

*The Influence of
Global Capital Flows
on the Hotel Sector*

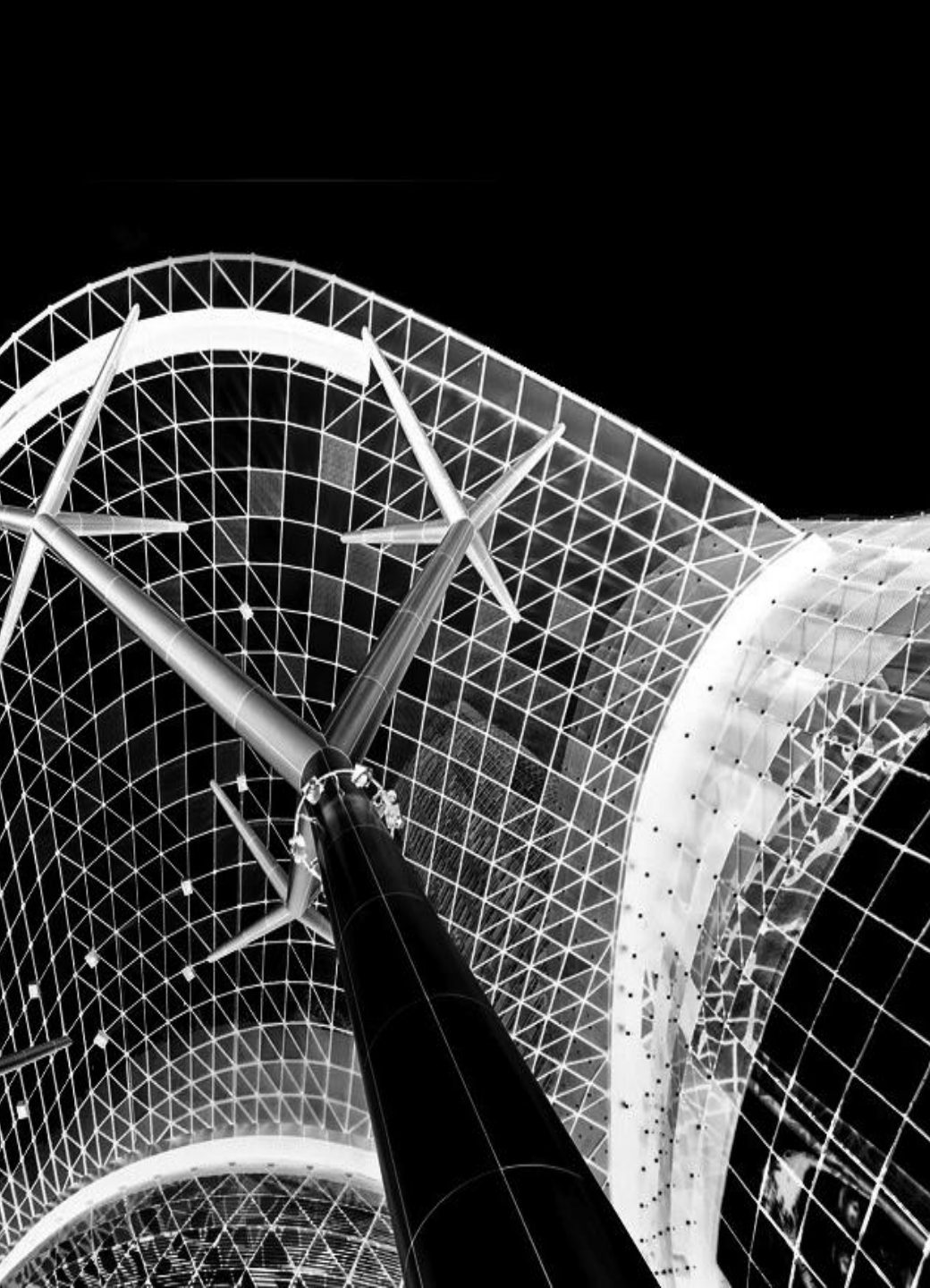
**Arthur de Haast
Chairman JLL Hotels & Hospitality Group**

November 2015

Agenda

- Evolution of the hotel business and its emergence as an investment asset class
- What drives markets – GDP or other factors?
- Global real estate capital flows and the hotel sector within that context
- Hotel investment capital flows – where, who and why
- Where next?





*Evolution of the hotel
business and its
emergence as an
investment asset class*

Evolution of the Hotels Business

Timeline: From an owner-operator model to a multi-brand, asset-light model



Pre 1950's

Private Owner Operator

Emergence of:

- Private owner-operators
- Specific owners, e.g. railway companies



1945–1960

Hotel Chains

Emergence of:

- Service sector
- Mass leisure travel (cars)
- Hotel chains
- Franchising
- First listed hotel companies



1960–1980

International Chains

Emergence of:

- Cheap air-travel
- International leisure
- Short break holidays
- Conference market
- Fast growing international chains
- Hotel companies owned by airlines



1980–2000

Multi-Brand Chains

Emergence of:

- Multi-brand hotel chains
- Brand partnerships
- Hotel Leasing (Europe only)
- Budget and limited service sector



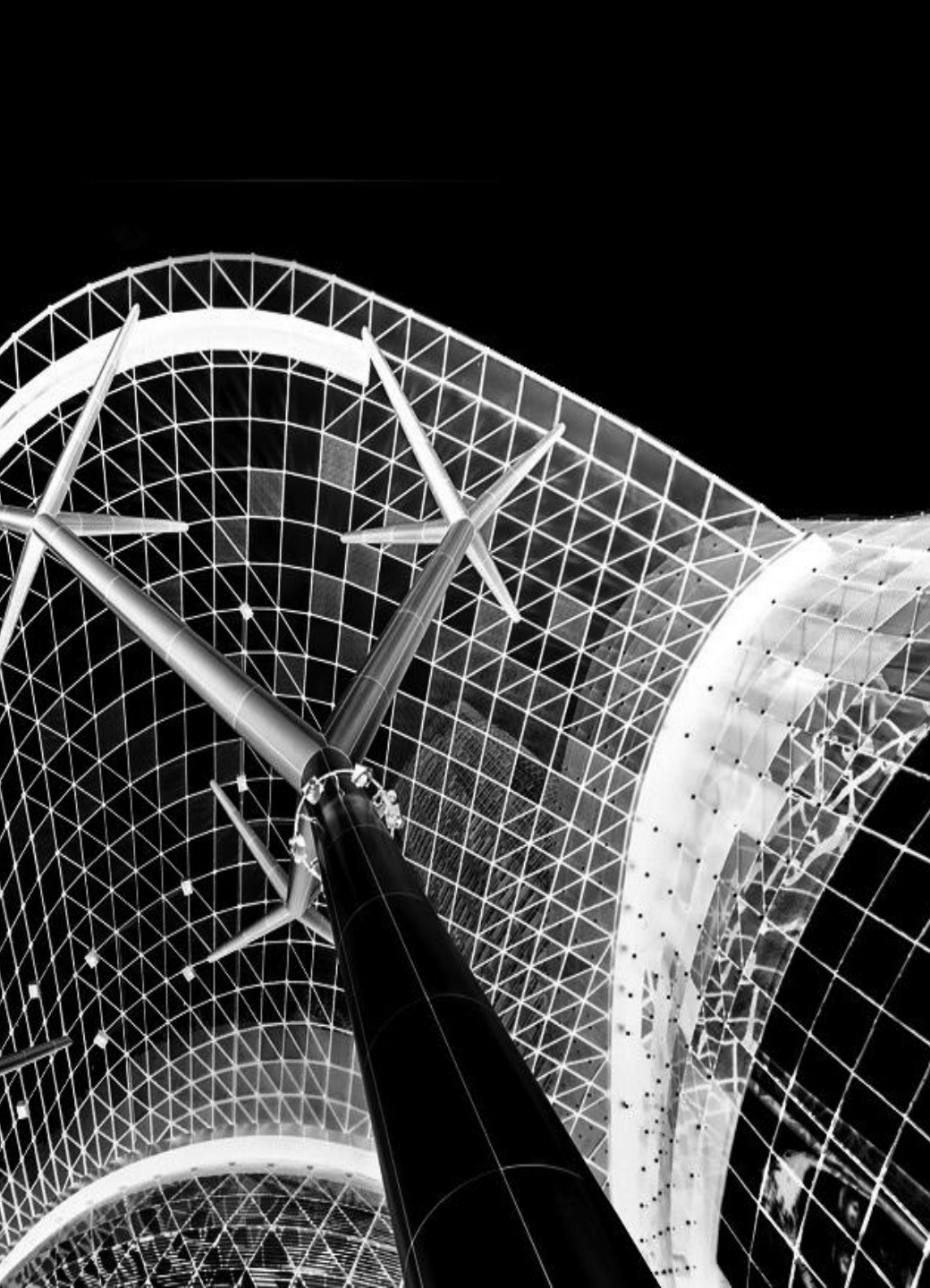
2000–2015

Lifestyle Chains

Emergence of:

- Tourism from emerging markets establishes long term secular global growth
- Lifestyle hotels: location, experience, personal
- Move to an asset-light model
- REIT's

Emergence of hotels as an investment asset class

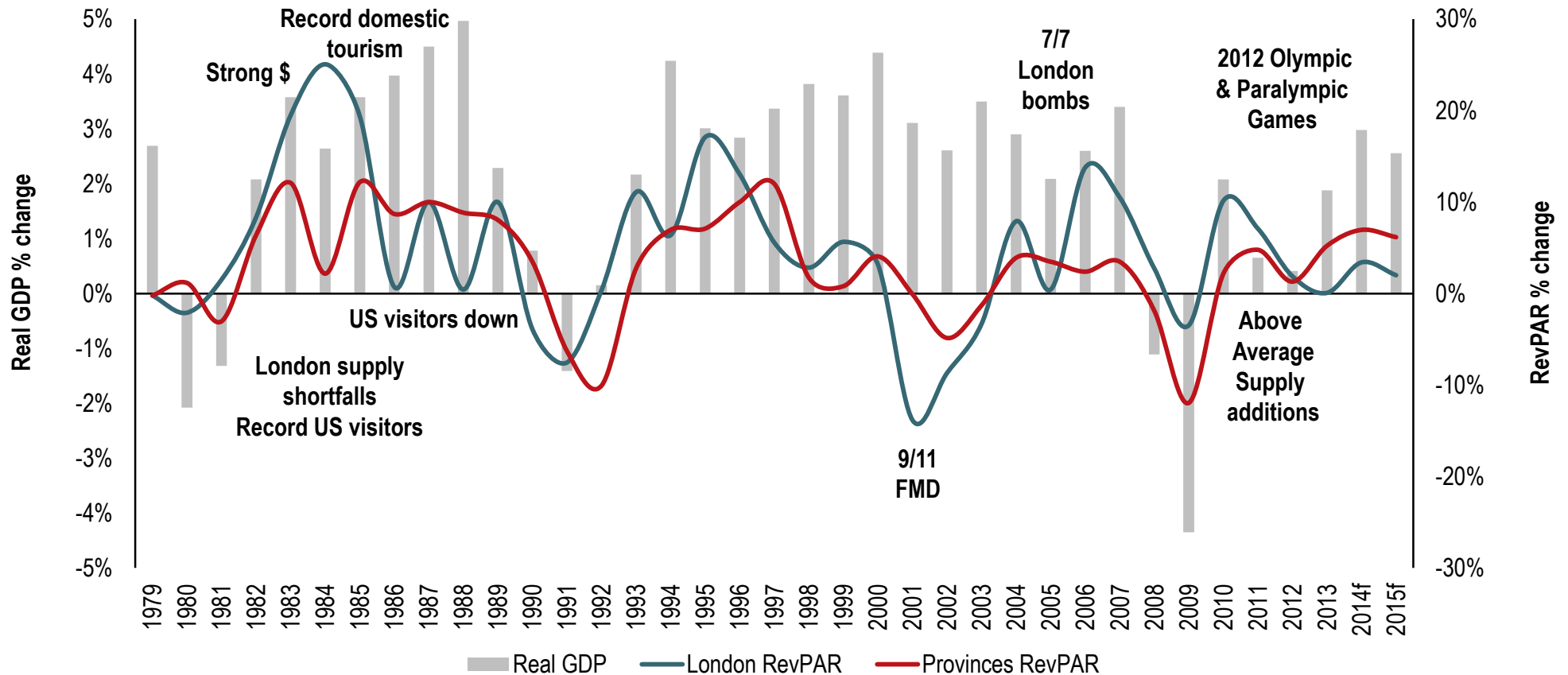


*What drives markets –
GDP or other factors?*

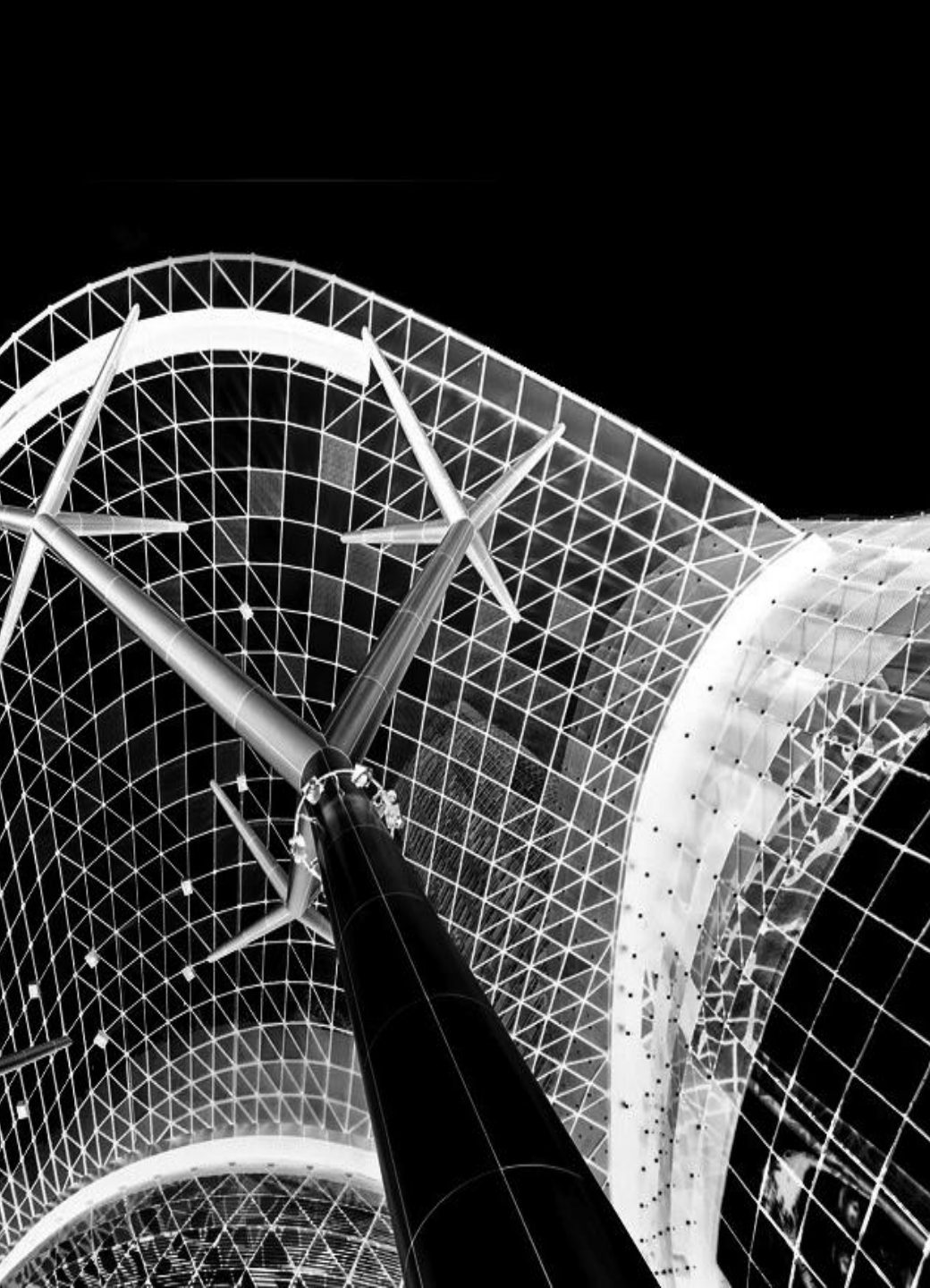
What Drives Hotel Performance – Global versus Local

London: Volatility driven by external factors

London: Good correlation to UK GDP



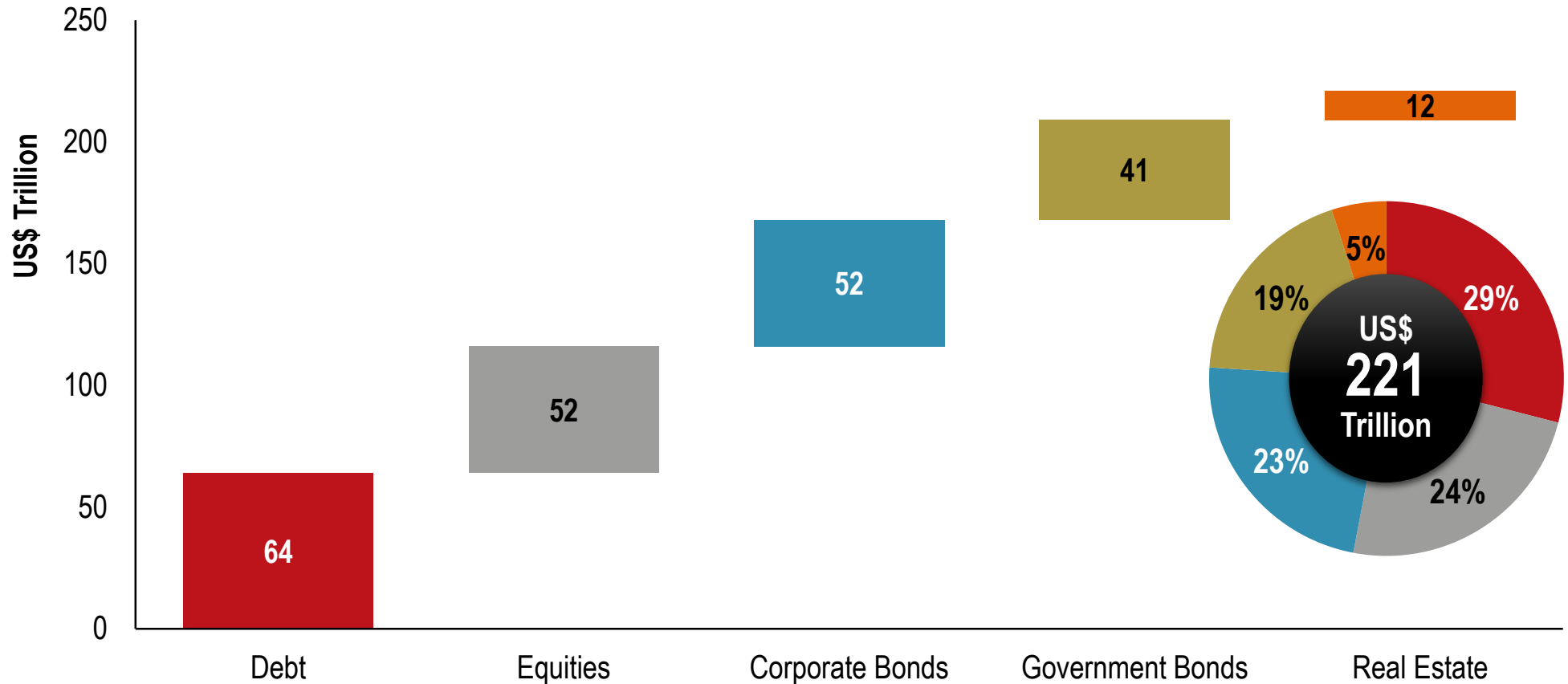
Source: PWC, JLL Hotels & Hospitality Group



*Global real estate
capital flows and the
hotel sector within that
context*

Real Estate is a Growing Part of Global Capital Markets

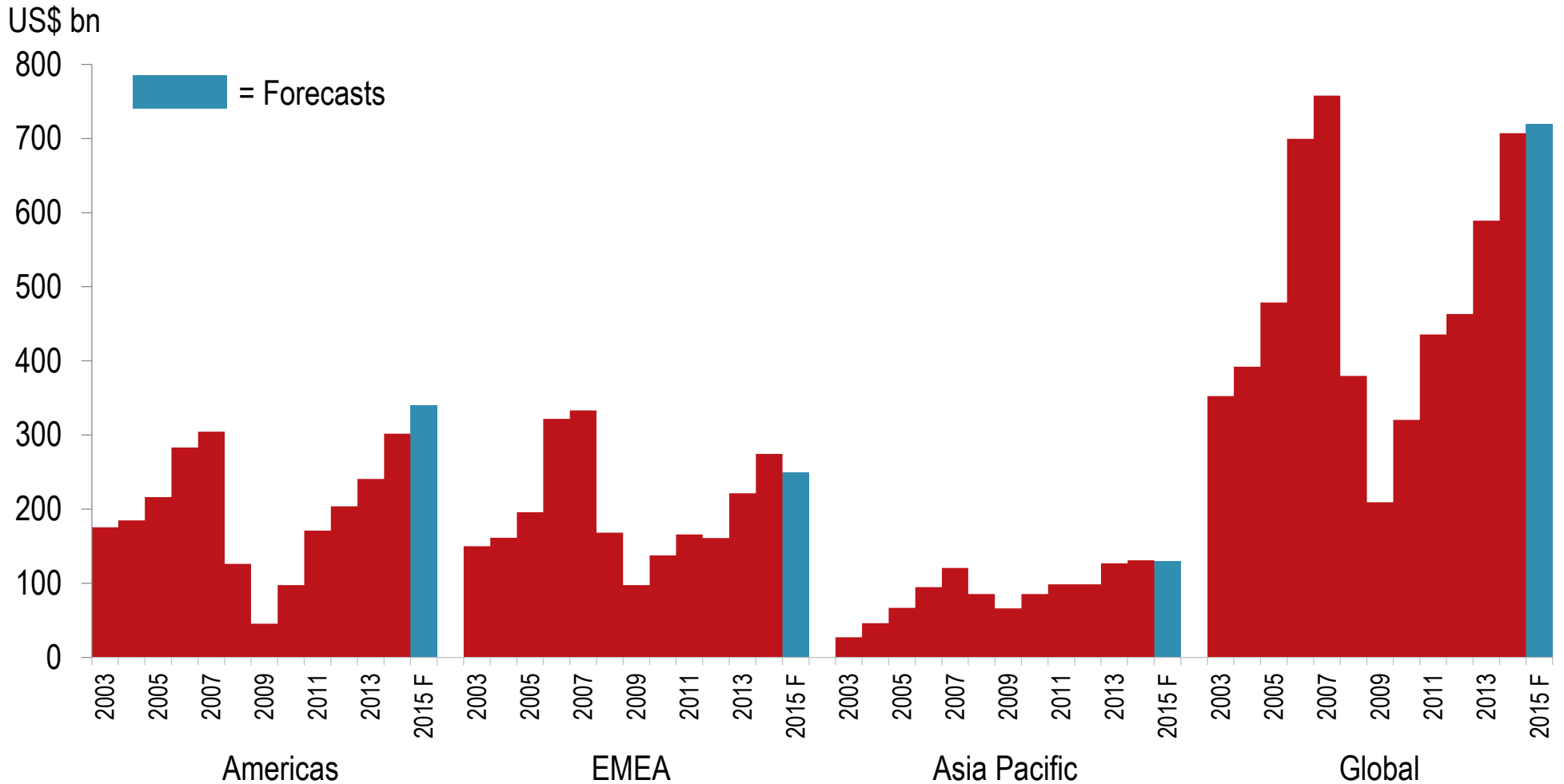
Global Commercial Capital Markets 2014



Source: JLL, McKinsey

Transaction Volumes Steadily Growing Quarter-on-Quarter

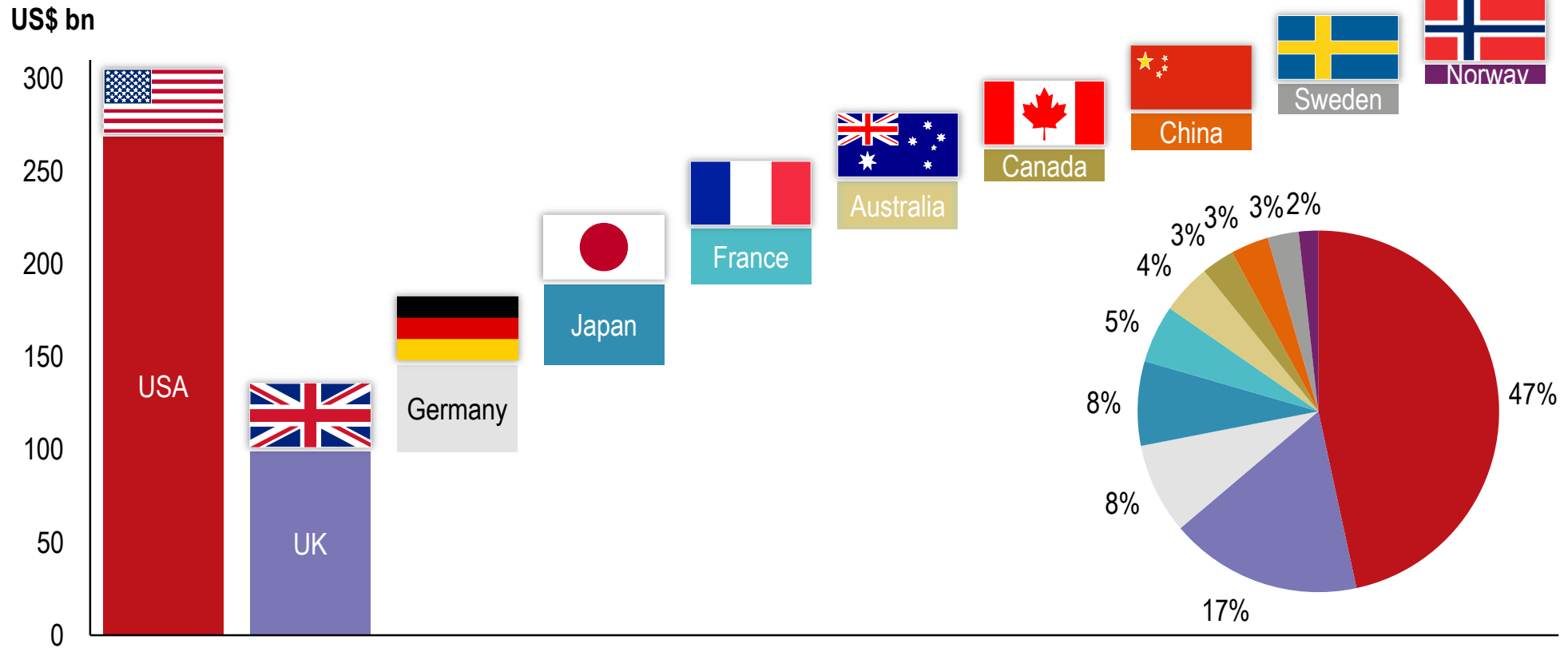
Direct Commercial Real Estate Investment, 2003-2015F



Source : JLL

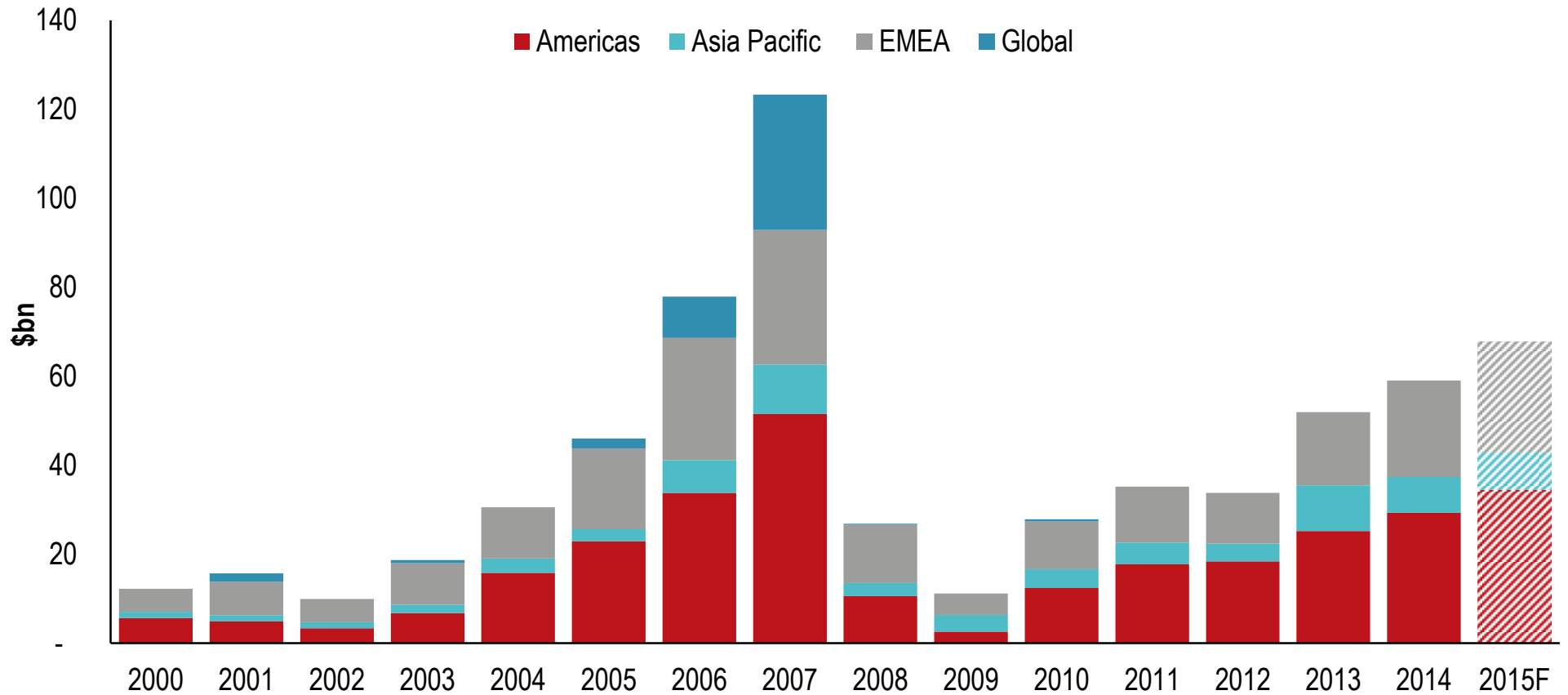
US Remains the Dominant Market

World's Largest Markets for Transactional Activity 2014

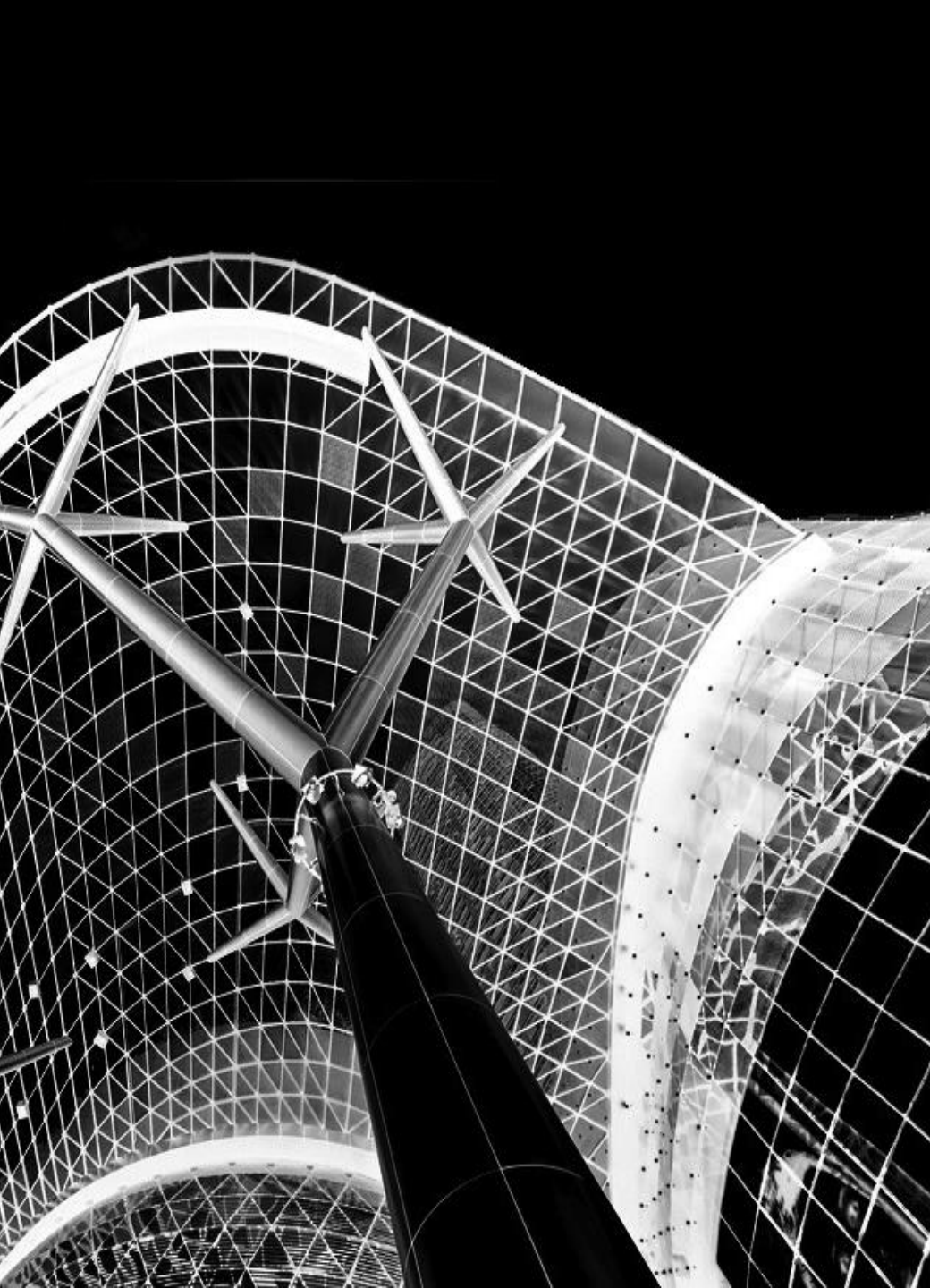


Source: JLL

Global Hotel Real Estate Investment, 2000-2015F

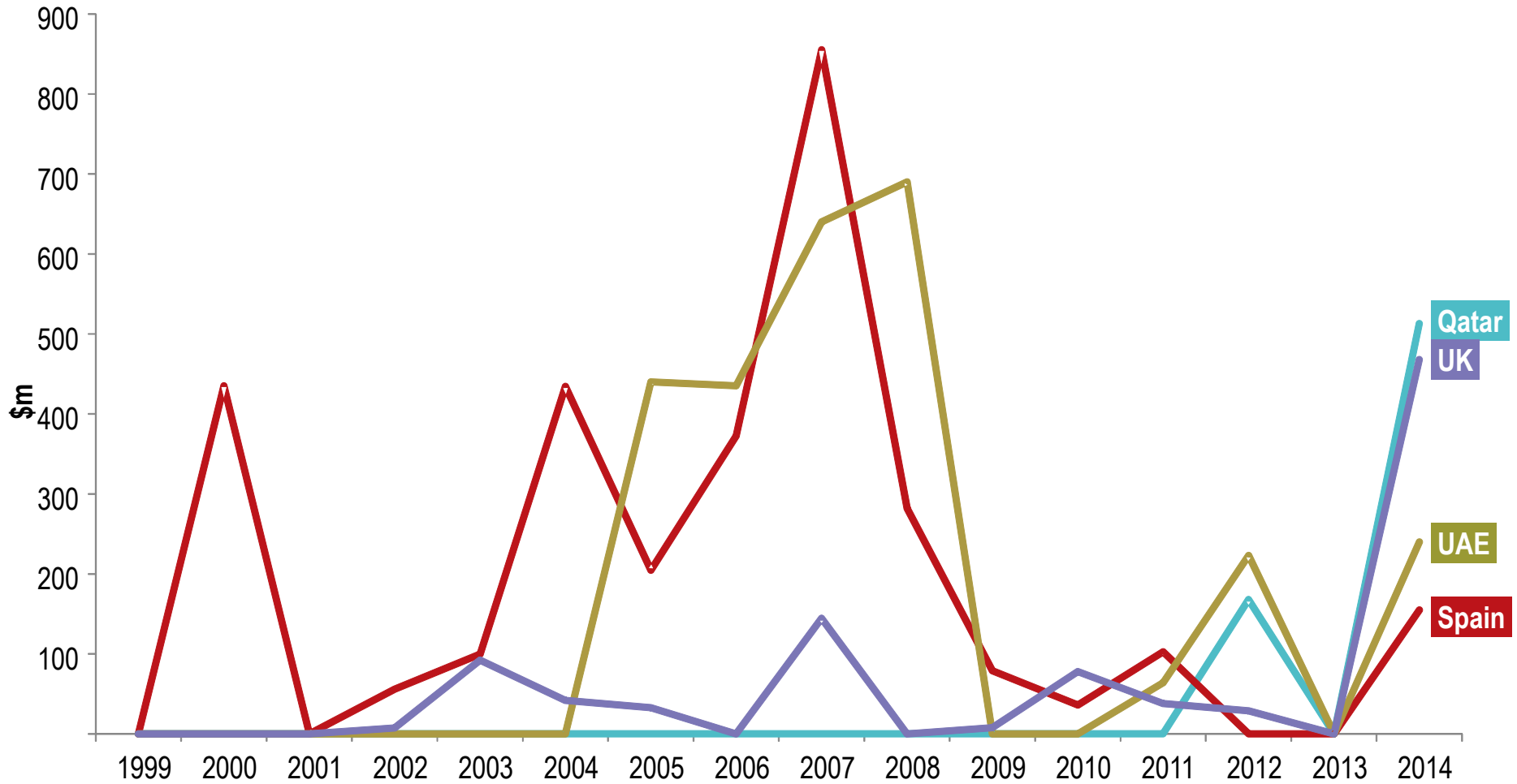


Source: JLL



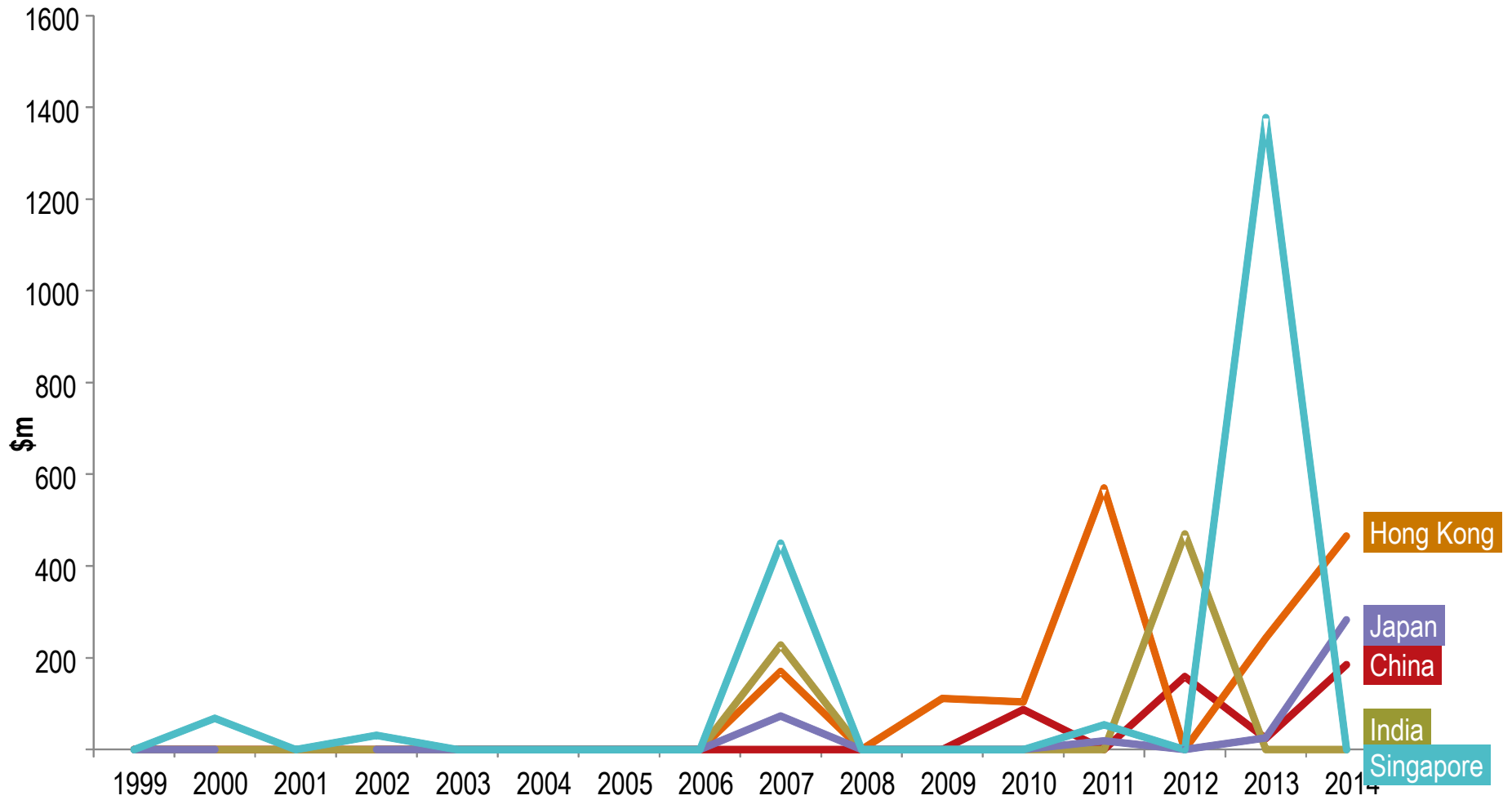
Hotel investment capital flows – where, who and why

EMEA Investment into Americas



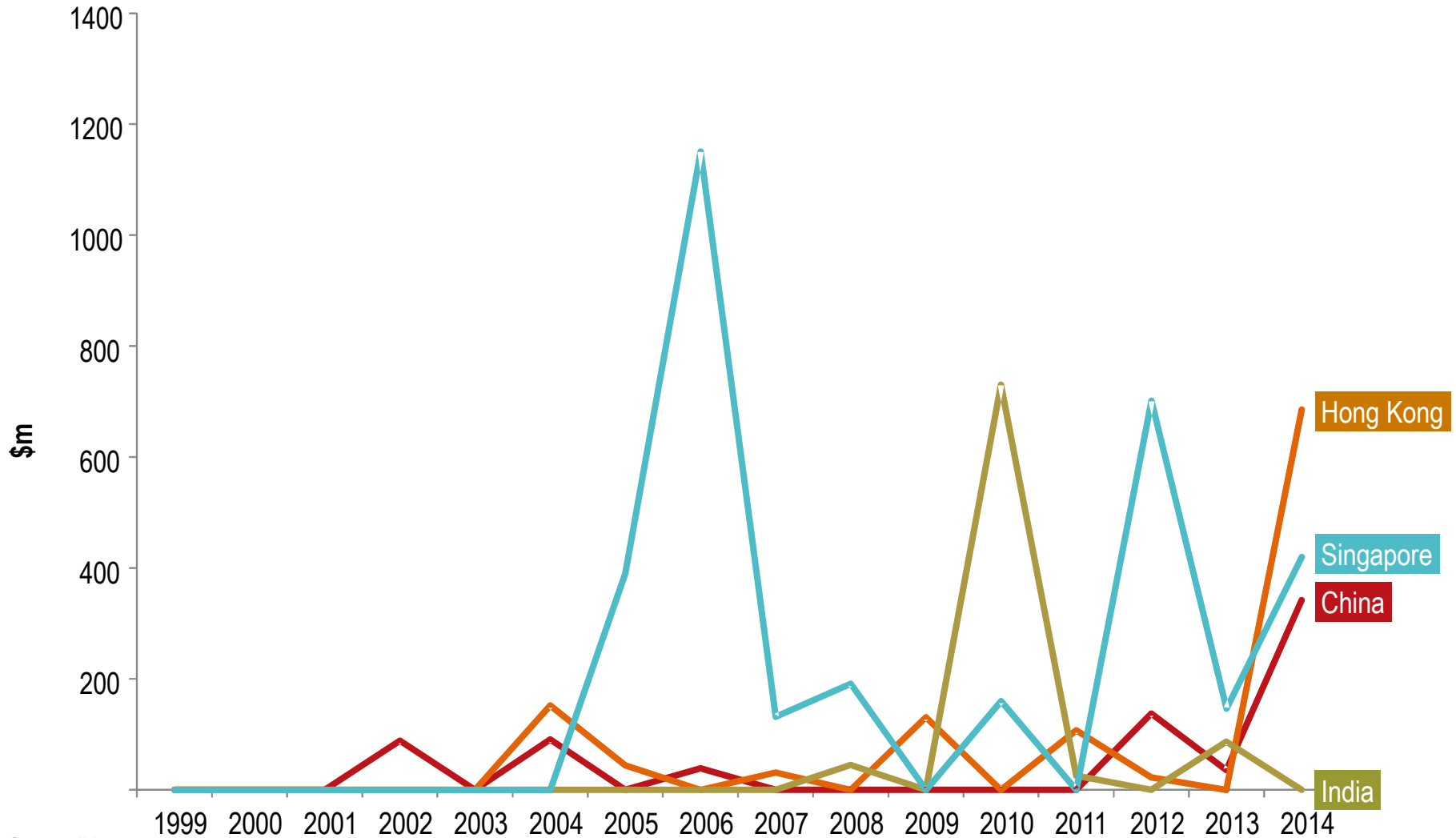
Source: JLL

Asia Pacific Investment into Americas



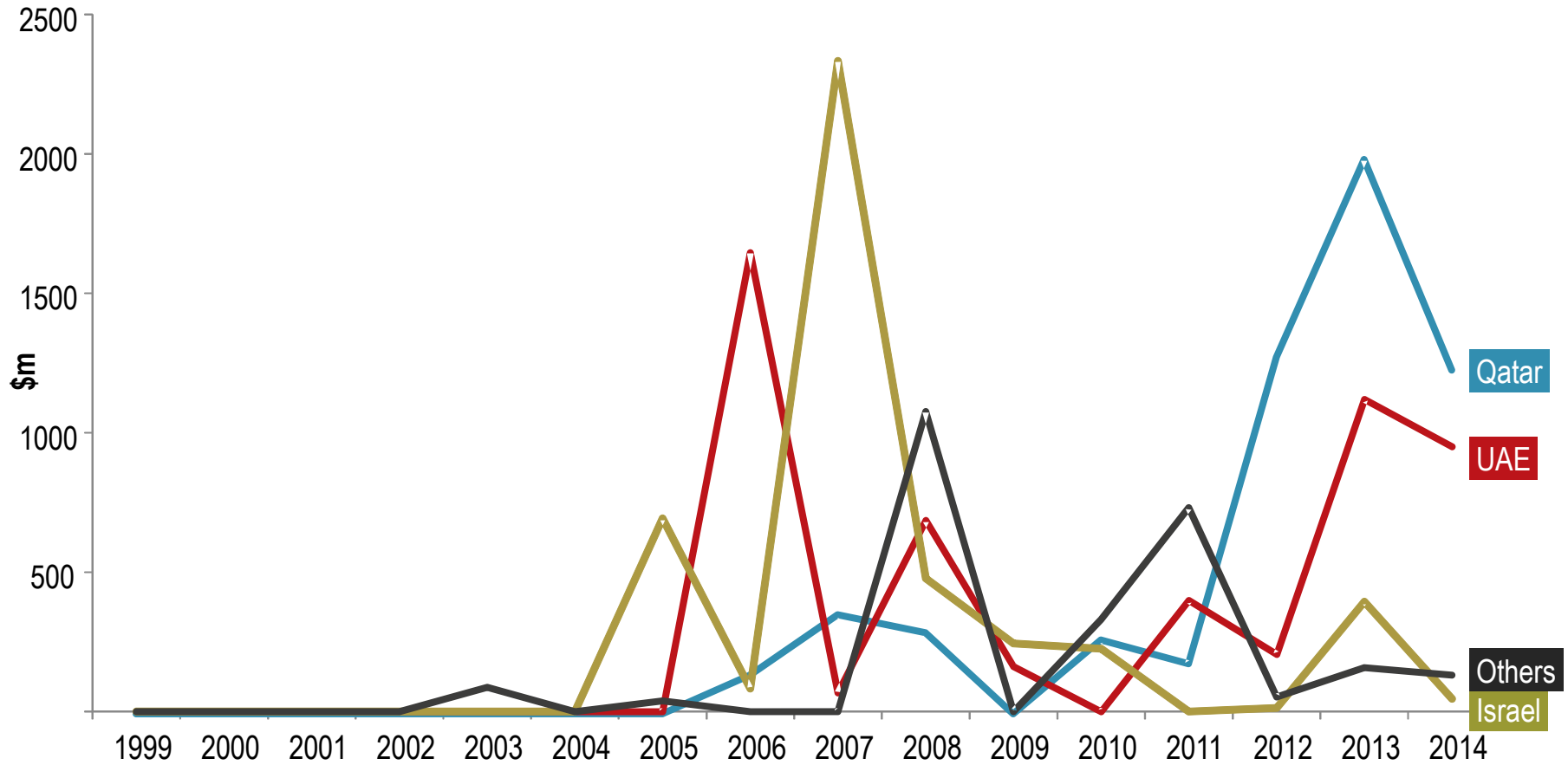
Source: JLL

Asia Pacific Investment into EMEA



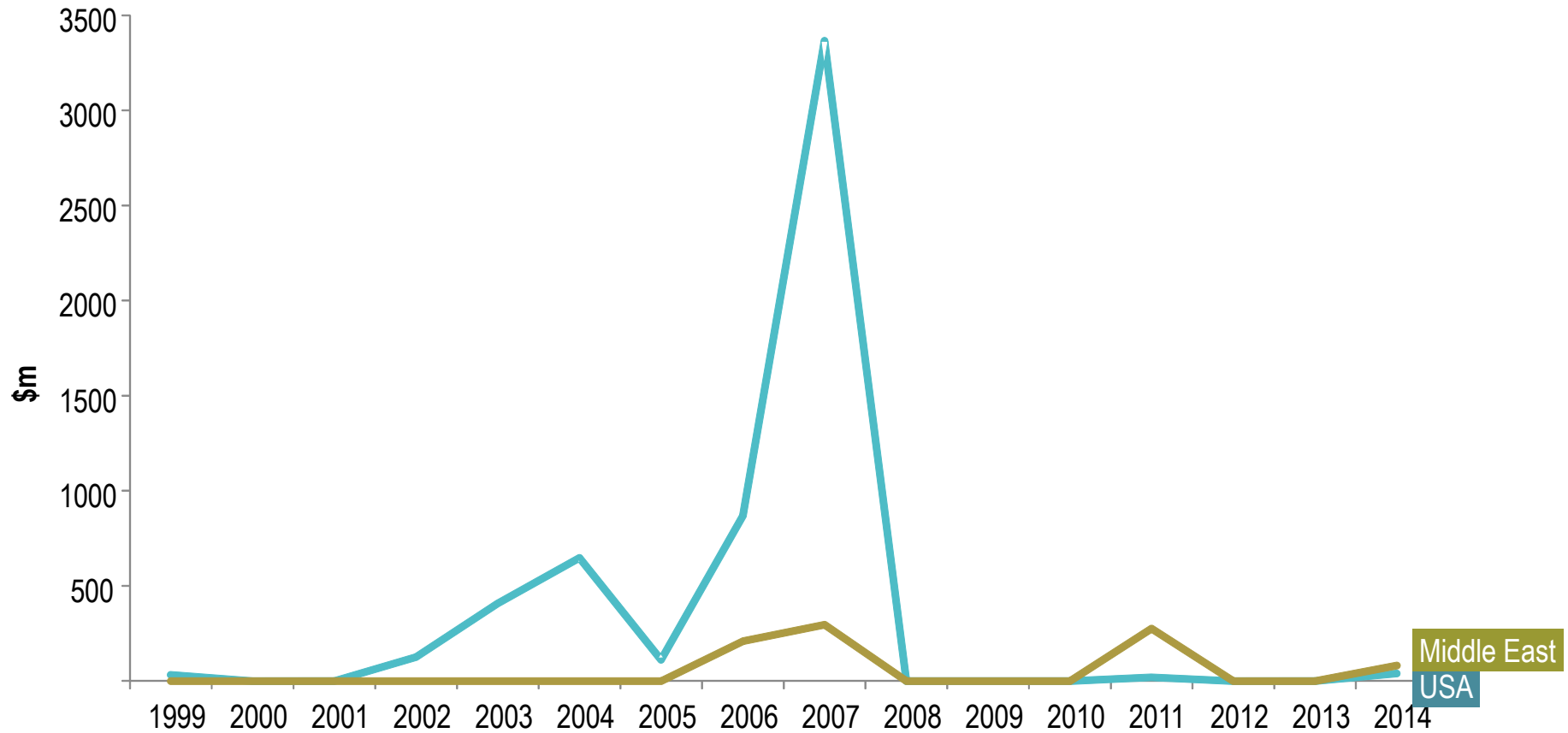
Source: JLL

Middle East Investment into Europe



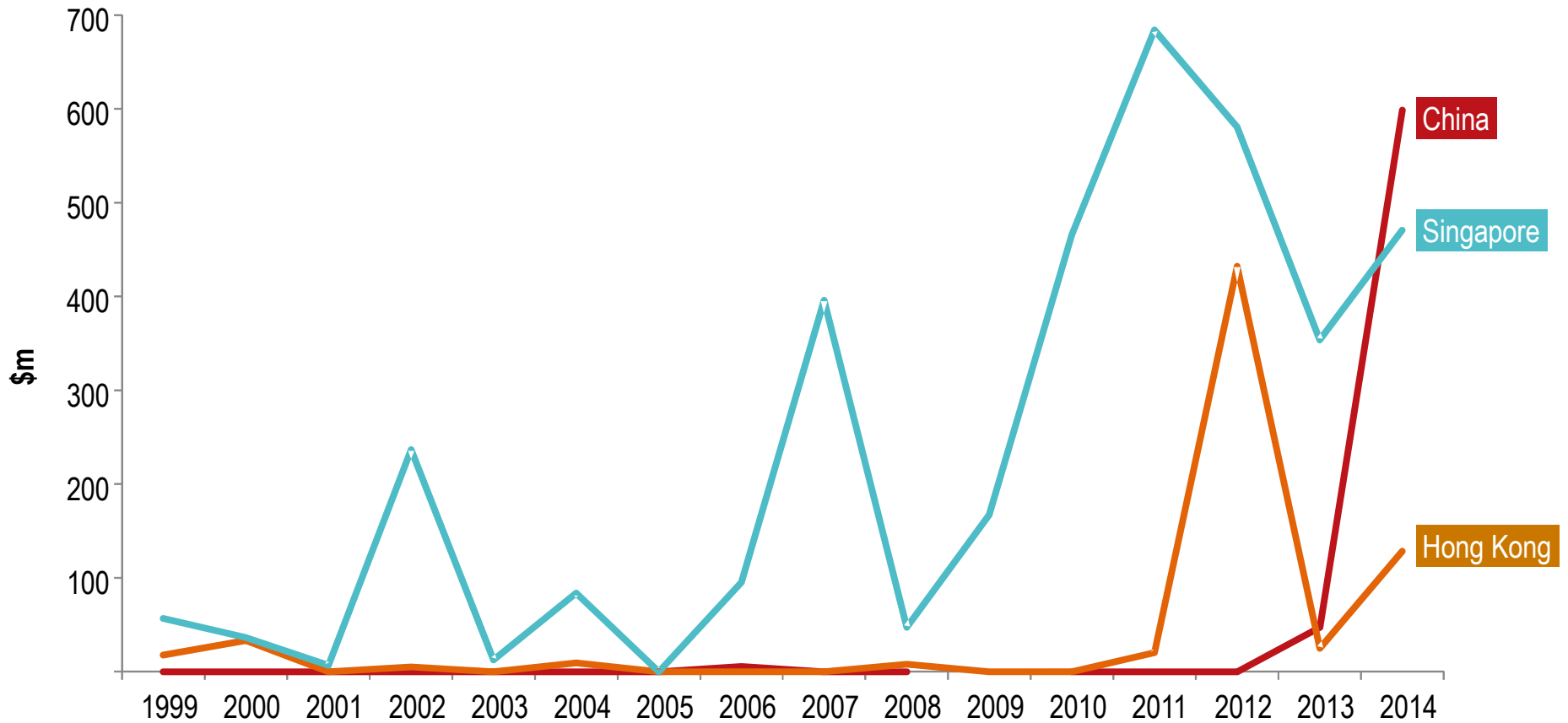
Source: JLL

Investment into Asia



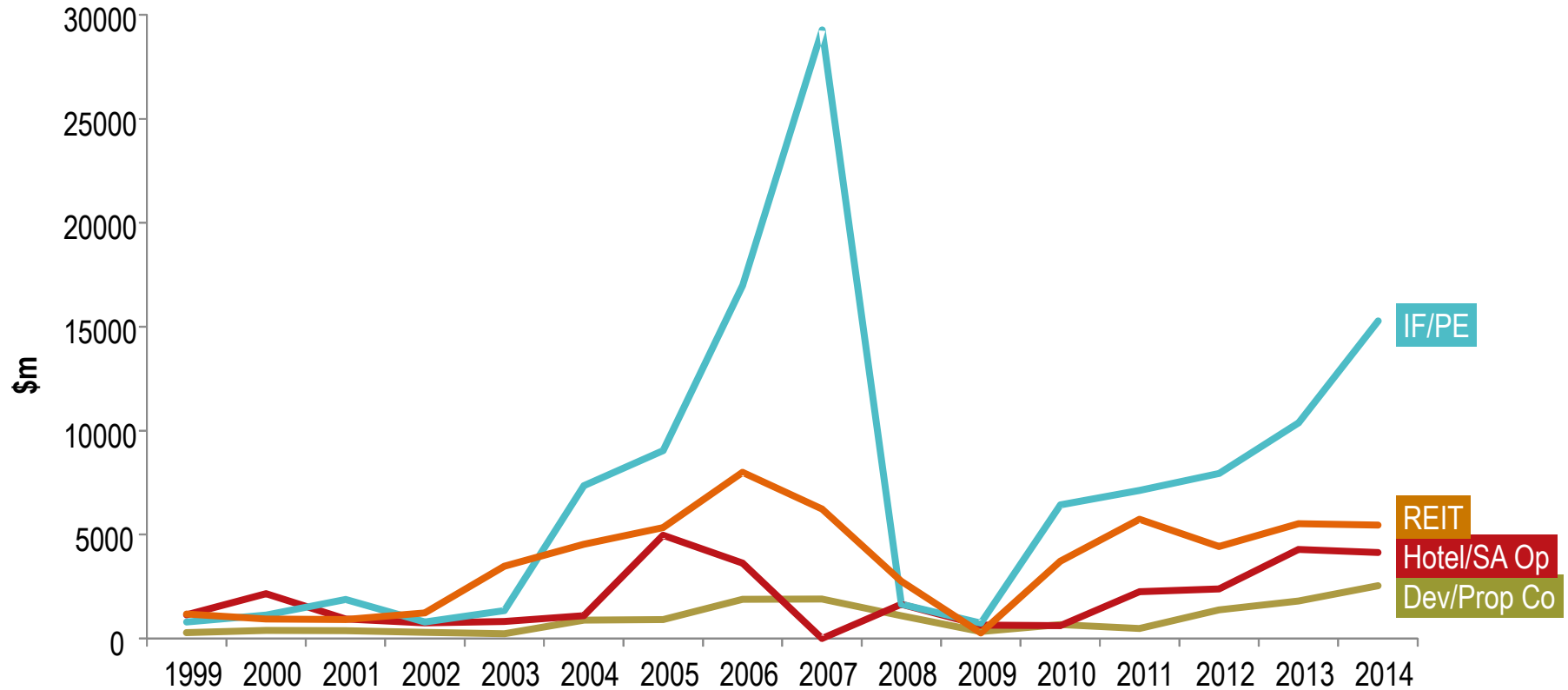
Source: JLL

Asian Investment into ANZ



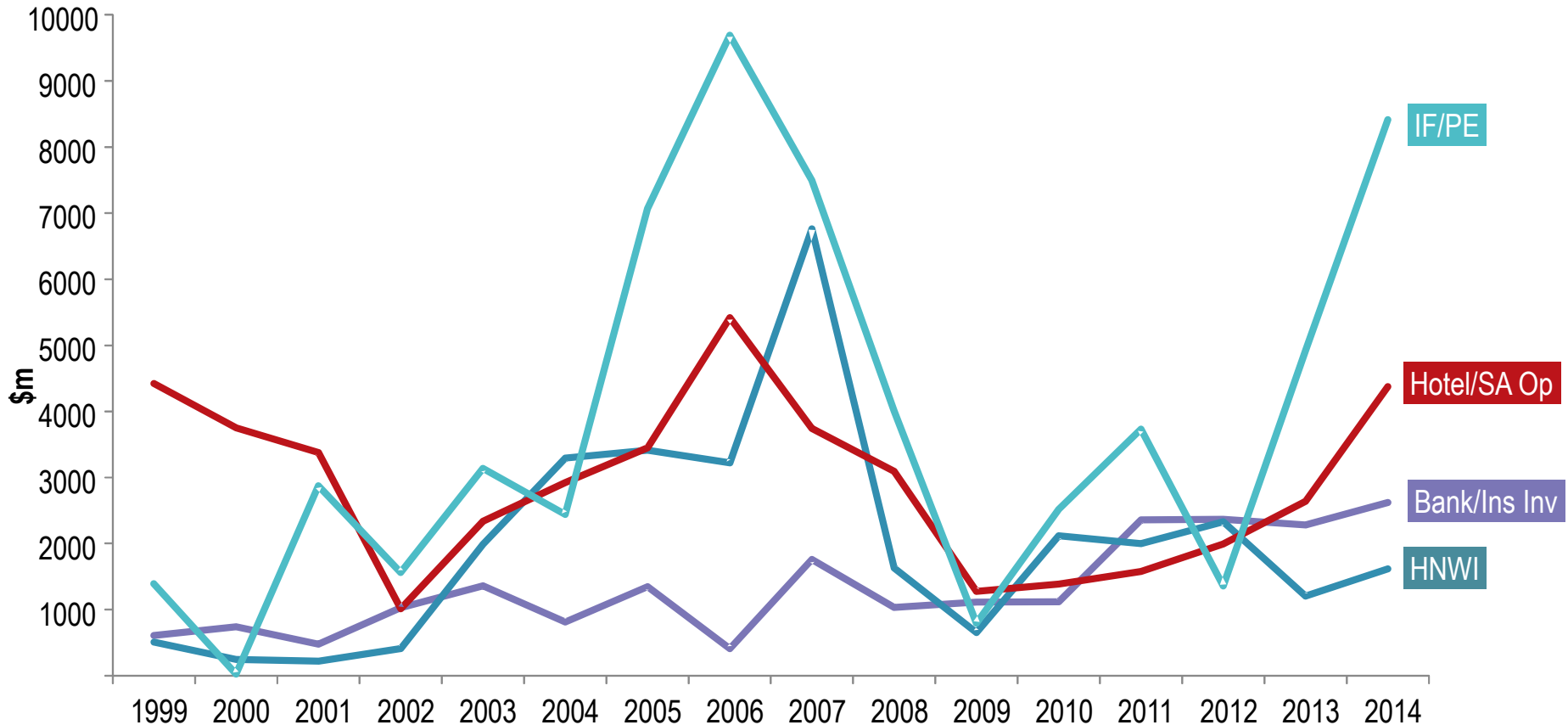
Source: JLL

Investment into Americas by Investor Type



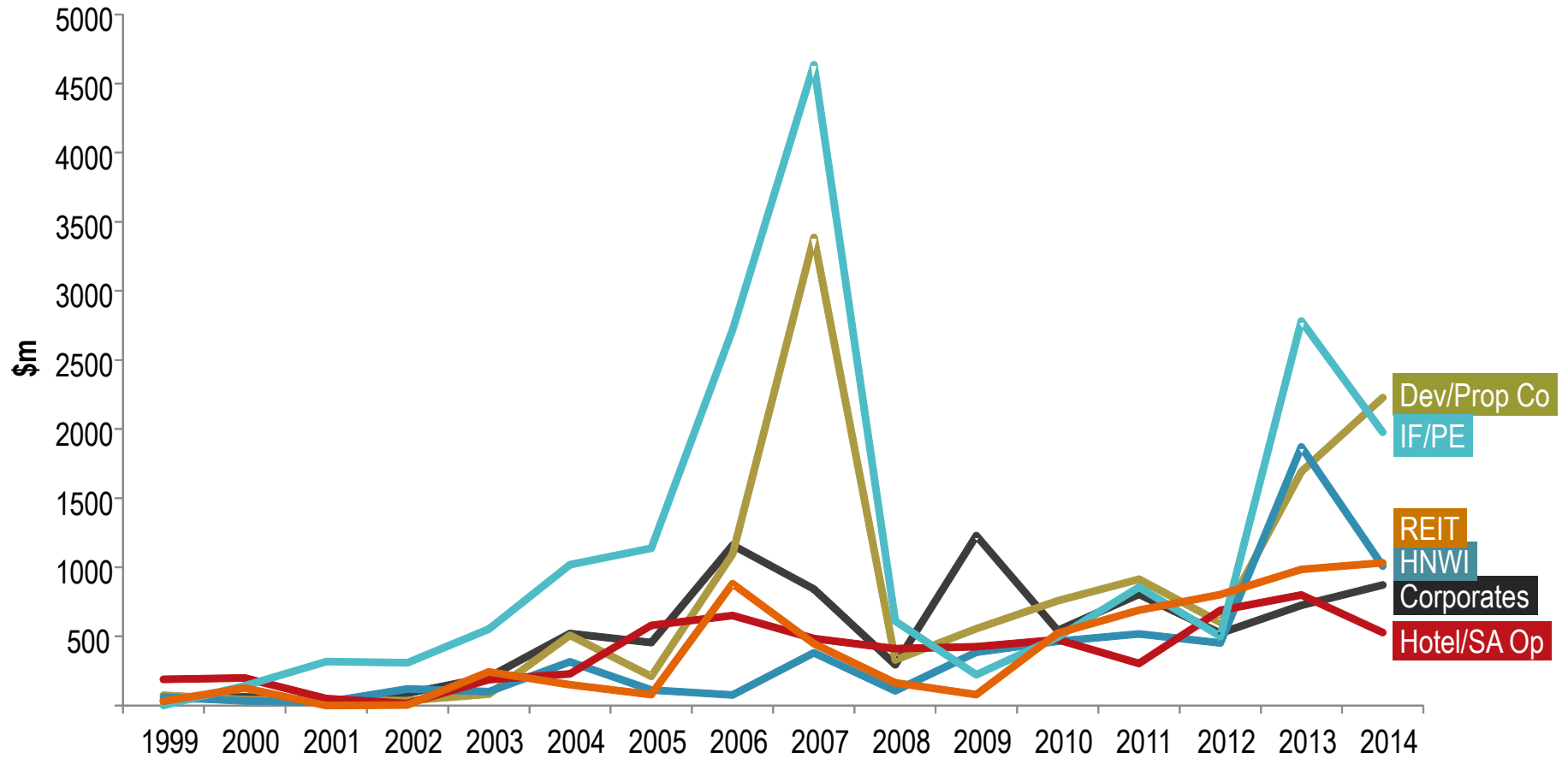
Source: JLL

Investment into EMEA by Investor Type

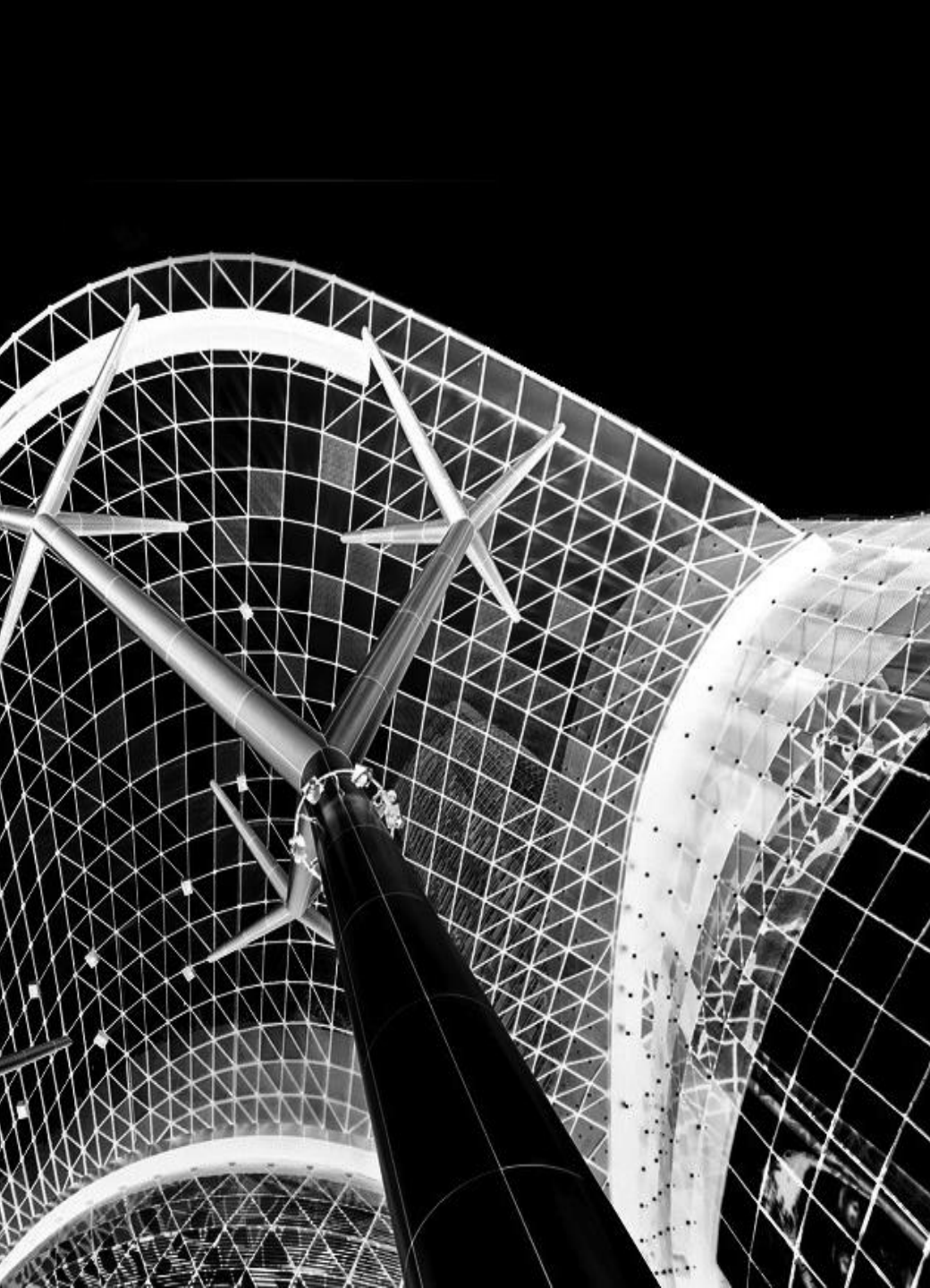


Source: JLL

Investment into Asia Pacific by Investor Type

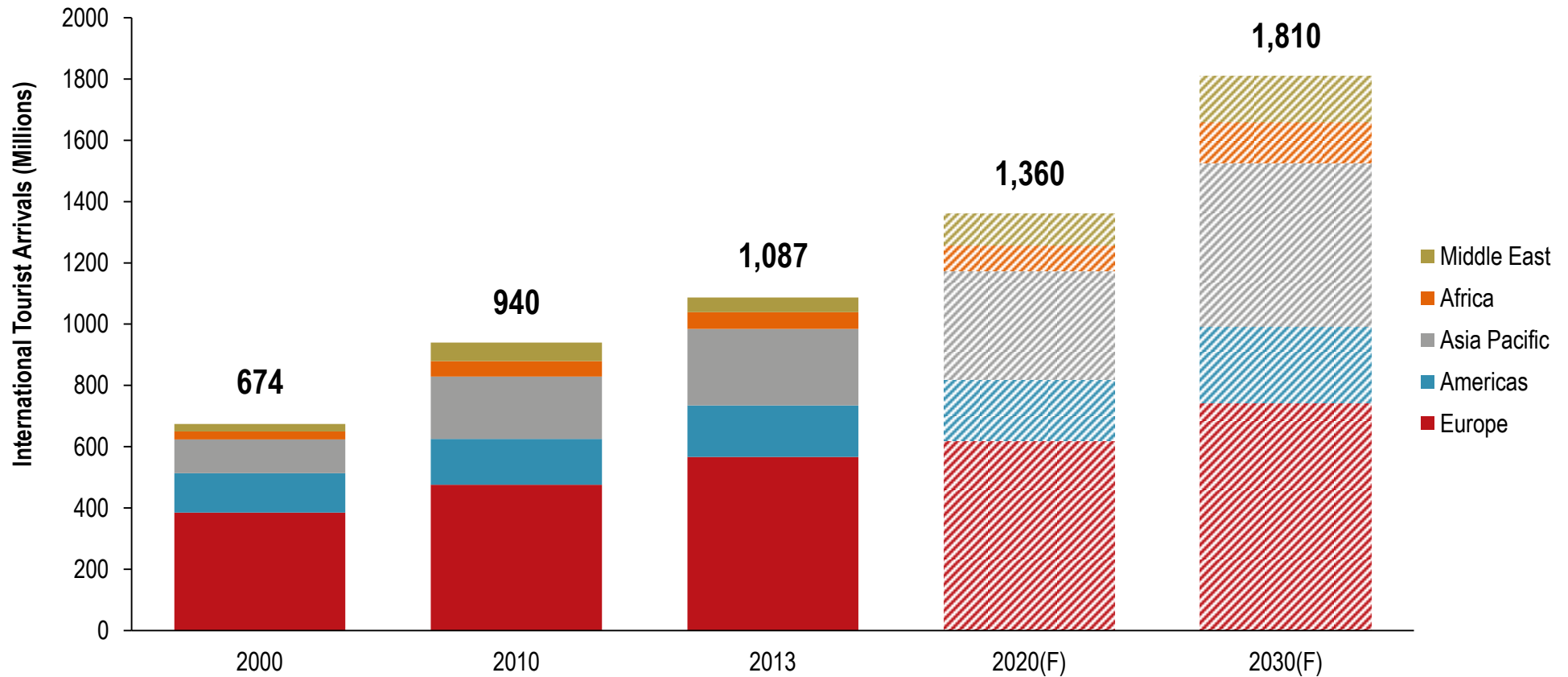


Source: JLL



Where next?

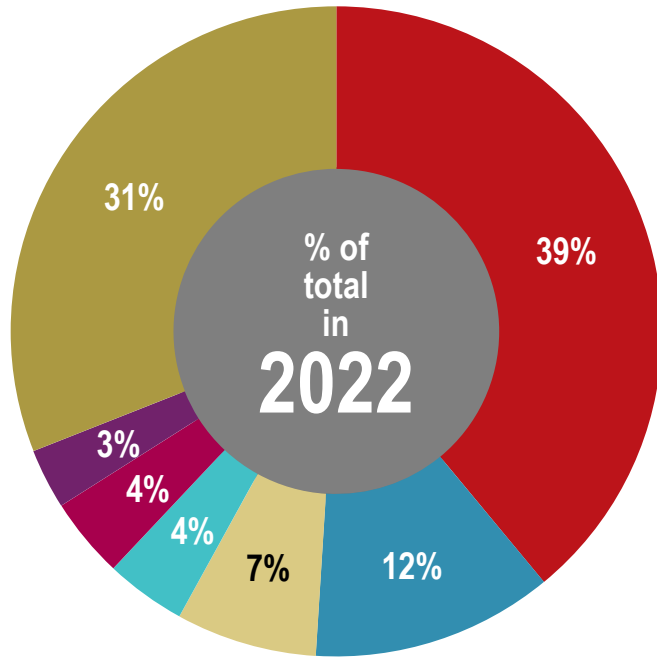
Strong Growth Forecast for International Tourist Arrivals



Source: UNWTO

The Shape of Global Savings is Changing

Domestic savings by country in 2022



10 biggest countries by domestic savings in 2022 (in \$US bn)	
China	\$14,422
U.S.	\$4,434
India	\$2,792
Japan	\$1,590
Russia	\$1,499
Germany	\$1,172
Other, including:	
Brazil	\$1,048
France	\$961
Indonesia	\$811
U.K.	\$806

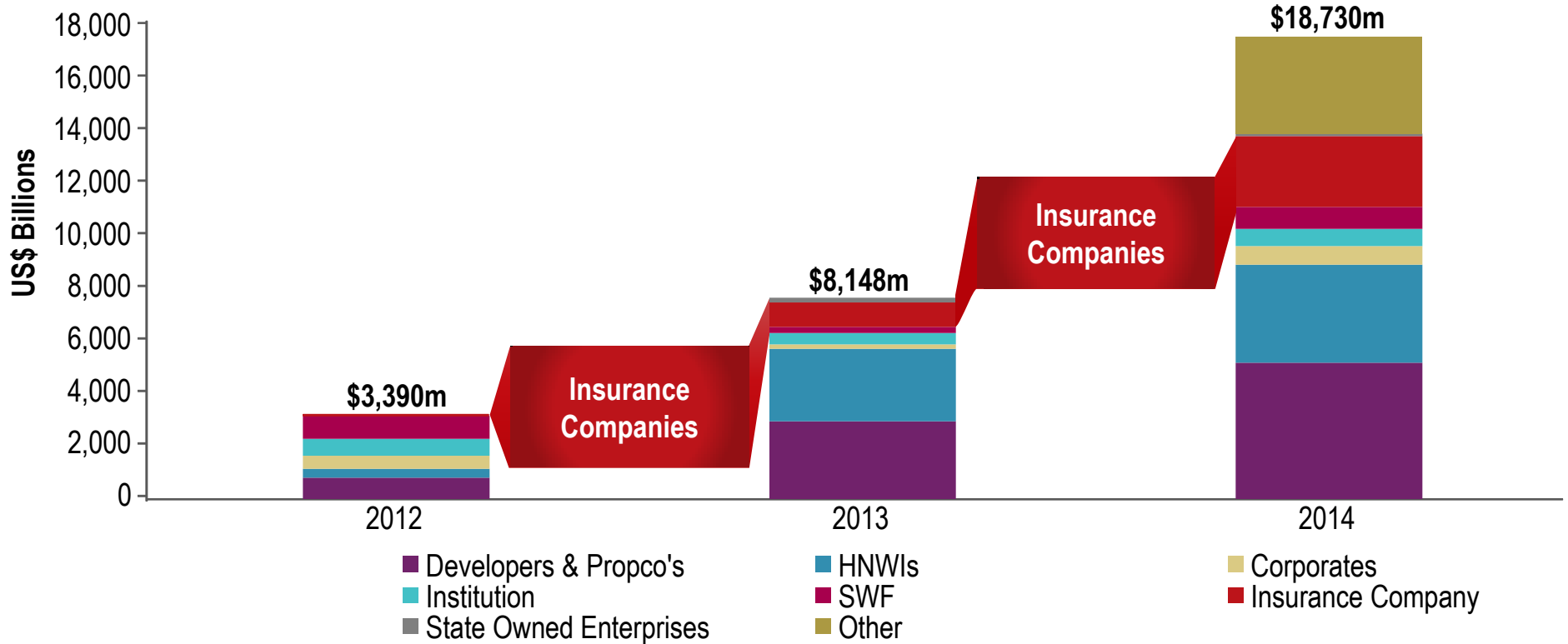
Source: IHS Global Insight, Growth in Domestic Savings

Rising Chinese Cross-border Real Estate Investment

GO OUT POLICY

The Go Out Policy (or Going Global Strategy) was initiated in 1999, with the aim of promoting Chinese investment abroad but only really took hold in 2010 when it was adopted as part of the 12th Five-year Plan.

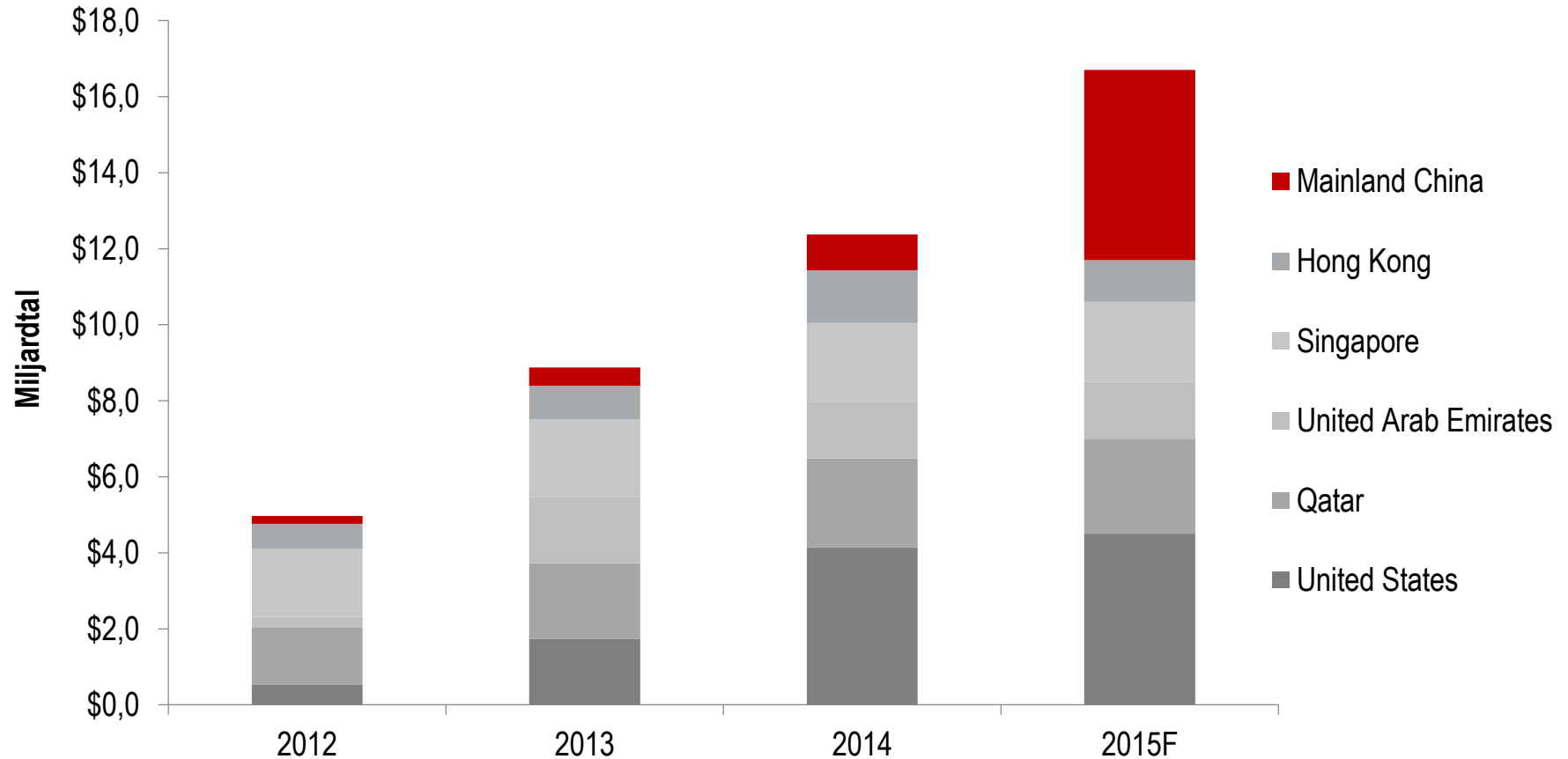
In October 2012 the insurance industry in China was given permission to invest overseas.



Source: JLL

Top Exporters of Capital into Hotel Assets

Mainland China to see five-fold growth in outbound capital in 2015 to reach \$5 billion



Note: Countries depicted represent six most active outbound sources of capital targeting hotel investment in 2014

Source: JLL

The Chinese are Coming



Invests
\$611m into
NH Hotels, Spain

Acquires
Kew Green Hotels
for \$623m

Acquires
Club Méditerranée
for \$1.12bn

Acquires
Louvre Hotels
for \$1.45bn



Hotel NH Barajas, Madrid, Spain



Holiday Inn Express, Bath, UK



Opio en Provence, France



Campanile Alicante, Spain

Uncovering a World of Value

*The global hotel real estate market is worth \$1.2 trillion**

The top 30 cities claim circa 66% of global value

★ **TOP GLOBAL MARKETS**
(by hotel asset value)

★ **1 NEW YORK**
\$66.5bn

★ **2 LONDON**
\$57.2bn

SHANGHAI
\$39.8bn

★ **3 HONG KONG**
\$53.6bn

★ **4 TOKYO**
\$43.9bn

★ **5**



HOST
HOTELS & RESORTS®

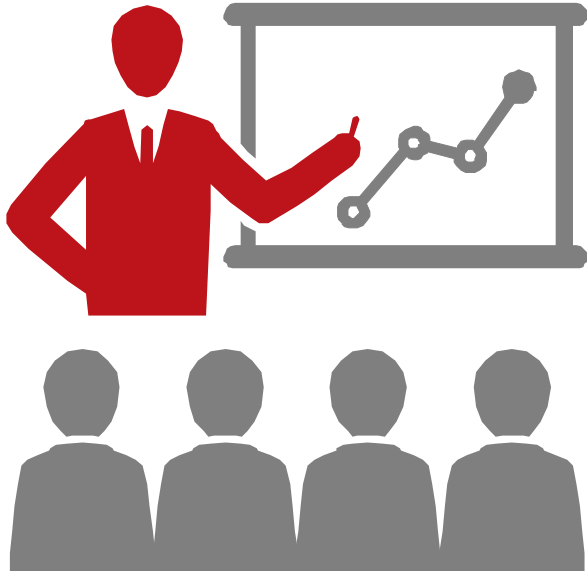
\$10.8 billion*



Pandox™

\$3.3 billion*

Conclusion



- Long term secular global growth
- Capital flows will remain strong
- The Chinese are coming
- Ownership is too fragmented
- Ownership lacks necessary asset management skills
- Who has necessary management skills?
- Those who get it right can drive superior returns

Thank you



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