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Looking for outliers in EMEA's gloomy outlook

By HOTELS Editors on 2/7/2013

Hotel transactions and development have slowed in EMEA, but opportunities for acquisitions and brand expansion remain.

While certain gateway cities and markets buck the trend, overall 2013 is expected to be a challenging year for development as well as performance in most EMEA markets due to Europe's economic troubles and the Arab Spring political turmoil.

"The availability and price of debt finance will remain an issue across 2013 in EMEA, as stringent lending requirements endure and loan-to-value ratios remain low. This will happen across all segments," said Ivar Yuste, a partner at the Madrid-based PHG Hotels & Resorts consulting firm. "Investors in EMEA remain cautious, faced with a more challenging macro-economic environment. Acquisition opportunities require now much more work per transaction since liquidity is scarce."

Southern Europe struggles

Transactions have fallen particularly in Southern Europe as the region struggles to recover from Europe's sovereign debt crisis.

"Deal activity in those countries has plummeted in the past 12 to 18 months. We estimate that in Spain the amount of transactions fell to around 20% to 25% of their 2011 level. Italy experienced a similar trend, while in Portugal and Greece there have been very few transactions to talk about," said Paul Thomas, a director at the London-based Whitebridge Hospitality consultancy.

Looking ahead, this may change in 2013 if banks such as Spain's "bad bank" of SAREB begin to offload their hotel assets like Ireland's NAMA has. Purchases could come from deep-pocketed Middle Eastern or Asia Pacific investors. This could give the big brands opportunities to expand their presence in Southern Europe, where non-branded properties predominate.

"We perceive a significant amount of opportunities coming during 2013 from the consolidation of underperforming hotel portfolios in Southern Europe," Yuste said. "In Spain, the cost-control know-how of Spanish groups paired with the selling power of international brands is an unbeatable mix."

Exterior of the 357-room Renaissance Barcelona Fira, which opened in October 2012. International brands may be able to expand in Spain as portfolios there are consolidated.

Market outliers

Primary capitals such as London, Paris, Berlin and Moscow look set to outpace other European destinations in terms of hotel market performance in 2013.

In the Middle East, increased demand in Dubai, United Arab Emirates, is set to boost its performance ahead of neighboring destinations, while coastal areas in Turkey and city center hotels in Saudi Arabia continue to see development.

While North African development and performance outside of Morocco are stunted, markets in Sub-Saharan Africa such as Nigeria continue to see pipeline increases while an oil boom in Ghana is set to bolster performance at hotels in Accra.

Editor's note: For more coverage on the EMEA 2013 pipeline and performance outlook, read the upcoming March issues of HOTELS Magazine and HOTELS' Investment Outlook.