



Global Hotel Investment Trends

JLL Research Hotels & Hospitality | H1 2022



Global hotel industry house view – H1 2022



Performance

- Despite global economic uncertainty, robust ADR growth, pent-up domestic and emerging international travel demand has continued to push hotel RevPAR recovery closer to 2019 levels albeit at different paces across the globe.
- While Americas leads recovery, lingering travel restrictions and geopolitical uncertainty has slowed recovery in EMEA and to a greater extent in APAC.

Demand Segments

- The recovery continues to favor leisure, resort destinations as consumers shift their purchasing priorities to experience and travel rather than focusing on material goods.
- Urban markets are seeing greater momentum in their recovery as more employees return to office and leisure travelers are once again drawn to restaurants and live entertainment venues.

Supply

- Hotels gradually reopening with demand levels improving, but development project delays to curtail supply growth across most regions.
- International hotel parent brand companies sharpen focus on growth in China.
- Rebranding and considering alternative uses (co-living, multi-housing, and student housing) are likely to accelerate.

Investment Activity

- H1 2022 marked another period of strong investment activity surpassing H1 2019 by 0.5%. Investment in resort, small town and suburban hotels surged to a seven-year high, yet urban hotels accounted for the lion's share of liquidity.
- Private equity remains the primary source of investment; however, buyer activity from HNWIs, operators and REITs has notably increased as they sharpen their focus on hotel acquisitions, especially in the Americas and EMEA.

Operations

- Labor strategy continues to be top of mind in the face of turnover to industries less effected by seasonality or the risk of another Covid-19 wave.
- With inflation lifting ADR levels across all travel segments, it will be important to monitor inflation to strategize profit margin maximization.
- Valuation challenges vary by region with rising interest rates for most part of the world and geopolitical tensions heavily affecting EMEA & APAC.

Opportunities

- Industry consolidation.
- Sustainability-focused operational changes for medium- to long-term cost savings.
- Redefining hotel experience spurred by gradual convergence of hospitality and living sectors.
- Plenty of capital available for acquisitions with \$12.5B raised for closed-end funds in H1 2022 but identifying quality assets for purchase will require strategic approach.

Global investment by the numbers - H1 2022



\$35.5B

Total Transaction Volume,
Up 0.5% to 2019

895

Total Trades,
Up 40.1% to 2019

\$8.1B

Total Portfolio Volume,
Down 36.4% to 2019

\$372K

**Average Price per Key
For Full-Service Hotels,**
Down 5.2% to 2019 driven by
increased trophy-asset sales
pre-pandemic

\$12.5B

Total Funds Raised,
Up 25% to 2019



Top-3 largest markets worldwide

by transaction volumes – H1 2022



New York

\$1.2B

Total Transaction Volume



down 17%
to 2019



Seoul

\$1.1B

Total Transaction Volume



Up 22x
to 2019



London

\$0.9B

Total Transaction Volume



Down
49.6%
to 2019

Top largest global hotel transactions – H1 2022

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



Global Hotel Single-Asset Transactions					
Property	Market	Price	Rooms	Price per Room	Buyer
Hilton Millennium Seoul	Seoul/Incheon	\$929,830,923	680	\$1,367,000	IGIS Asset Management
Hyatt on the Bund	Shanghai	\$720,000,000	631	\$1,141,000	Shanghai Land (Group) Co., Ltd
Trump International Hotel Washington DC (Future Waldorf)	Washington, D.C.	\$375,000,000	263	\$1,426,000	CGI Merchant Group
Sheraton Hotel New York Times Square	New York	\$373,000,000	1,780	\$210,000	MCR Development LLC
Prima Hotel	South Korea Area	\$337,073,230	120	\$2,809,000	LE PIED Choengdam PFV
W Hotel Nashville	Nashville	\$328,700,000	346	\$950,000	Xenia Hotels & Resorts, Inc.
Grand Hyatt San Antonio	San Antonio	\$310,000,000	1,003	\$309,000	Community Finance Corporation
Kimpton Hotel Van Zandt Austin	Austin	\$246,000,000	319	\$771,000	Host Hotels & Resorts
30 Bideford Road	Singapore	\$240,425,568	168	\$1,431,000	Boustead Projects Ltd
Sheraton Hotel Boston	Boston	\$233,000,000	1,220	\$191,000	Varde Partners, Inc.
The Confidante Miami Beach (Future Andaz)	Miami	\$232,000,000	339	\$684,000	Sunstone Hotel Investors

Global Hotel Portfolio Transactions					
Property	Region	Price	Rooms	Price per Room	Buyer
Highgate-Cerberus CorePoint Lodging 124-Property Portfolio	Americas	\$1,500,000,000	17,572	\$85,000	Highgate Holdings
Blackstone-Starwood WoodSpring Suites 111-Property Portfolio	Americas	\$1,455,000,000	12,347	\$118,000	The Blackstone Group
NewcrestImage 27-Property Portfolio	Americas	\$822,000,000	3,709	\$222,000	Summit Hotel Properties, Inc.
Point A Hotels 10-Property Portfolio	EMEA	\$549,448,200	1,521	\$361,000	Tristan Capital Partners
Hotel Trusty Six-Property Portfolio	Asia	\$152,720,000	1,175	\$130,000	Star Asia Investment Corporation

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

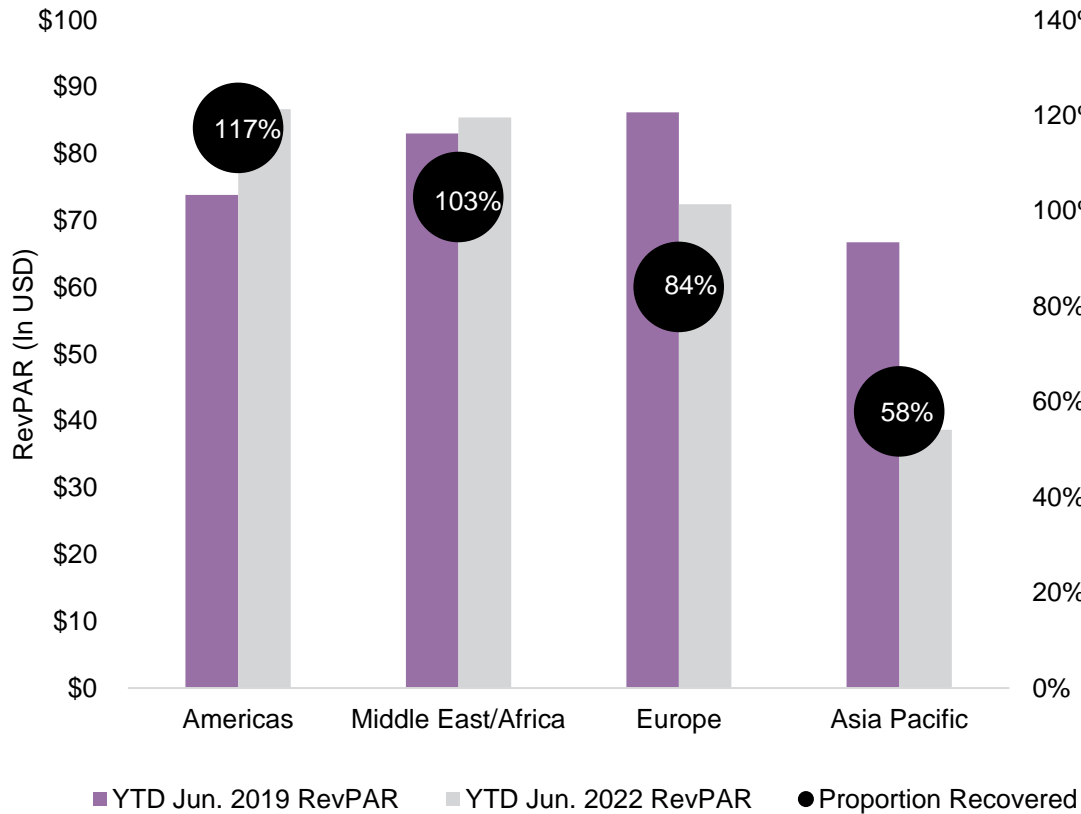
Global Hotel Performance Trends



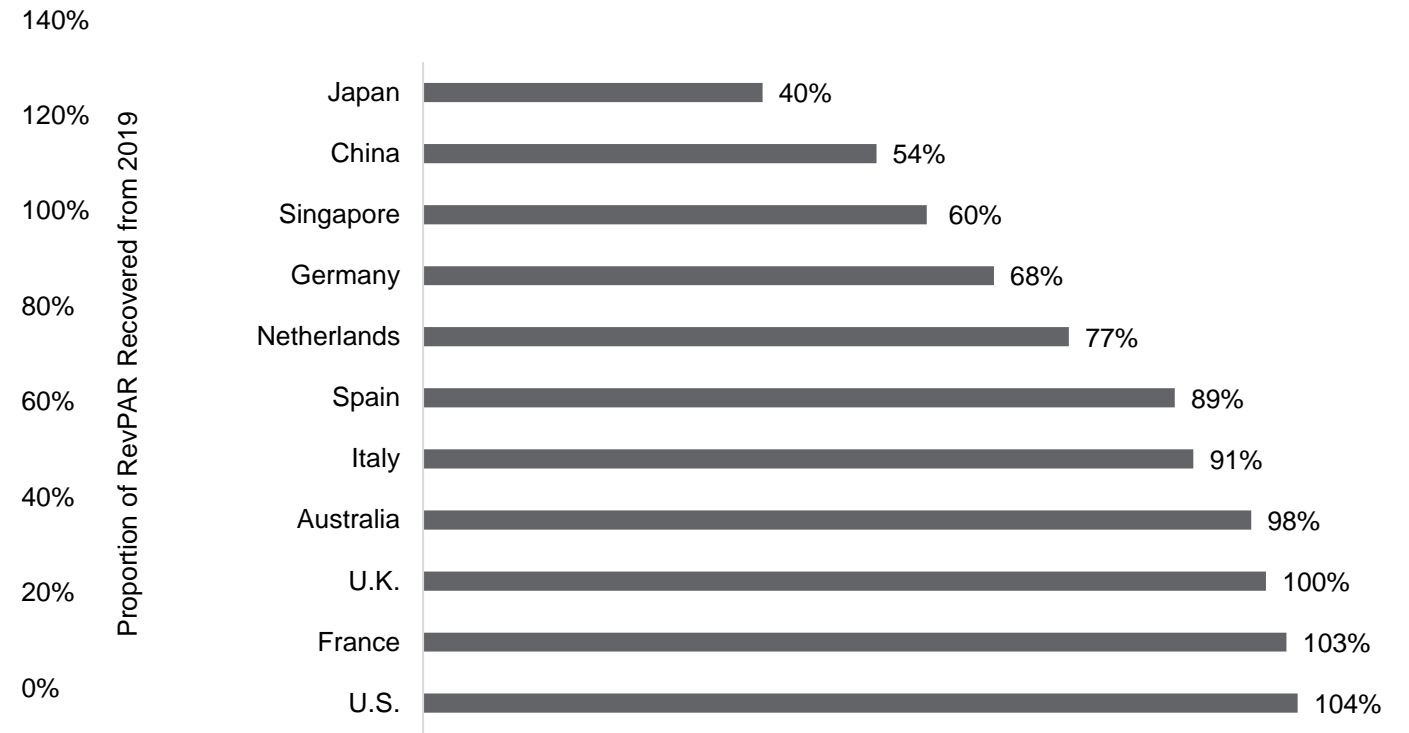
Shedding all testing & quarantining travel restrictions, the Americas region leads RevPAR performance around the world, followed by Europe with almost all countries dropping entry rules. APAC continues to lag recovery due to ongoing restrictions.



RevPAR Recovery by Region, YTD June 2022



RevPAR Recovery from 2019 by Country, YTD June 2022

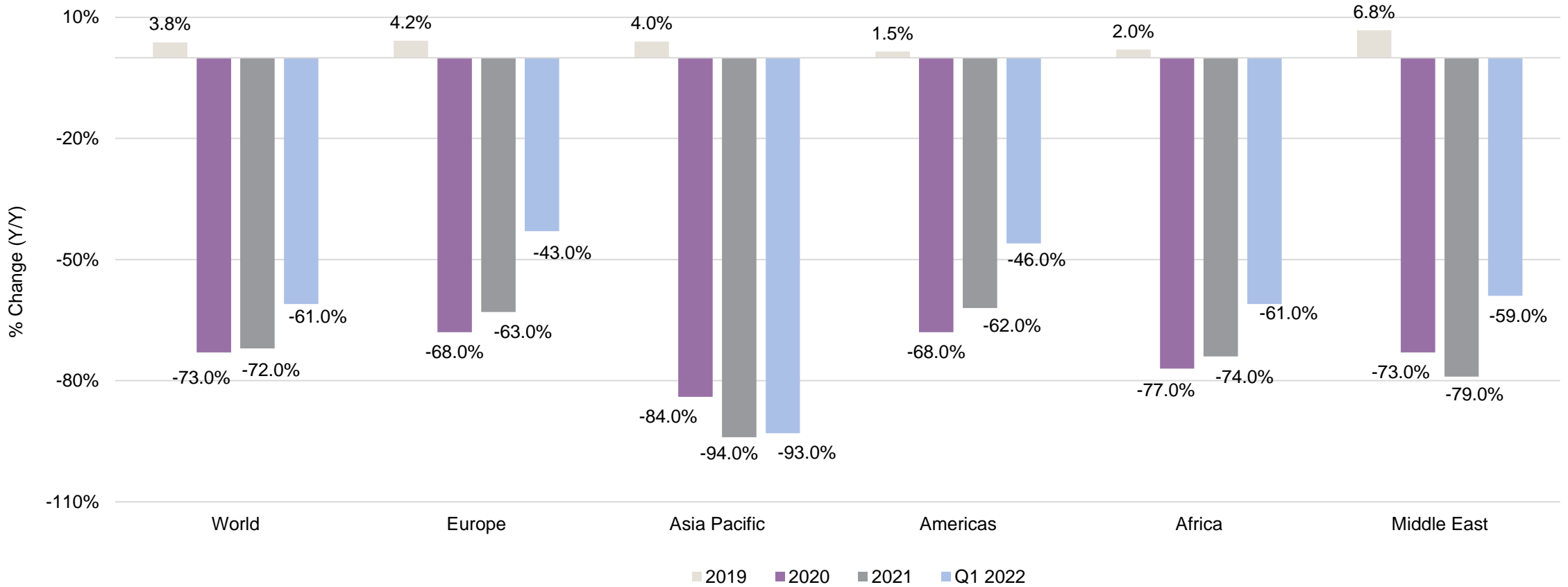


Source: JLL Research, STR; Data reported based on STR's TRI reporting methodology.

International travel picked-up in H1 2022 with a stronger recovery expected in the near-term driven by pent-up travel demand particularly to Europe sourced from both within the region and from the U.S; APAC remains challenged especially for destinations closed to non-essential travel.



International Tourist Arrivals by Region (% Change from 2019)

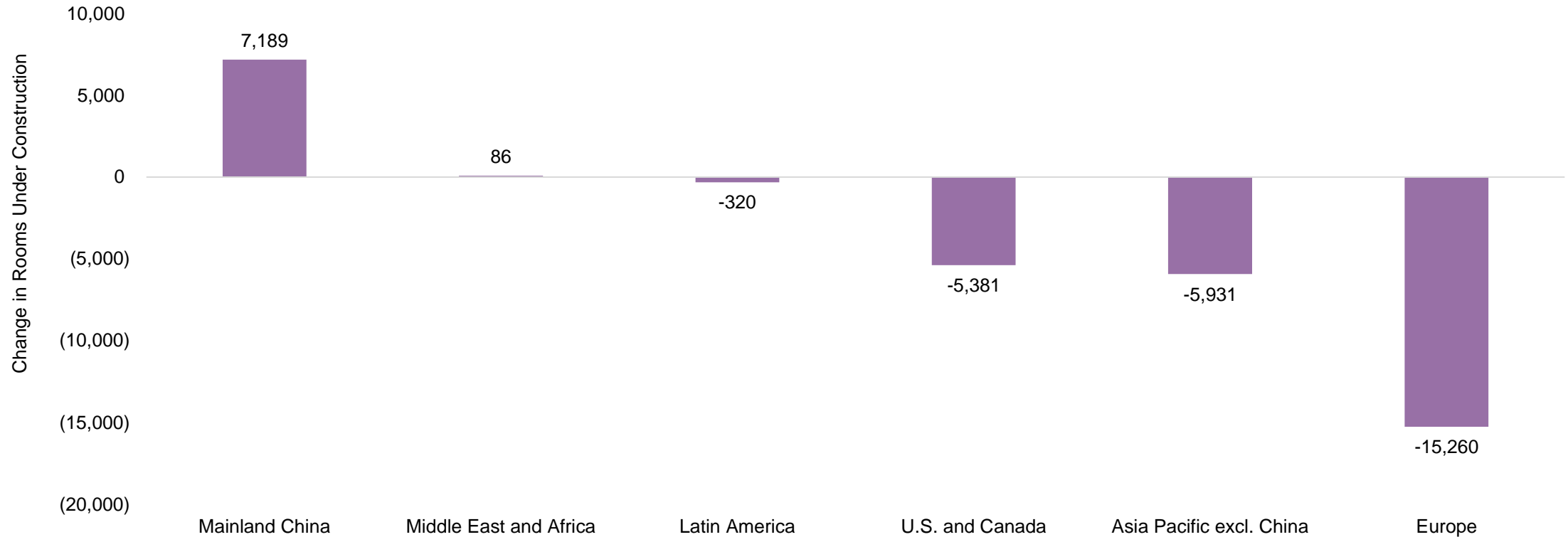


Source: JLL Research, UNWTO; The percent change year-over-year in 2020 through 2021 is compared to 2019 levels of international tourist arrivals. While Q1 2022 is compared to Q1 2019 and is the latest data available.

Rising construction costs and labor shortages limit construction pipeline across global regions albeit China is experiencing an all-time high in its construction pipeline with expansion efforts by Hilton, IHG and Marriott driving pipeline growth.



Change in Rooms Under Construction by Region, Jun. 2022 vs Feb. 2022



Source: JLL Research, STR

Global Hotel Investment Trends

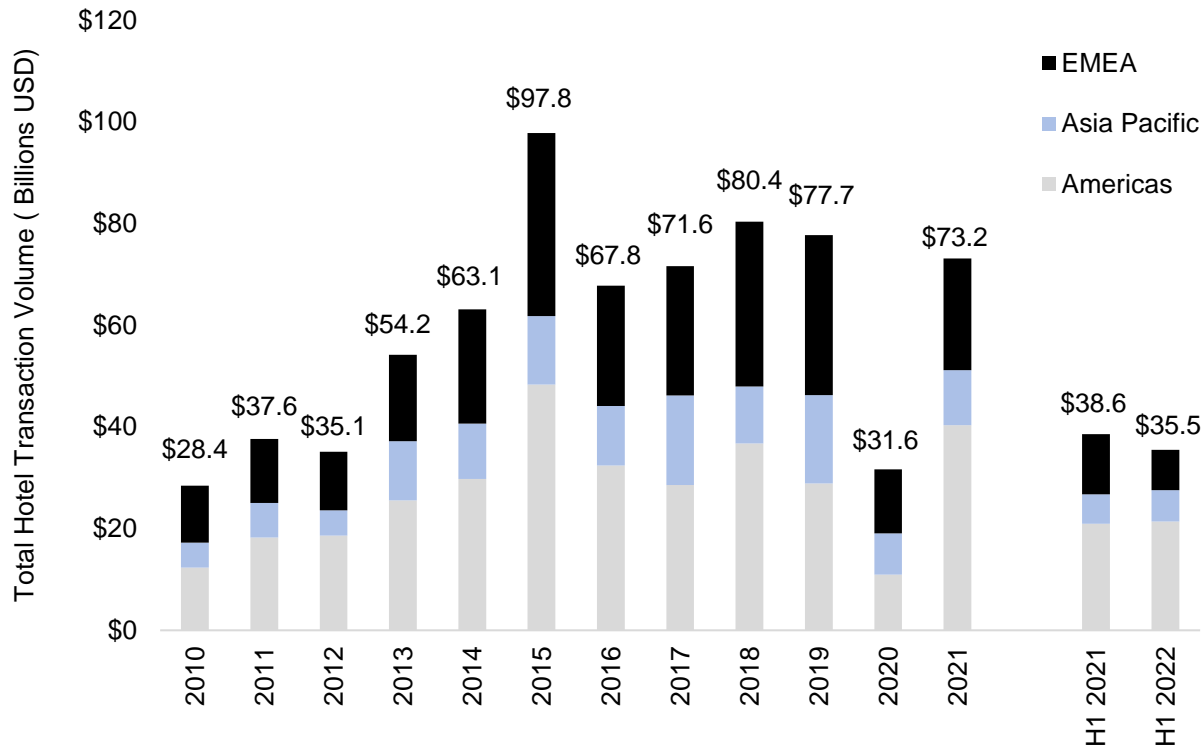


H1 2022 continued to be another robust period for investment surpassing pre-pandemic levels; and while private equity remains the primary source of investment, buyer activity from HNWIs, developers, operators and REITs has notably increased as they sharpen focus on acquisitions.



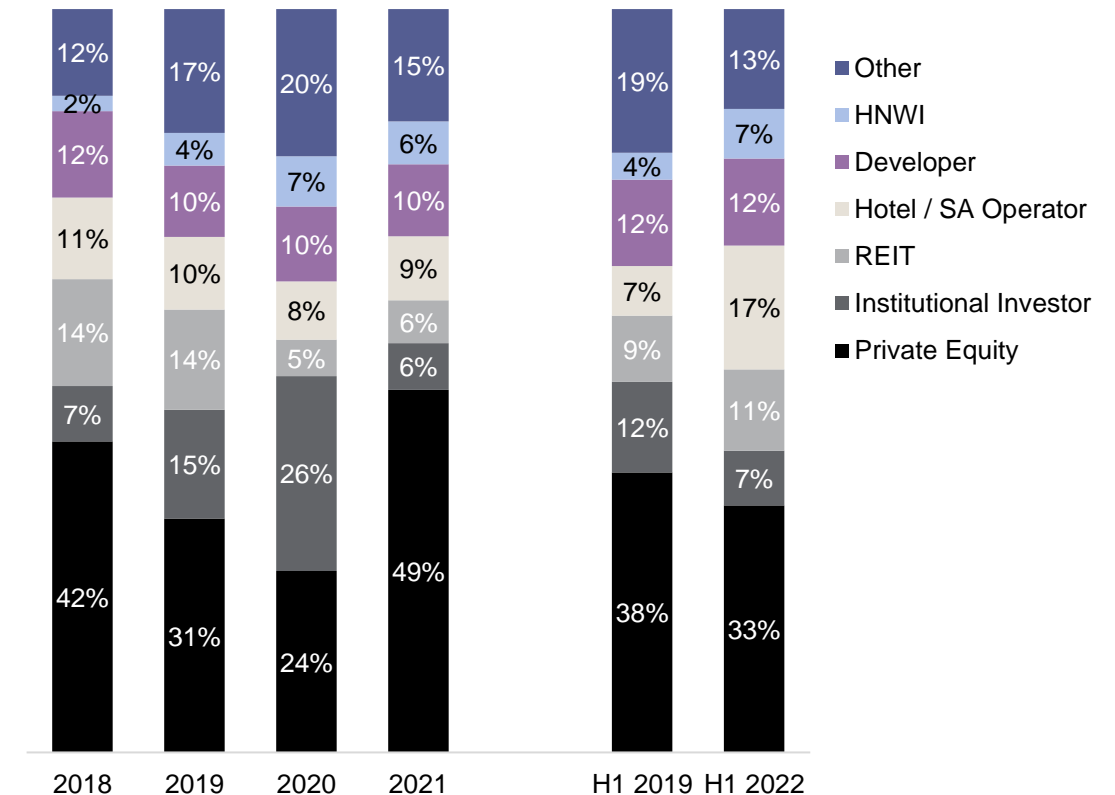
Global Hotel Investment Volume Breakdown by Region

Investment volume in H1 2022 slipped just 8% from H1 2021, which was the second-highest volume recorded over the past ten years; albeit slightly ahead of H1 2019 by nearly a full percent.



Portion of Investment Volume by Buyer Type

Private equity's portion of total global investment fell 22% in H1 2022 relative to 2019.



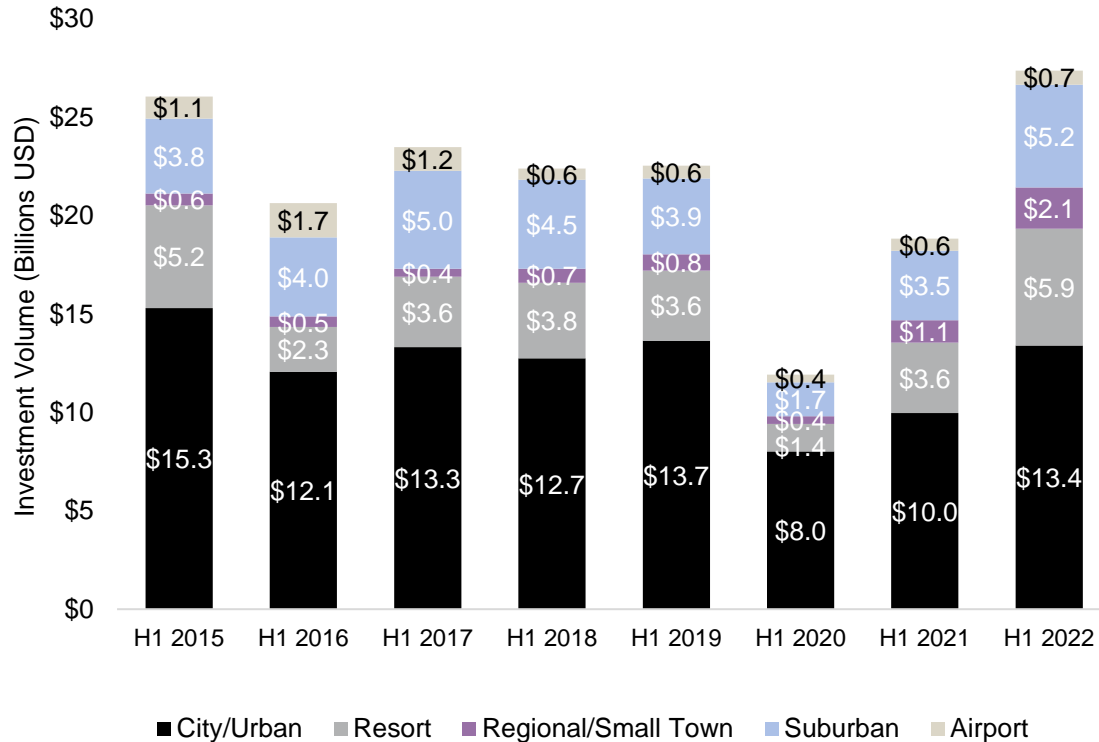
Source: JLL Research; Pertains to transactions worth \$5 million and above, excluding casinos. Includes entity-level transactions. Buyer type of "Others" includes Corporates, Banks and Sovereign Wealth Funds. Figures above the bar chart indicate total global hotel investment volume.

Global hotel investment in resort, small town and suburban locations surged to a seven-year high in H1 2022; albeit urban hotel locations continue to account for the lion's share of global market liquidity, with volume surging 34.5% year-over-year from stronger than expected recovery of the global hotel industry.



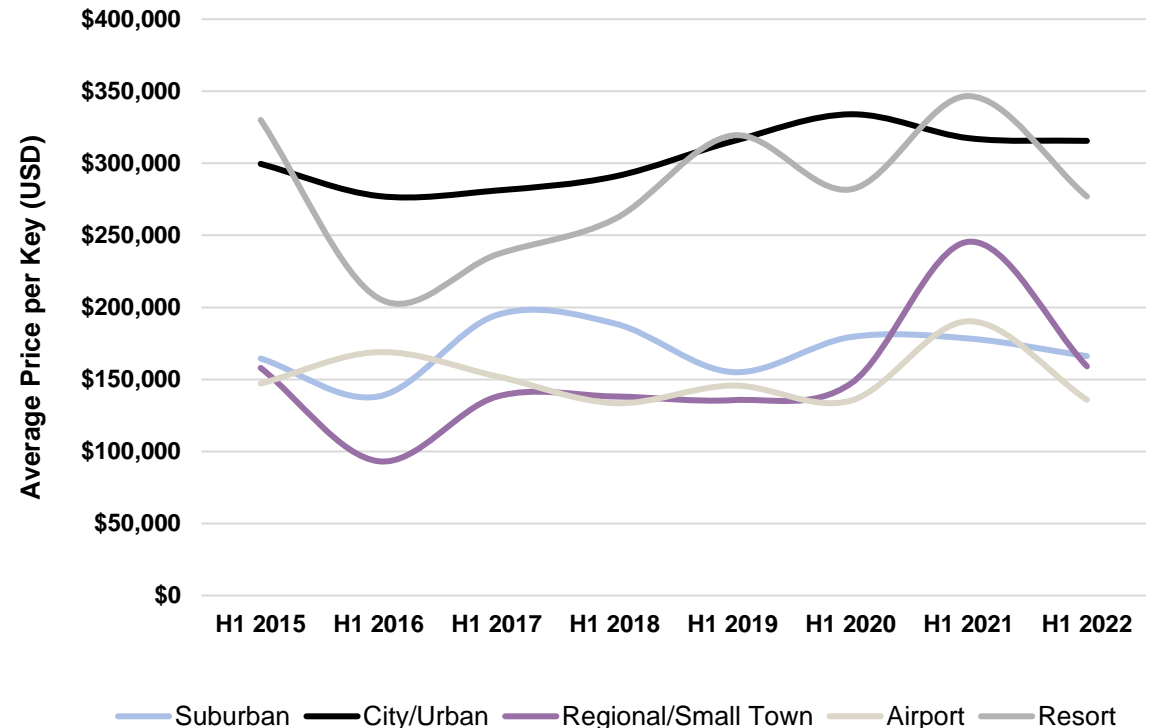
H1 Single-Asset Volume by Hotel Location

2022 vs 2019: Resorts +66.9%, Small Towns +154%, Suburban +35.1%, Urban -1.8%



H1 Single-Asset APPK by Hotel Location

Pricing for urban hotel locations leads the way, followed by resorts.

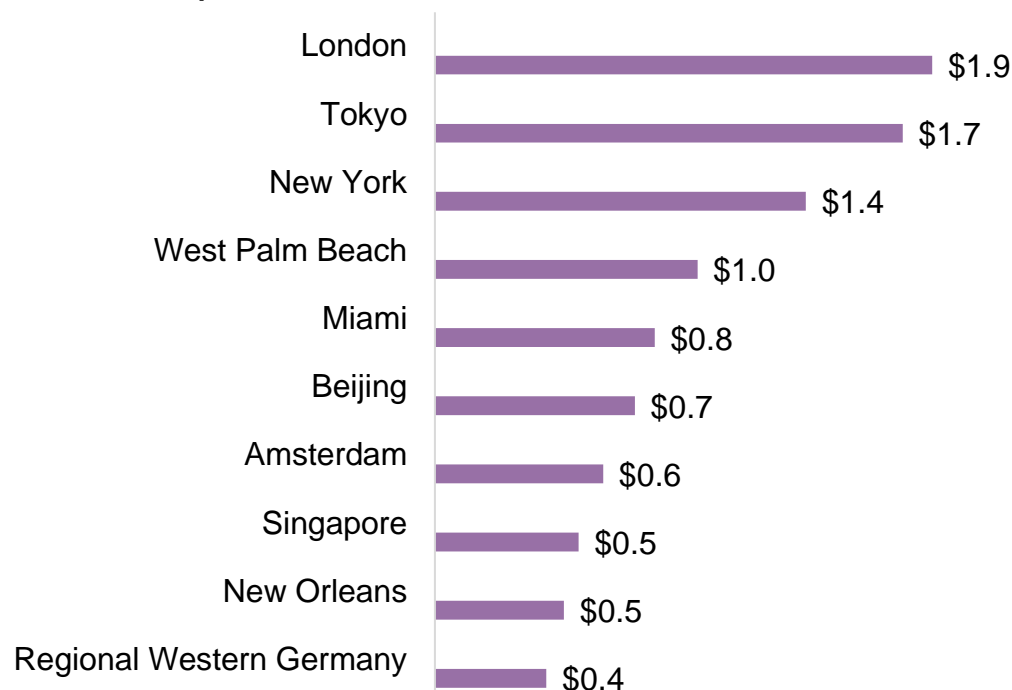


Source: JLL Research; Transaction volume pertains to single-asset and portfolios that are \$5 million and above, excluding casinos.

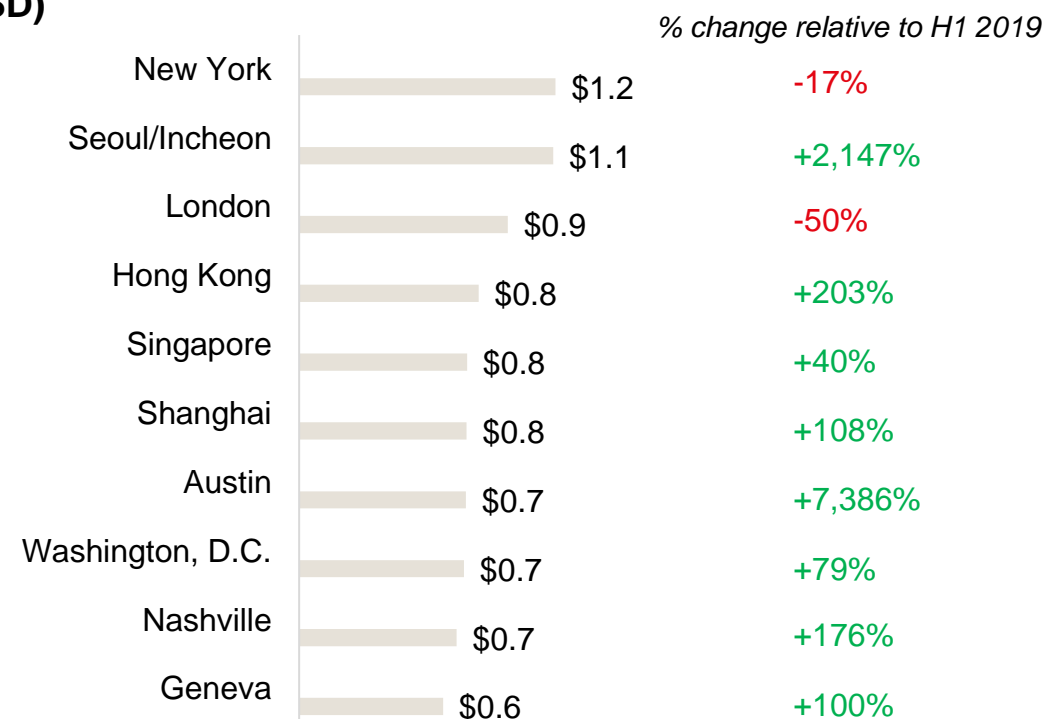
Investment appetite remains for the world's major gateway markets in H1 2022, with London and New York continuing to rank in the top-3 most liquid markets relative to 2019; secondary markets that are performing strongly post-Covid such as Austin, Nashville, and Geneva are also ranked in the top-10.



**Top-10 Global Markets by Investment Volume in H1 2019
(Billions USD)**



**Top-10 Global Markets by Investment Volume in H1 2022
(Billions USD)**



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

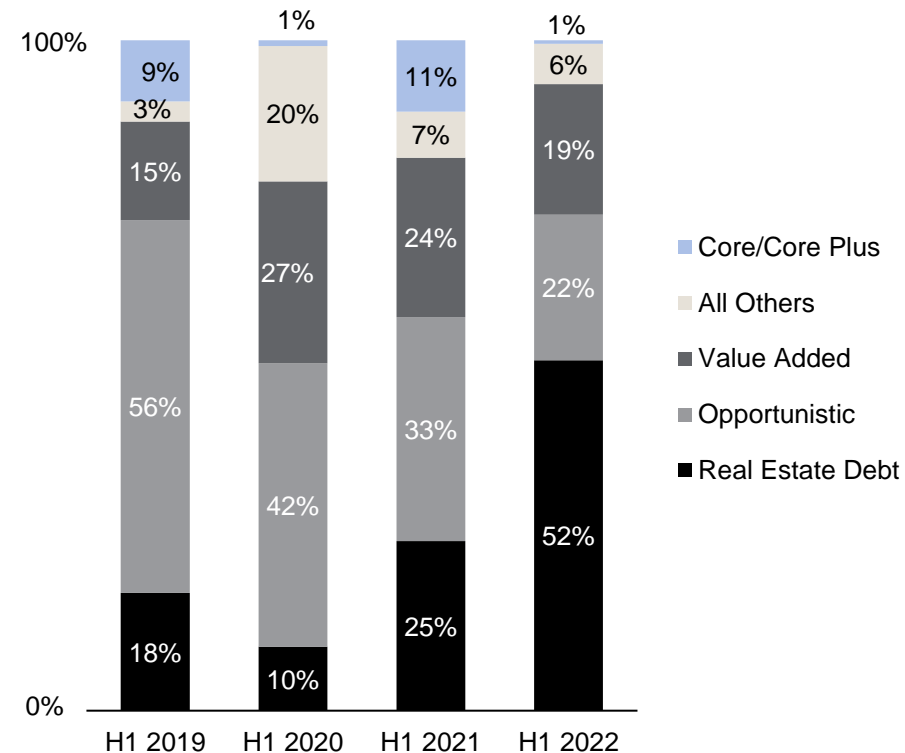
Private equity groups continue to raise funds in H1 2022 with a 52% majority of closed-end funds targeting real estate debt assets, representing the highest proportion of all investment strategies.



Global Closed-End Funds Targeting Hotel Assets



Strategy Share of Global Funds Closed for Hotel Assets

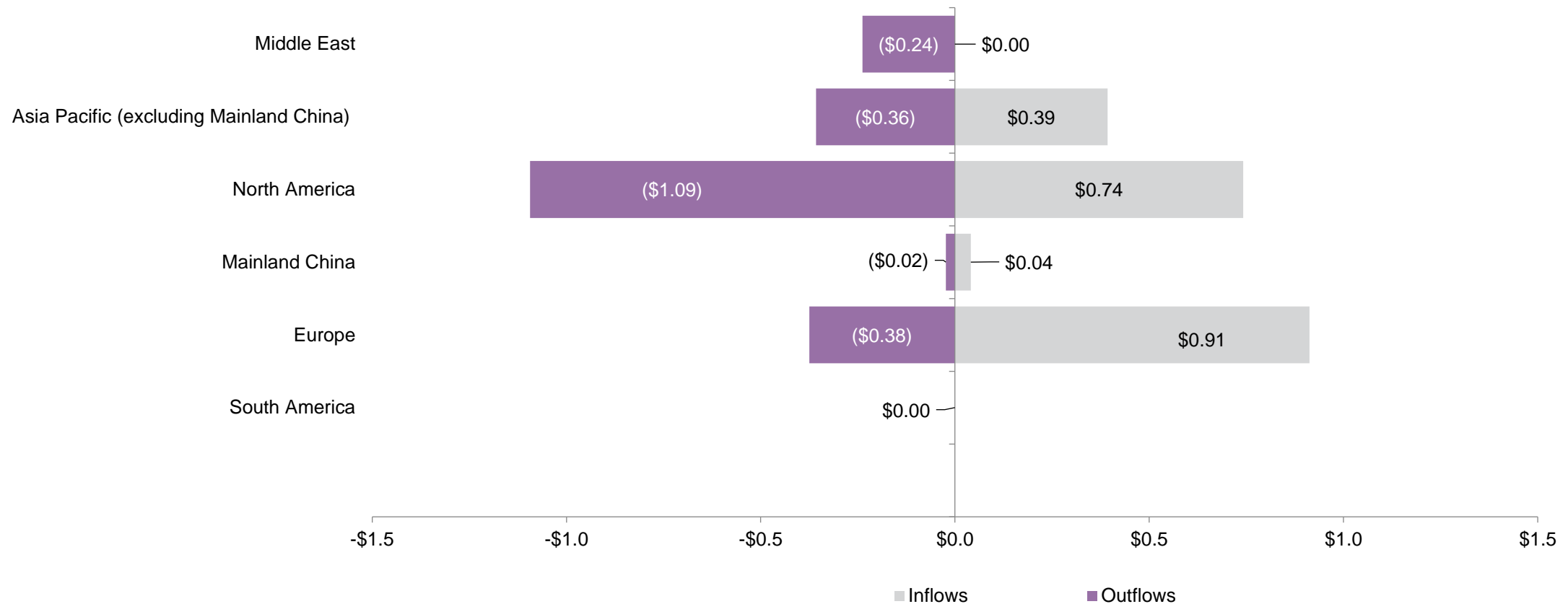


Source: JLL Research, Preqin; Pertains to closed-end real estate funds raised globally. Volume of funds pertains to groups that target hotels exclusively and groups with a diversified investment strategy that includes hotels and hospitality.

In H1 2022, Europe continued to represent the largest recipient of foreign capital investment, followed by North America as private equity and HWNIs grow their presence in the region, predominantly in urban locations.



Capital Outflows and Inflows, H1 2022 (Billions USD)



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

Global Debt Market Trends



Debt liquidity remains available but selective amid rising interest rates particularly in the Americas & EMEA regions due to inflation surges; albeit China and Japan are reversing rates to stimulate their economies.



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.



Hedging costs soar amid global rise in interest rates, boosting borrowing costs particularly for investors that hadn't locked in long-term funding at low, fixed rates



Construction financing continues to be selective and challenging in the face of global inflationary impact on construction costs & labor shortages



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



Key messages & real estate implications



1 Policy and regulations are lagging the science

Do not wait for regulations to kick in before taking action.
Think beyond regulations to create a competitive advantage.
Monitor what the most progressive cities are doing and anticipate change.

2 Buildings are critical to the energy transition. In cities 60% of emissions are from buildings

Rebalance efforts from new construction to retrofiting, which can help plug the supply gap in NZC buildings. Consider embodied carbon and circularity in new construction.

3 Greening of energy grids is essential

Double down on energy efficiency initiatives and explore on- and off-site renewables, given that many cities with brown grids will struggle to meet their clean energy targets.

4 Think beyond carbon

Focus also on regeneration, circularity, and resilience. Create green, sustainable, healthy, regenerative and resilient spaces and places.

5 Create partnerships to finance transition and to harmonize approaches

Collaborative business models require a change in mindset.
Be prepared to share the wisdom and scale best practice.
Technology solutions will facilitate the transition.

What are the most progressive cities doing on buildings?



**Singapore
Vancouver**

Holistic Approach to
Greening Buildings

- Singapore Green Building Masterplan
- Vancouver Zero Emissions Buildings Plan and Zero Emissions Buildings Retrofit Strategy (ZEB-R)

**New York City
Boston**

Energy / Emissions
Reporting and
Benchmarking

- NYC: LL97 to track and report GHG emissions
- Boston: Building Energy Reporting and Disclosure Ordinance (BERDO)

**Toronto
San Francisco**

Building Codes

- Toronto Green Standard
- SF: All-Electric New Construction Ordinance

**Tokyo
New York City**

Carbon Pricing

- Tokyo: Cap and Trade Program (Emissions Trading Scheme)
- NYC: LL97 - Fines/penalties for non compliance

**Paris
Amsterdam**

Circularity and
Embodied Carbon

- Paris: Design and Reuse Principles; RE2020 – considers entire building lifecycle carbon impact
- Amsterdam Circular Strategy

Hamburg

Onsite Renewables

- Photovoltaic (PV) systems on all new and renovated buildings

**London
Singapore**

Biodiversity

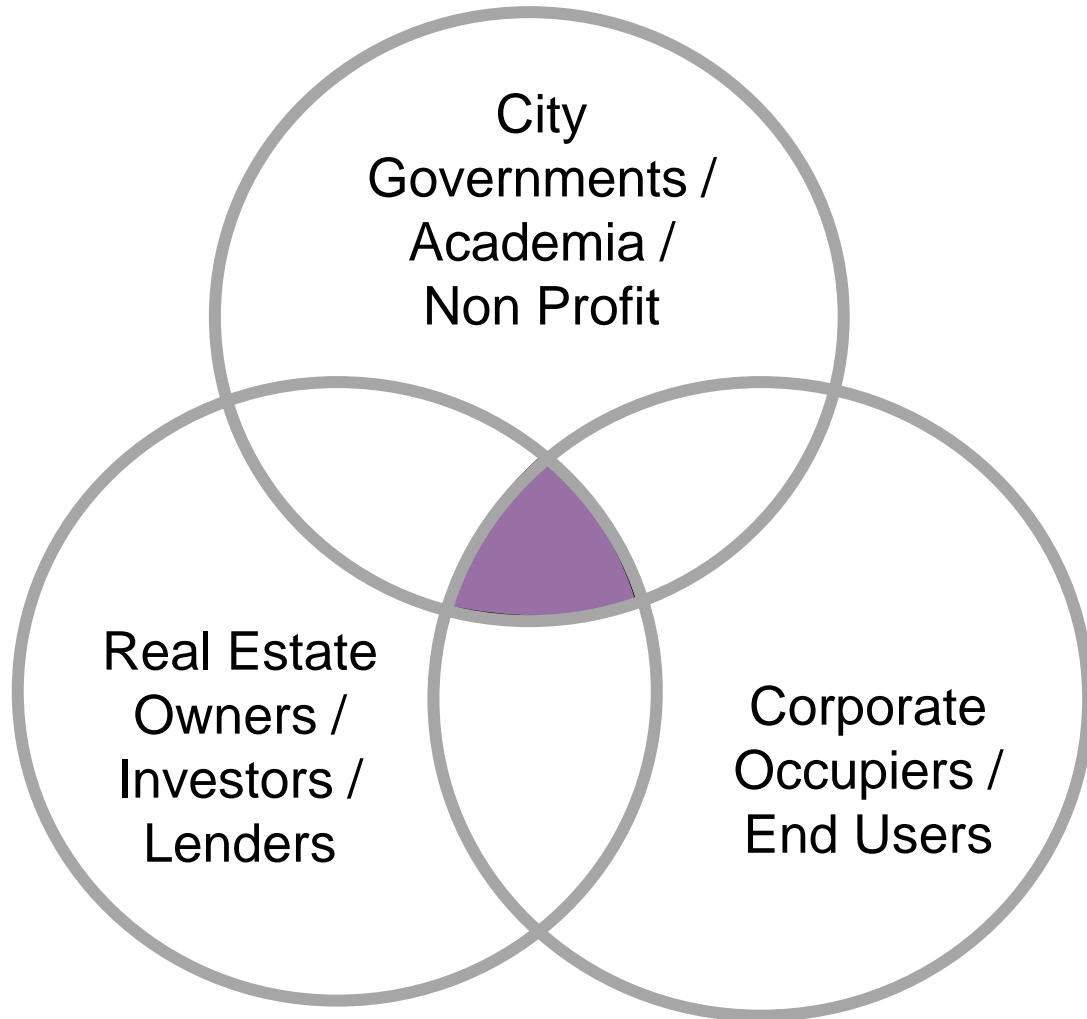
- London: Biodiversity Net Gain
- Singapore: Landscaping for Urban Spaces and High-Rises (LUSH)

**Melbourne
Copenhagen**

Partnerships

- Melbourne Renewable Energy Project (MREP)
- Copenhagen Energy Leap

Ecosystems of partnerships essential in the race to net zero



- Pooling financial resource
- Harmonization and consistency
- Aligned goals
- Collaborative and coordinated
- Regulation, incentivization and advocacy
- Scaling technology and innovation
- Data sharing and real-time metrics
- Knowledge sharing / accelerators

Copenhagen Energy Leap (Energispring)

San Francisco Zero Emissions Buildings Taskforce

Melbourne Renewable Energy Project (MREP)

Los Angeles LA Better Buildings Challenge (LABBC)

Thank You



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