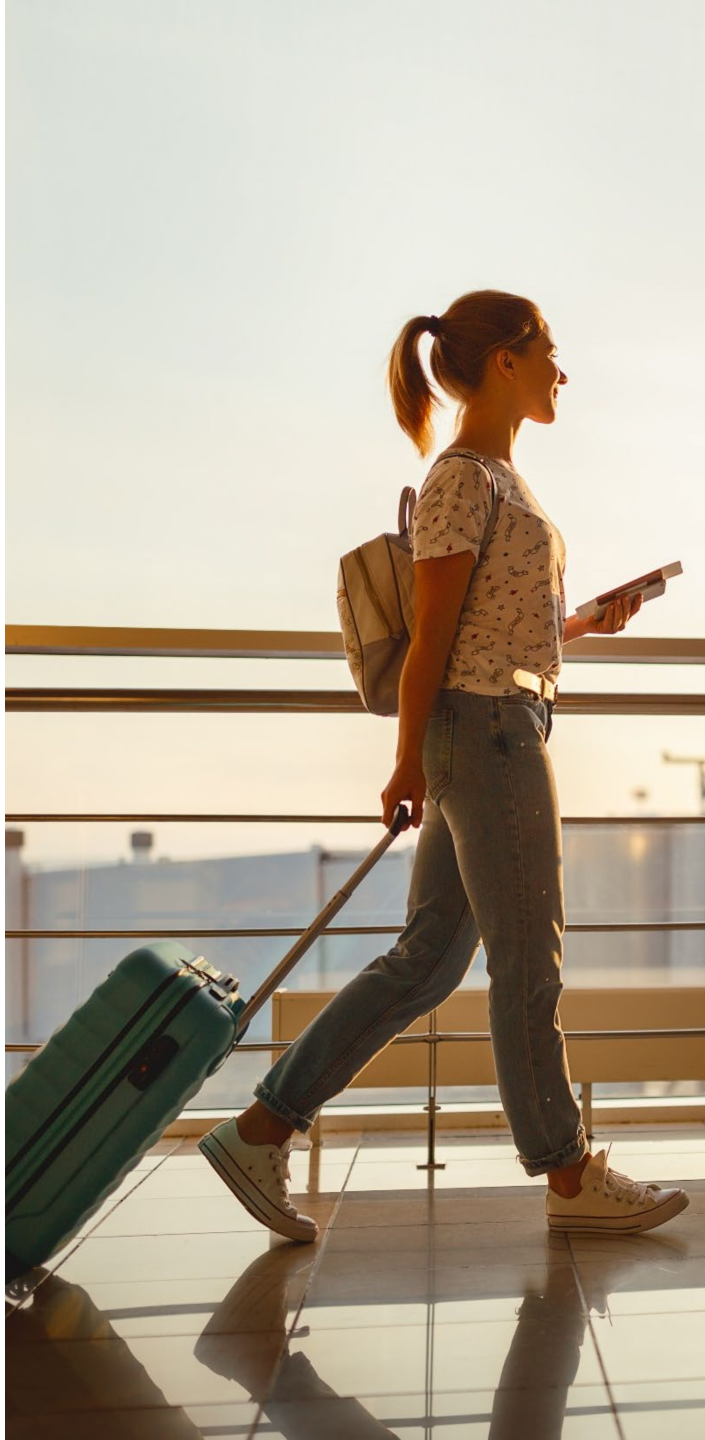
- While inbound international travel nears full recovery, foreign hotel investment remains largely absent underpinned by geopolitical volatility. China’s reopening, following three years of border closures, should spark further growth in travel, particularly to the West Coast of the U.S. and intraregional Asia travel; however, ongoing tensions with the U.S. and E.U. may limit some cross-border investments.

## 03 Investment slows amid accelerated headwinds, yet opportunities available

- Investors are gravitating towards urban, safe-haven markets as a result of ongoing capital markets dislocation and economic headwinds. In H1 2023, urban hotel markets continued to represent the largest portion of overall liquidity and are expected to further accelerate in the back-half of the year as pricing generally remains below pre-pandemic levels and international demand surges. Must-have hotel assets in markets like Tokyo, Paris, London and New York will remain in high demand as global investors look to deploy capital.

## 04 New investors are entering the sector, particularly for luxury

- Private equity accounted for 27% of global hotel liquidity in H1 2023 as investors raise record funds. H1 2023 also saw a notable increase in new investors entering the sector. In fact, 24% of global hotel investment volume was driven by first-time hotel buyers, with most targeting must-have luxury assets. With massive amounts of dry powder on-hand, look for private equity to remain acquisitive throughout 2023. HNWIs, family offices, and cash-rich buyers who are less reliant on leverage should have an advantage as debt market turbulence persists.



# Global Hotel Investment

## by the numbers | H1 2023

**$20.6B** — **Total Transaction Volume**, Down 46.1% from 2022 and down 41.8% from 2019

**652** — **Total Transactions**, Down 34.6% from 2022 and up 2.2% from 2019
*2nd-highest H1 total in Global history*

**$18.4B** — **Total Single Asset Volume**, Down 37.1% from 2022 and down 18.6% from 2019

**$405K** — **Full-Service Average Price per Key***, Up 17.4% from 2022 and up 15.7% from 2019
*2nd-Highest H1 pricing in Global history*

**24%** — **Portion of First-Time Hotel Buyers**, *Highest portion in Global history*

Source(s): JLL Research
Note(s): Includes all transactions $5M+ excluding casinos.
*Single-asset transactions only

# Top-3 largest Americas markets

by transaction volume
H1 2023

Source(s): JLL Research
Note(s): Includes all transactions $5M+ excluding casinos.
Portfolios are included only when all hotels traded were in the same market. Liquidity is being driven by single-asset transactions in each market.

## NEW YORK (NY)

$1.0B

**Total Transaction Volume**

Down 26% from 2019

Down 27% from 2022

## FORT LAUDERDALE (FL)

$892M

**Total Transaction Volume**

Up 6x from 2019

Up 5x from 2022

## SAN ANTONIO (TX)

$844M

**Total Transaction Volume**

Up 3x from 2019

Up 116% from 2022

# Top-3 largest EMEA markets

by transaction volume
H1 2023

## PARIS (France)

$512M

Total Transaction Volume

▲ Up 4x from 2019

▲ Up 3x from 2022

## BARCELONA (Spain)

$501M

Total Transaction Volume

▲ Up 4x from 2019

▲ Up 3x from 2022

## LONDON (UK)

$376M

Total Transaction Volume

▼ Down 80% from 2019

▼ Down 32% from 2022

Source(s): JLL Research
Note(s): Includes all transactions $5M+ excluding casinos.
Portfolios are included only when all hotels traded were in the same market.
Liquidity is being driven by single-asset transactions in each market.
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# Top-3 largest APAC markets

by transaction volume
H1 2023

## TOKYO (Japan)

$788M

Total Transaction Volume

Down 55% from 2019

Up 4x from 2022

## KANSAI (Japan)*

$457M

Total Transaction Volume

Up 10% from 2019

Up 8x from 2022

## SYDNEY (Australia)

$414M

Total Transaction Volume

Up 6x from 2019

Up 2x from 2022

Source(s): JLL Research
Note(s): Includes all transactions $5M+ excluding casinos.
Portfolios are included only when all hotels traded were in the same market. Liquidity is being driven by single-asset transactions in each market. *Kansai market includes cities such as Kyoto, Kobe, Himeji, among others.

# Annual outlook - 2023

## 1 Multiple Stress Points and Robust Fundamentals to Catalyze Hotel Transactions

While ongoing macroeconomic volatility has suppressed short-term hotel investment volume, fundamental performance continues to accelerate. This, combined with a substantial amount of impending debt maturity on the horizon, significant dry powder on-hand, rising capex needs, and nearly $19 billion in closed-end funds reaching the exit state of their investment lifespan over the next four years should catalyze hotel investment opportunities. Buyers who are well-capitalized and less reliant on leverage will have an advantage.

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

Following China's reopening, domestic and regional travel has already seen an uptick, with travel to the U.S. and Europe likely to increase soon. Full 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 investors to deploy capital across Europe and in select U.S. markets, particularly in the luxury space. Expect India, now the world's most populous country, to emerge as a new global growth market.

## 3 Forever Real Estate Performing Best, Particularly in the Luxury Sector

Amidst ongoing capital market dislocation, irreplaceable luxury assets have consistently been the most appealing and liquid. As worldwide wealth acerates, demand for luxury hotels has never been higher evidenced by historic ADRs in many markets, particularly across Western Europe and the U.S. Investors have taken notice, with the sector becoming increasingly attractive for institutional investment underpinned by rising profitability and yields.

## 4 Societal Shifts Will Create New Growth Opportunities

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 non-traditional hotel verticals including branded residential, short-term rentals, and private membership clubs, particularly in the luxury space. Look for investors, particularly private equity and family offices, to be increasingly acquisitive in brand platforms akin to PIF's $800M investment into Aman in 2022.

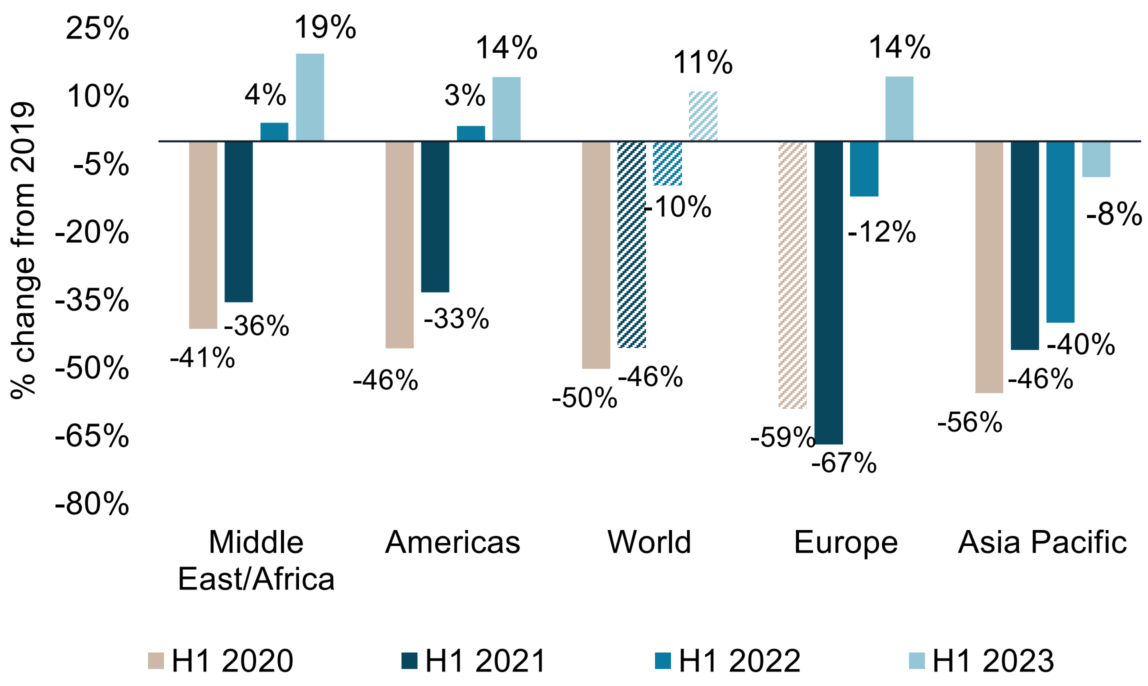
# Performance, supply, and demand trends

02

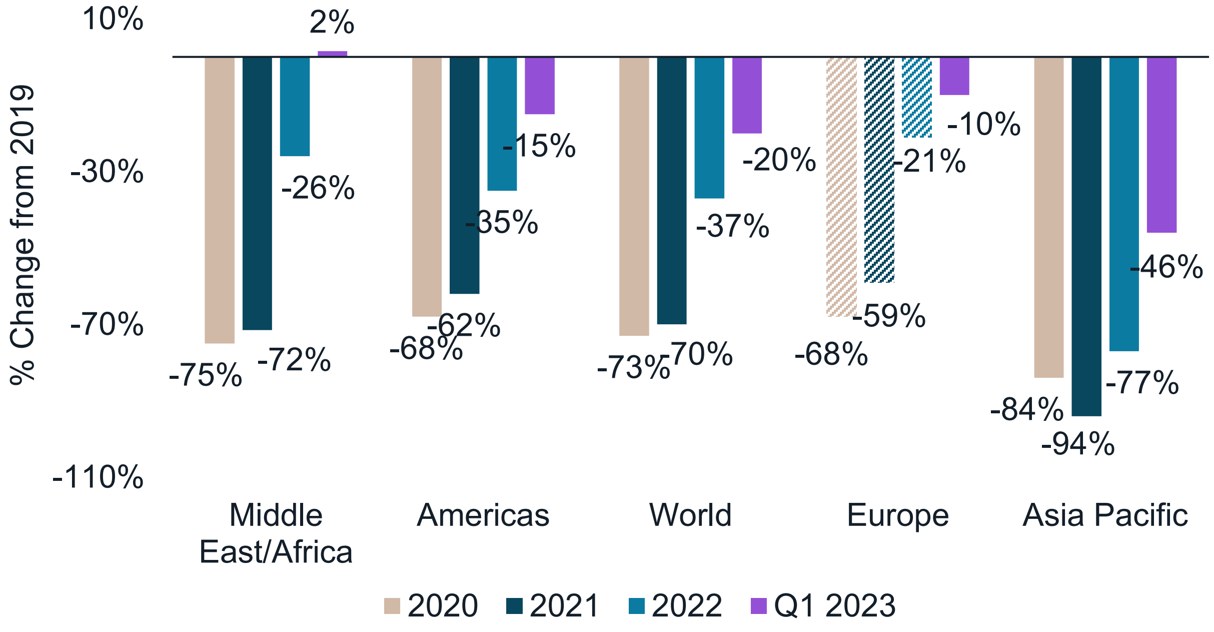
# Performance robust, boosted by nascent return of international travel

Recovery weighs the strongest in Middle East/Africa, the Americas, and Europe. In Asia Pacific, green shoots are rapidly emerging following China's recent reopening, with RevPAR recovery up 32pp from a year ago. Expect international tourism recovery to accelerate in tandem through 2023.

**RevPAR recovery from 2019 by region**




**International tourist arrivals recovery from 2019 by region**



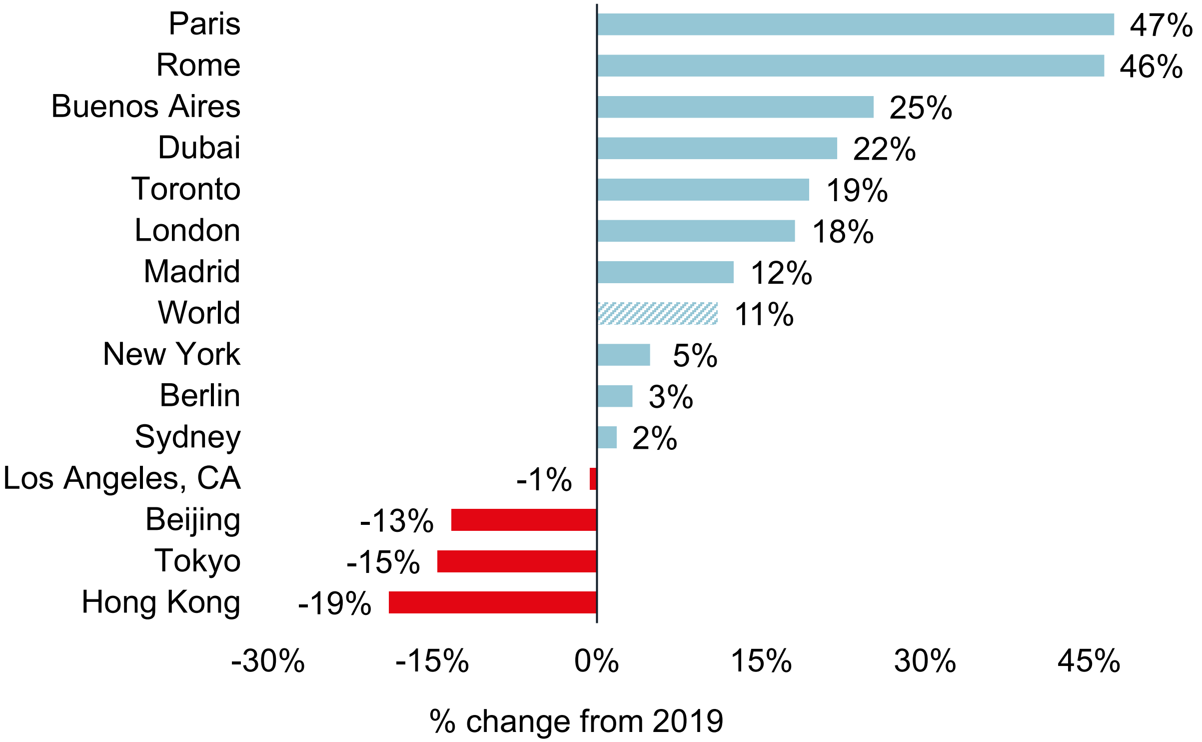

Source(s): JLL Research, STR/Costar, UNWTO
Note(s): Performance as of YTD June 2023. International tourist arrivals data is only available for Q1 2023 as of July 2023.

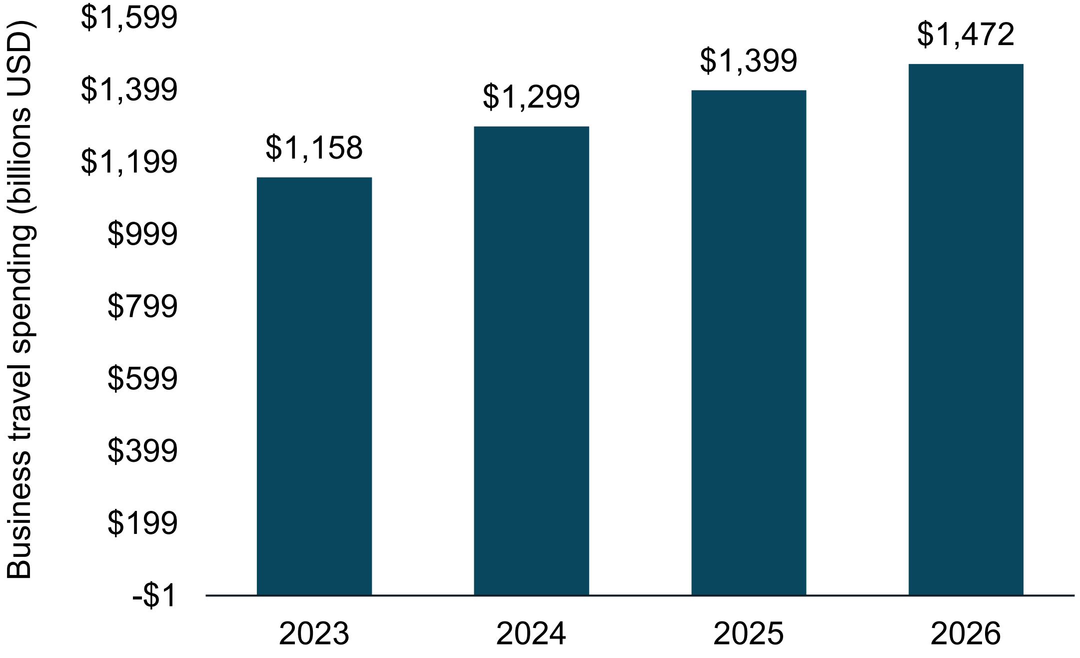
# Top gateway markets outperform as corporate travel resurges

Paris, Rome, Dubai, London, New York and Madrid surpass 2019 levels driven by robust leisure demand and returning group, corporate, and international travel. Expect even further improvement, particularly in lagging Asia Pacific markets, fueled by China's reopening and returning business travel as expenditures are forecasted to increase 27% over the next four years.

**YTD Jun. '23 RevPAR recovery from 2019 for top global markets**




**Forecasted expenditures from business tourists worldwide**

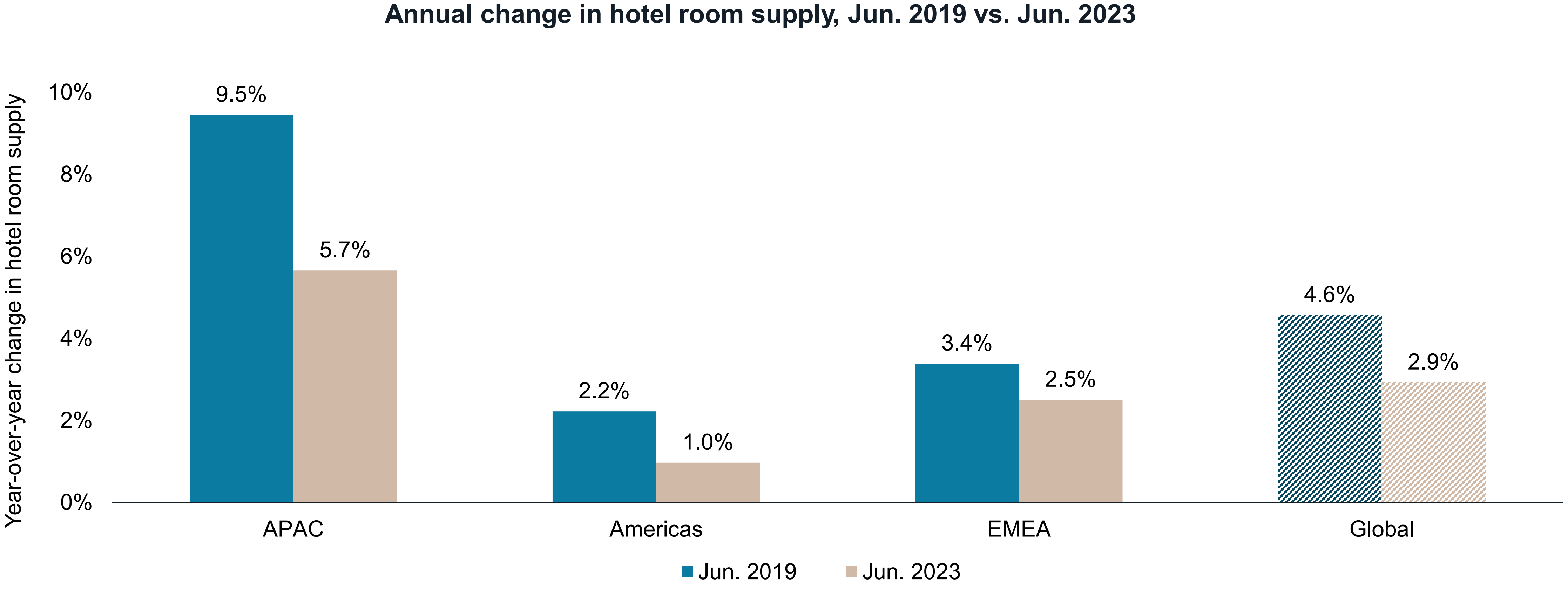



Source(s): JLL Research, STR/Costar, GBTA, MasterCard
Note(s): Performance as of YTD June 2023. Business expenditure data as of mid-2022.

# Muted new supply will continue to support RevPAR growth

High construction costs and interest rates for development financing persist limiting new supply growth. In June 2023, global year-over-year supply growth rose 2.9%, 1.7 pp lower than in 2019. This presents an opportunity to drive profit via ADR. Expect increased acquisitions and possible conversions with the cost-to-buy less than the cost-to-build in many markets.




Source(s): JLL Research, STR/Costar
Note(s): Data as of June for 2019 and 2023.

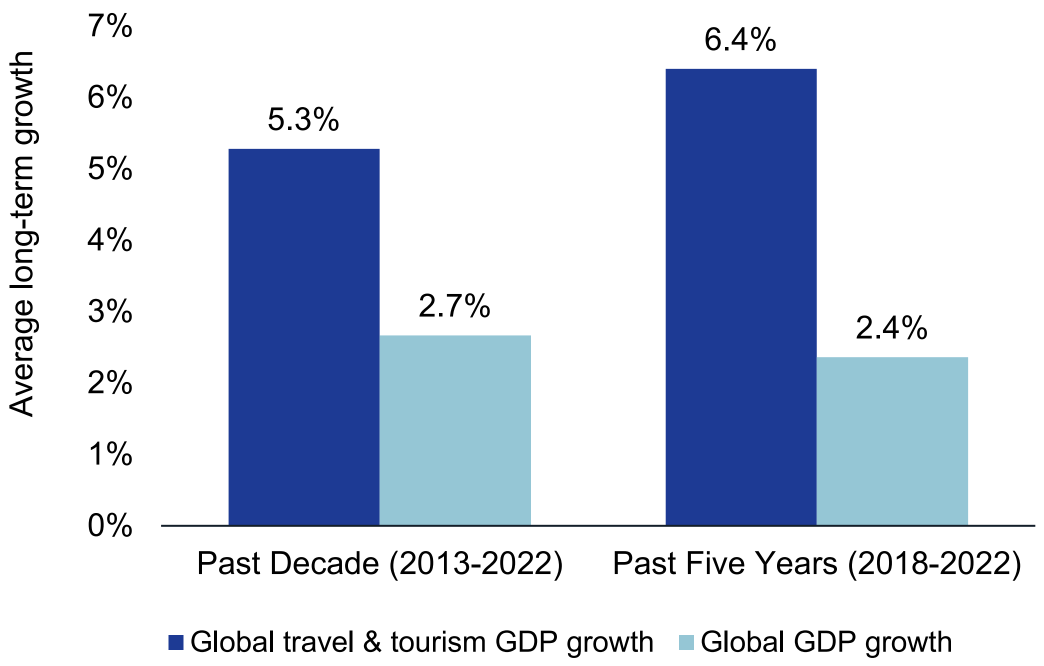
 

# Increasing global wealth underpins continued industry resilience

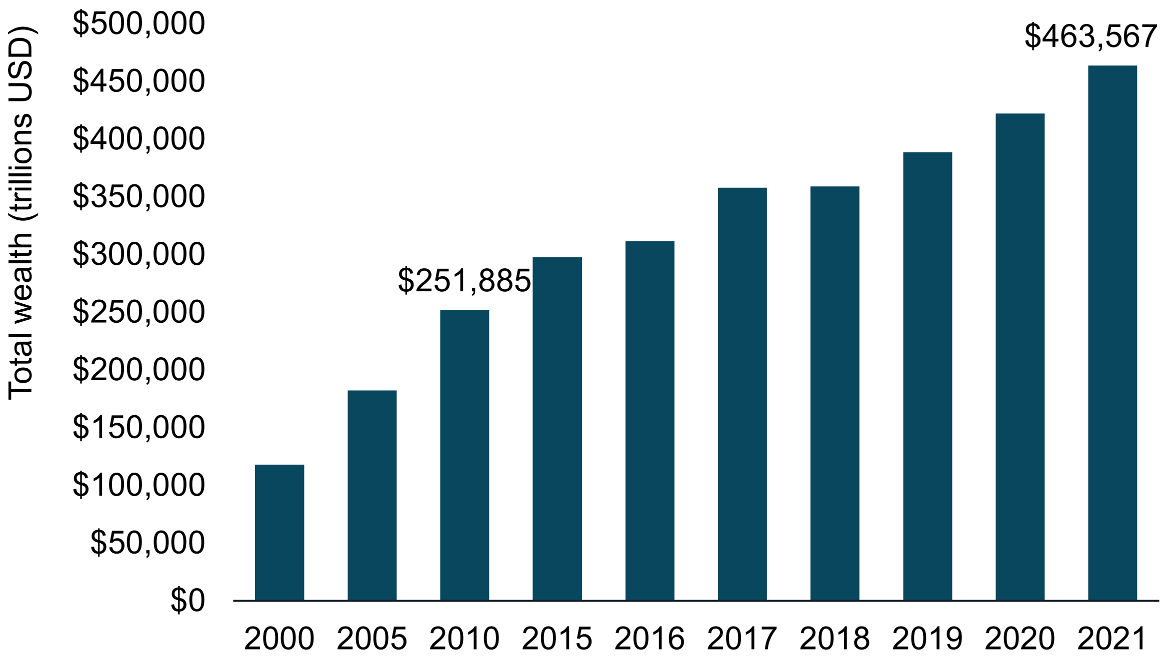
Travel and tourism's contribution to GDP has grown at an average annual rate of 5.3% over the past decade, which is 260 bps higher than the average annual GDP growth rate over the same period. This trend is expected to continue underpinned by increasing global wealth, which has nearly doubled over the past decade.

HNWIs contribute approximately 36.0% of the world's travel spend and nearly 70.0% for luxury travel.

**Average growth of global GDP vs. global travel & tourism GDP**




**Total global wealth***




Source(s): JLL Research, Oxford Economics, WTTC, Credit Suisse (Global Wealth Databook 2022)
Note(s): *Calculated at current exchange rates

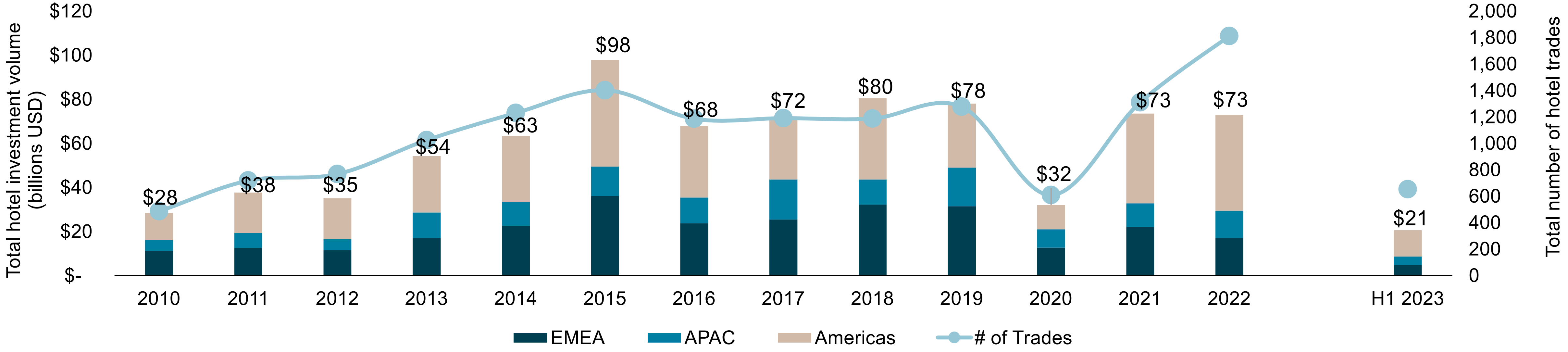
# 03

# Investment market trends

# H1 hotel liquidity hits a 10-year low despite elevated trade activity

Global H1 hotel investment volume shrunk to a 10-year low driven by ongoing economic volatility and turbulent debt markets. Trade activity nonetheless remains robust, and liquidity should accelerate in the back-half of 2023 catalyzed by impending loan maturities, fund-life expirations, and deferred capex.

**Global hotel investment volume & number of trades, 2010 – H1 2023**




| H1 Hotel Investment Activity | 2015 | 2018 | 2019 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| EMEA (volume / # of trades) | $20.4B / 203 | $15.7B / 233 | $15.2B / 203 | $11.9B / 179 | $8.1B / 207 | $4.8B / 176 |
| APAC (volume / # of trades) | $4.1B / 105 | $6.1B / 105 | $7.5B / 135 | $5.8B / 113 | $6.9B / 123 | $3.8B / 82 |
| Americas (volume / # of trades) | $27.1B / 313 | $16.3B / 267 | $12.7B / 300 | $21.0B / 237 | $23.2B / 667 | $12.0B / 424 |
| Global Total (volume / # of trades) | $51.6B / 621 | $38.2 / 605 | $35.4 / 638 | $38.9B / 529 | $38.2B / 997 | $20.6B / 652 |

Source(s): JLL Research.
Note(s): Figures shown above each bar represent total global volume by year. Includes all transactions $5M+ excluding casinos. Entity-level deals are included only of real estate was traded.

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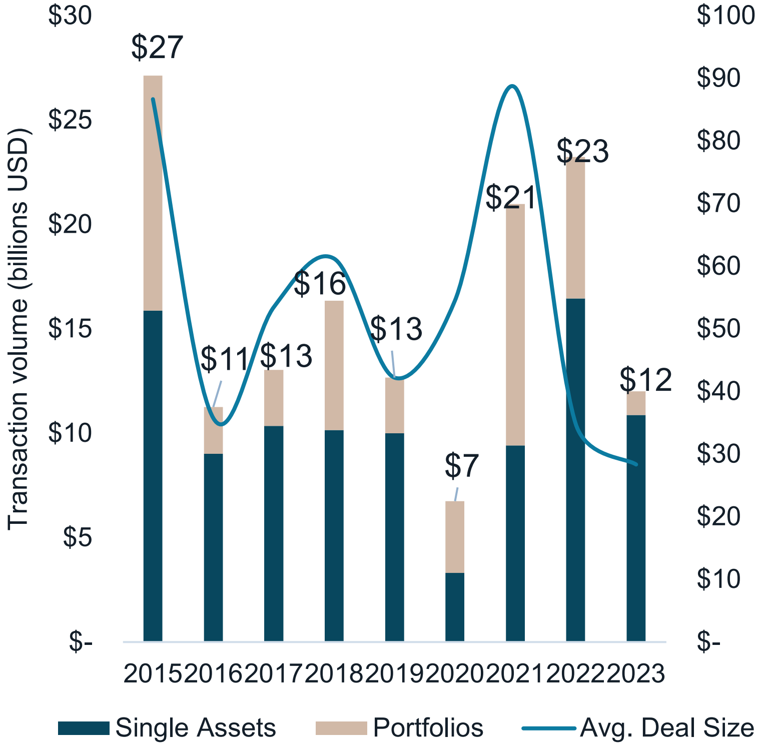
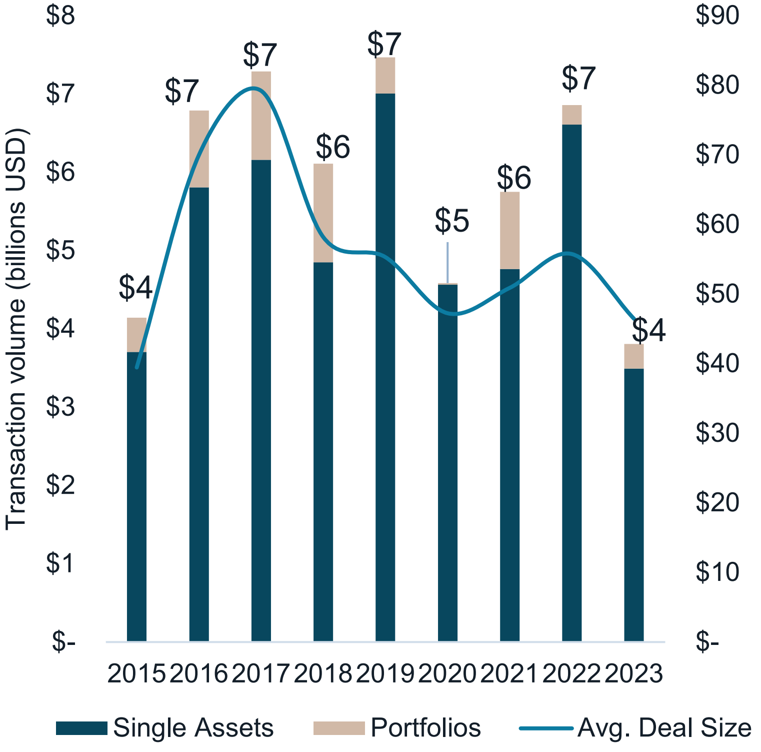
# Investors focus on smaller, single-asset transactions

All three regions benefitted from strong single-asset investment activity, with the sector's H1 2023 volume representing a record-high 89.4% of total global transaction volume. Portfolios and high-dollar deals remain largely absent amidst ongoing capital market dislocation. Resultantly, global average deal size shrank to a historic low as lenders gravitate towards smaller cheque sizes.

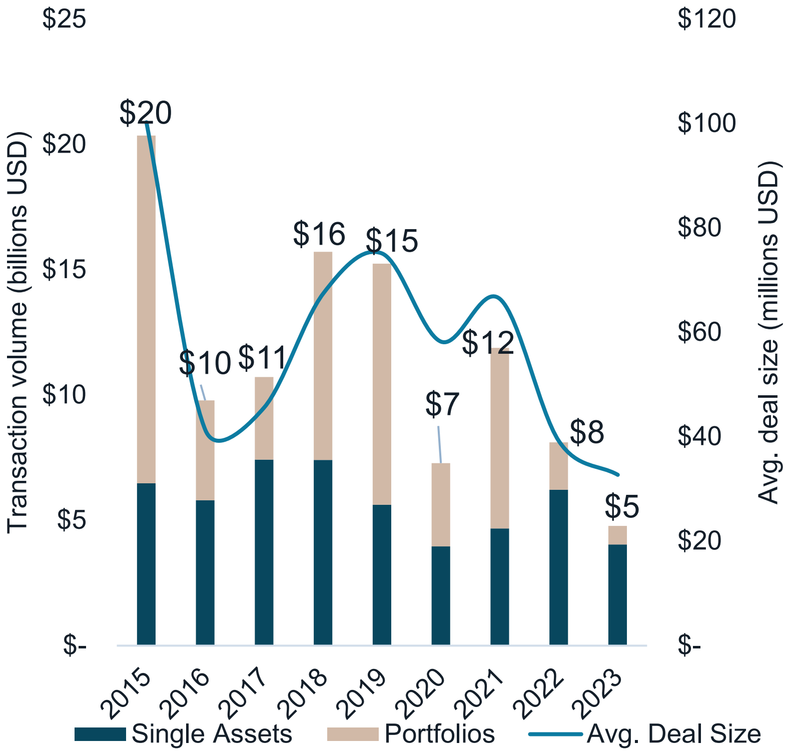
### Americas H1 transaction volume by type




### APAC H1 transaction volume by type




### EMEA H1 transaction volume by type




Source(s): JLL Research

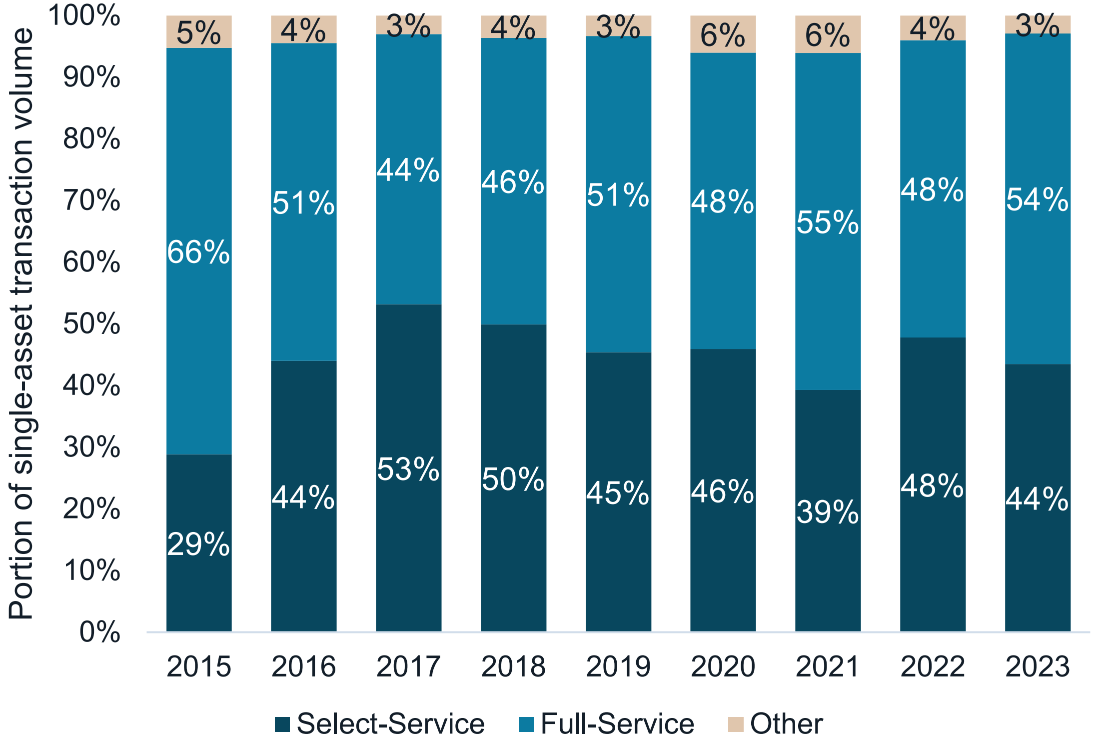
Note(s): Pertains to transactions worth $5 million and above. Includes entity-level transactions in which real estate was traded. Average deal size is calculated as total transaction volume divided by the total number of transactions. Numbers on top of each bar represent total H1 transaction volume in billions. 2020 is intentionally excluded due to pandemic impact.

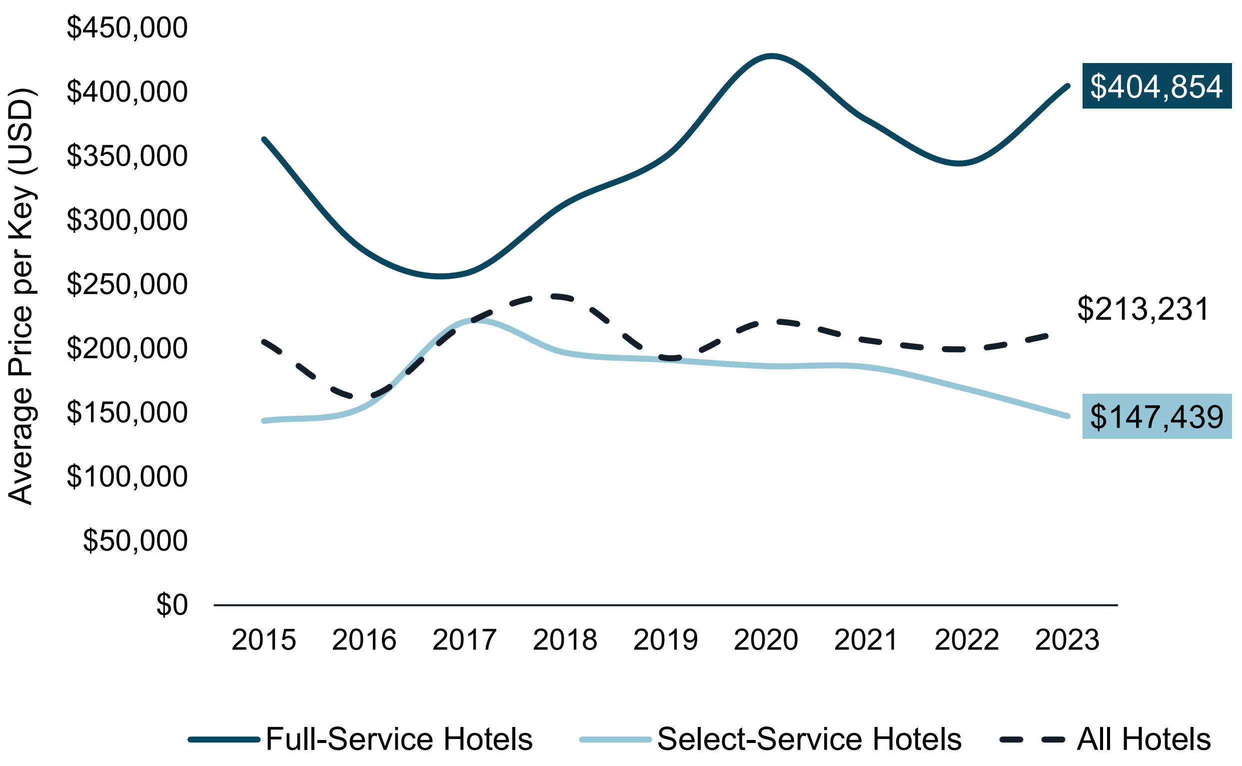
# Luxury and select-service assets remain in favor

Despite ongoing capital market dislocation, H1 full-service pricing grew 17.4% year-over-year driven by elevated luxury liquidity as investors continue to seek must-have assets. Conversely, select-service assets also remain in favor underpinned by strong operating performance, rising yields, and smaller cheque sizes. Expect this juxtaposition to continue over the medium-term.

**H1 portion of global single-asset volume by property type**




**H1 global single-asset average price per key**




Source(s): JLL Research. Includes all single-asset hotel transactions of $5M+ excluding casinos.
Note(s): JLL follows STR's classifications for full-service and select-service hotels. *Other is inclusive of mixed-use developments, development sites, etc.

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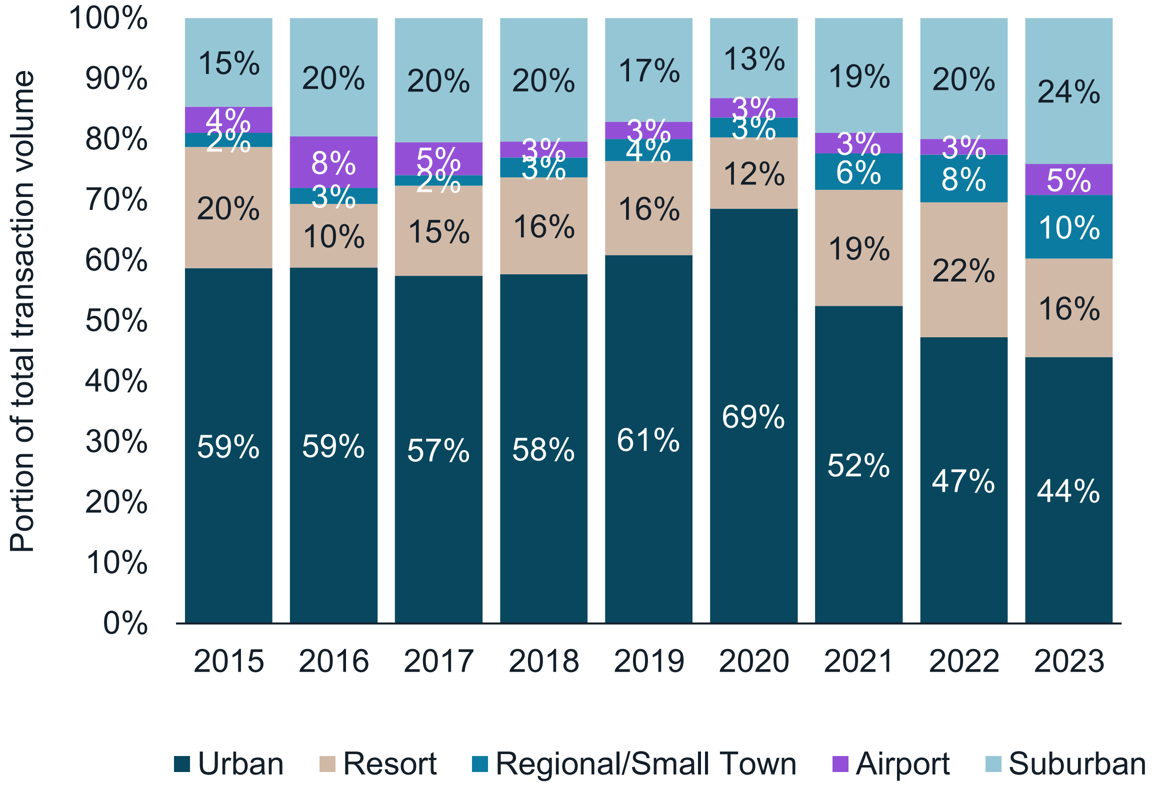
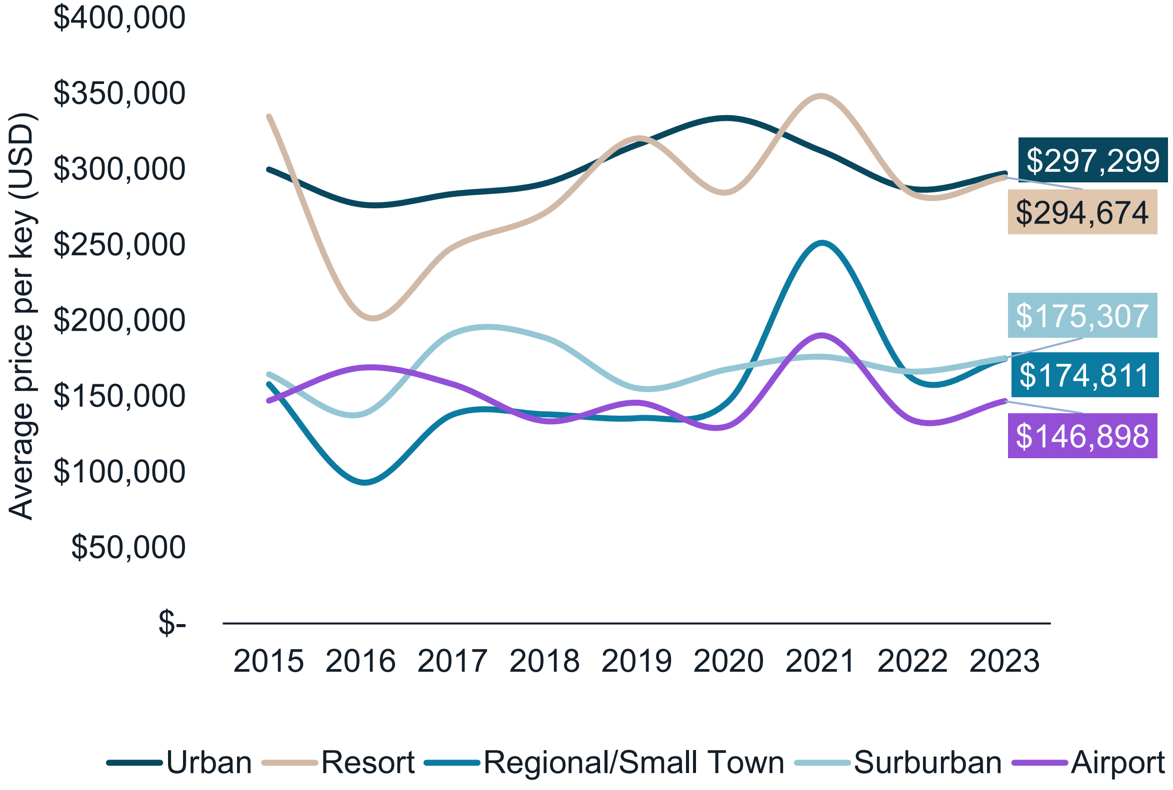
# Investment volume fuelled by urban hotel liquidity

Global single-asset volume continues to be driven by urban liquidity, although not to the same levels as in past years as some buyers still favor secondary markets stemming from robust performance. Expect further acceleration of urban transaction volume in the back-half of the year as pricing generally remains below pre-pandemic levels and international demand surges.

**H1 single-asset hotel liquidity by hotel location**




**H1 single-asset hotel average price per key by hotel location**



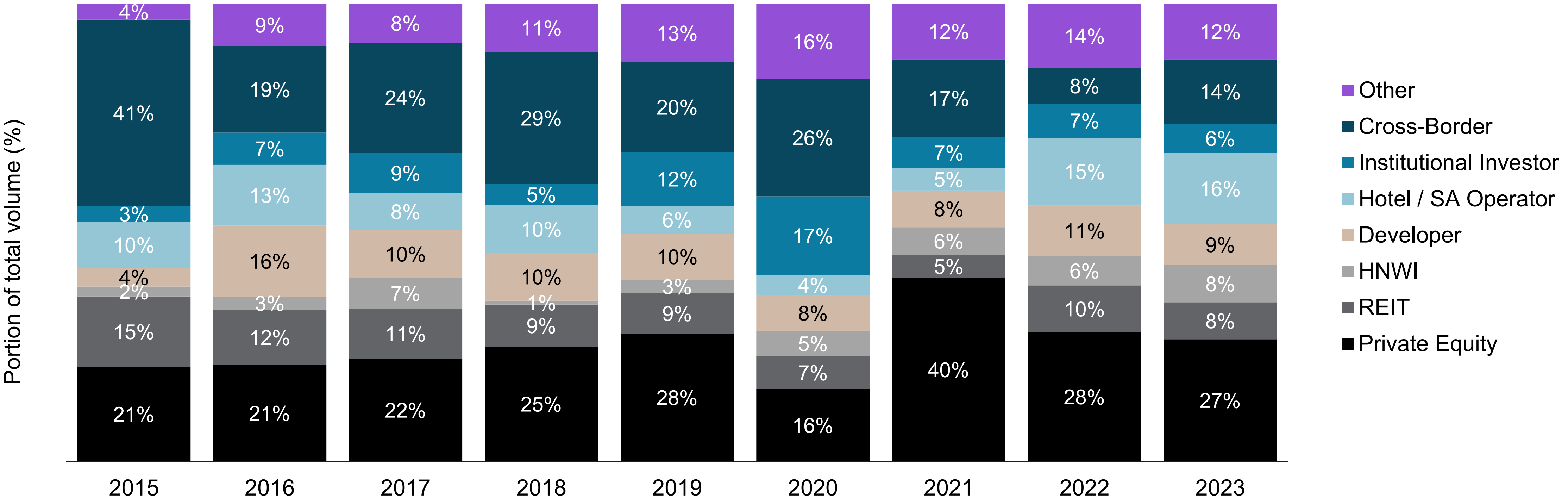

Source(s): JLL Research.
Note(s): Transaction volume pertains to single-asset and portfolios that are $5M and above, excluding casinos. Figures on the bar charts pertains to the portion of total investment volume.

# Private equity and first-time hotel buyers drive liquidity

Private equity continues to be the largest acquirer of hotel assets globally as investors raise record funds targeting the sector. H1 2023 also saw a notable increase in new investors entering the sector. In fact, 24% of global hotel investment volume was driven by first-time hotel buyers, comprised predominantly of HNWIs and family offices.

**Portion of H1 investment volume by buyer type**



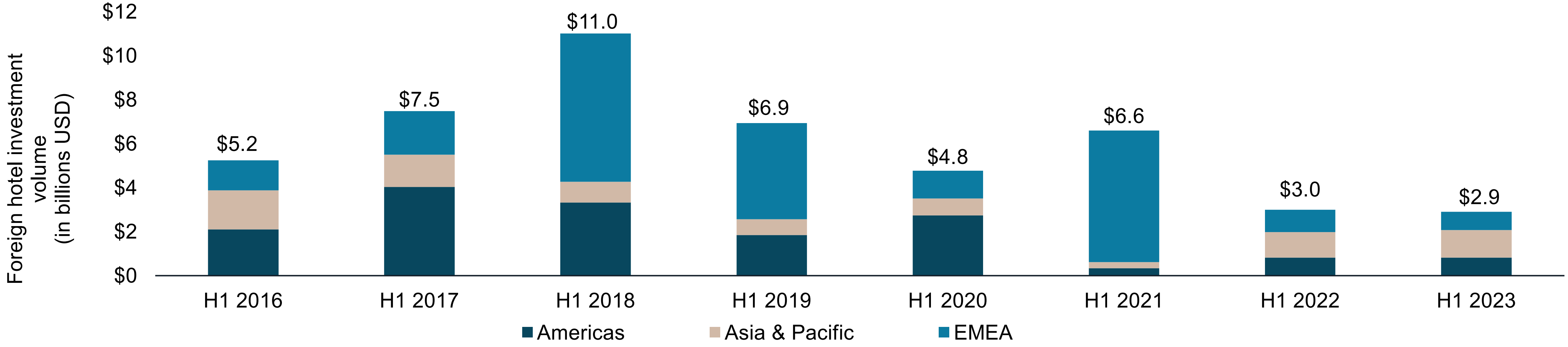

Source(s): JLL Research
Note(s): Pertains to transactions worth $5M and above excluding casinos. Include entity-level deals. Buyer type of “Others” includes Corporates, Banks and Government Entities.

# Green shoots in foreign investment as borders are fully reopen

Cross-border investments remain subdued particularly in the Americas due to debt market challenges and economic uncertainty. China's reopening should spark further growth in travel, particularly to the West Coast of the U.S. and intraregional Asia travel; however, ongoing tensions with the U.S. and E.U. may limit some cross-border investments.

### Inbound foreign hotel investment volume by region, H1 2023




| H1 Inbound Foreign Investment | 2023 vs. 2019 |
|---|---|
| **Americas** | -70.3% |
| **Asia Pacific** | +71.4% |
| **EMEA** | -81.8% |

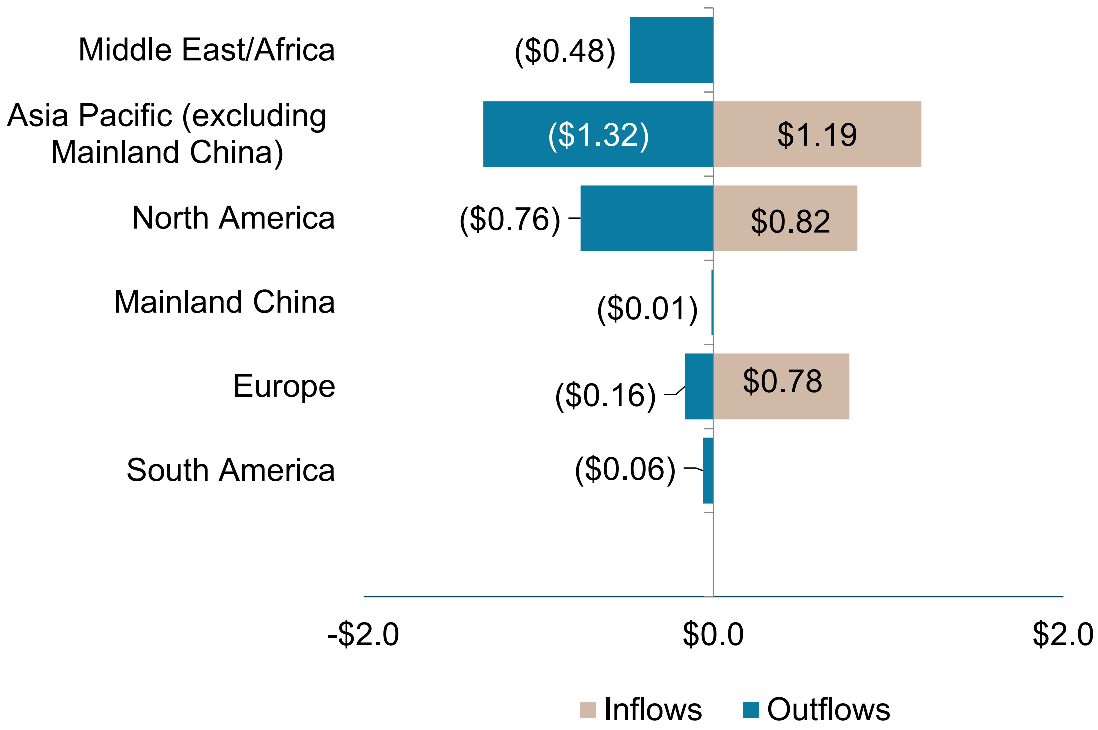
Source(s): JLL Research.
Note(s): Pertains to transactions worth $5m and above (excluding casinos) in which the buyer originated from a different region than where the asset is located. Inbound foreign hotel investment volume total figures are shown above the bars in the chart.

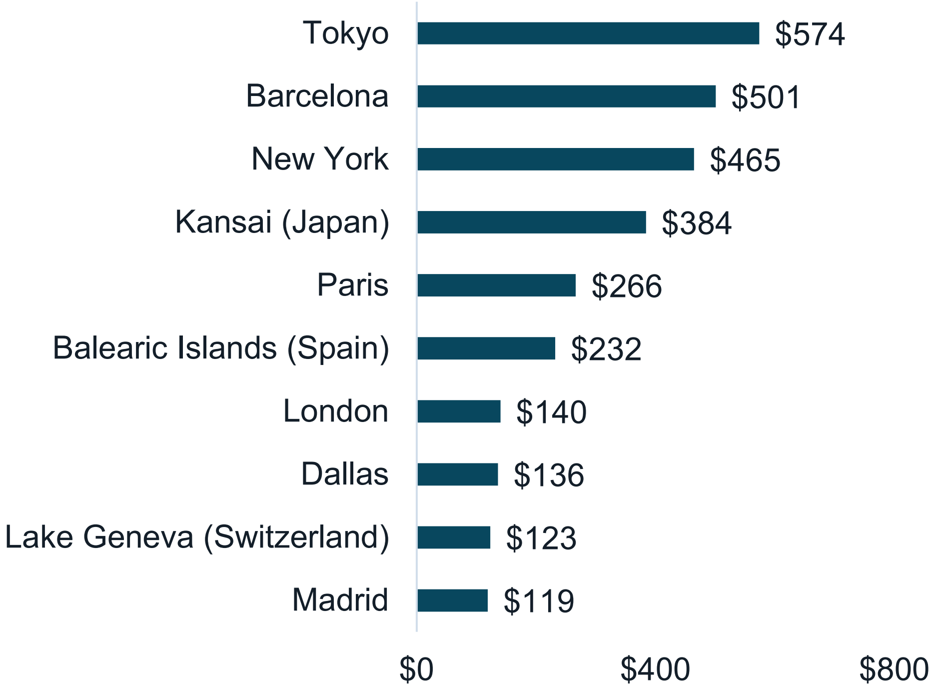
# Foreign investment targets safe-haven markets

In H1 2023, Asia Pacific represented the largest recipient of foreign investment, followed by the Americas & EMEA as private equity, HWNIs, and family offices grow their presence in safe-haven markets including Tokyo, Barcelona, New York, and London.

**Capital outflows and inflows, H1 2023**




**Top-10 global markets for foreign investment, H1 2023**



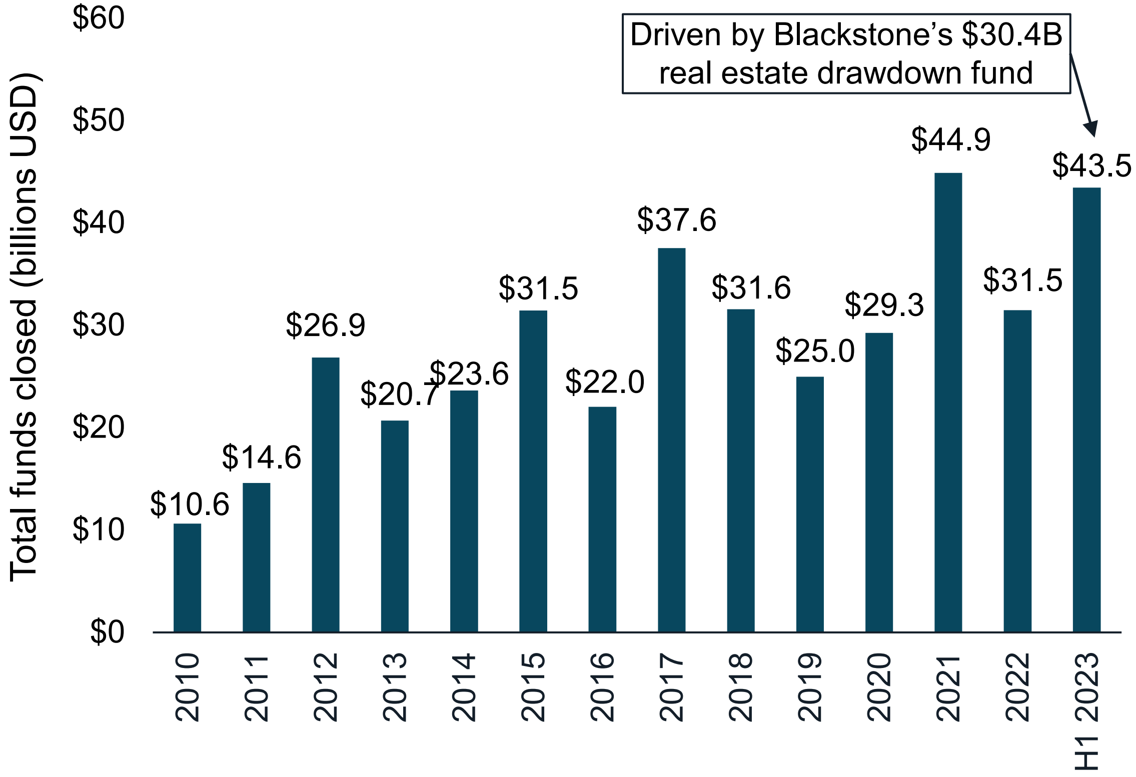

Source(s): JLL Research.
Note(s): Pertains to transactions worth $5m and above (excluding casinos) in which the buyer originated from a different region than where the asset is located. The capital outflows and inflows analysis excludes non-cross border investments and unknowns. Top global markets for foreign investment are ranked by total foreign investment volume.

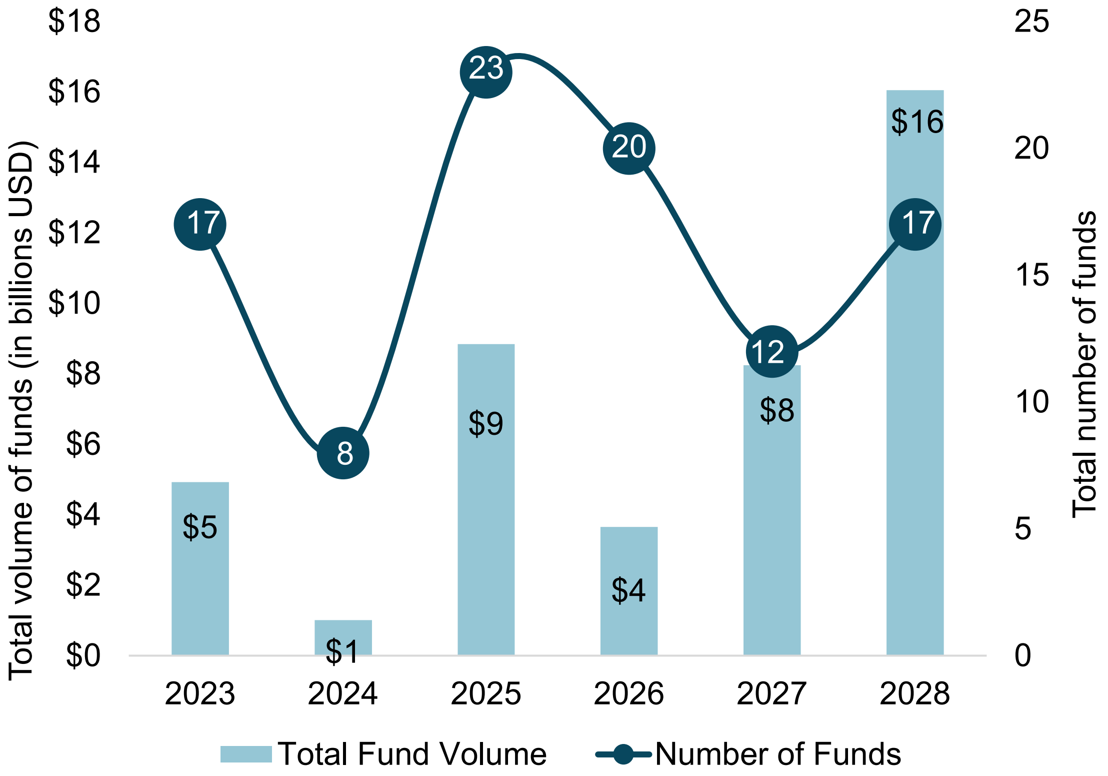
# Imminent global fund exit stages to present investment opportunity

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 few years.

### Closed-end total funds targeting hotel assets globally




### Closed-end funds reaching exit stage of lifespan




Source(s): JLL Research, Preqin

Note(s): Pertains to closed-end real estate funds (diversified & non-diversified) raised globally targeting hotel assets. Total number of closed end funds reaching exit stage of lifespan are inclusive of lifespan extensions.

# 04

# 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 and more certainty to enter the market as underwriting becomes clearer and the appetite for risk returns. Look for impending loan maturities, to catalyze transaction activity through 2023.

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.

High debt costs have created opportunities for **alternative debt funds** and platforms.

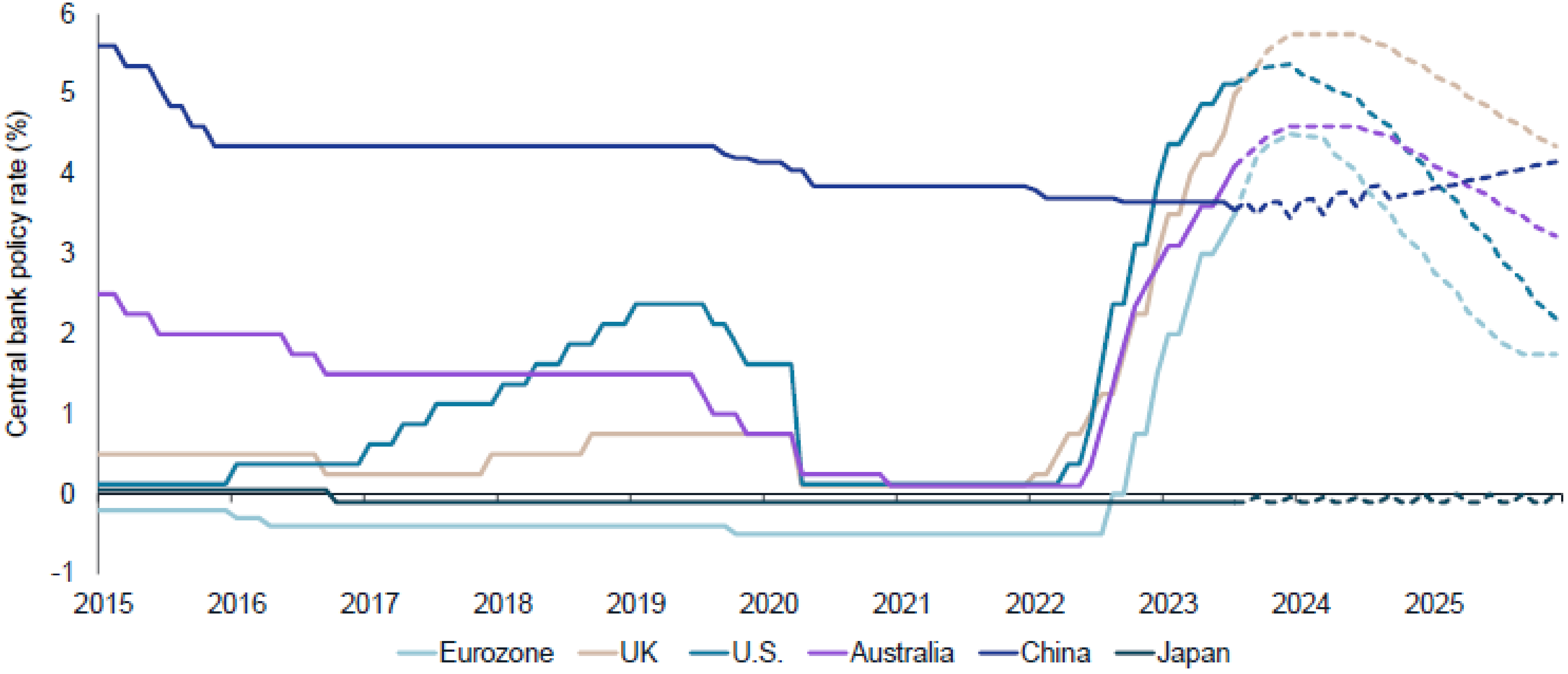
Source(s): JLL Research, Trepp

# Interest rates nearing the top of the cycle

Q2 saw further increases in policy rates from the Fed, ECB, BOE, BOC, and the Reserve bank of Australia. Resultantly, the current tightening cycle is now one of the fastest and most aggressive outside a crisis. As inflation persists, markets generally expect further upward moves before we reach a peak. Except for China, consensus is that rates should now peak in mid-2024.

**Chart 1: Central bank policy rates and forecast, 2015 – 2025(f)**




Source: Refinitiv, July 2023

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# Thank you

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