



EHIC 2023

# Findings from EHIC delegate survey

October 2023



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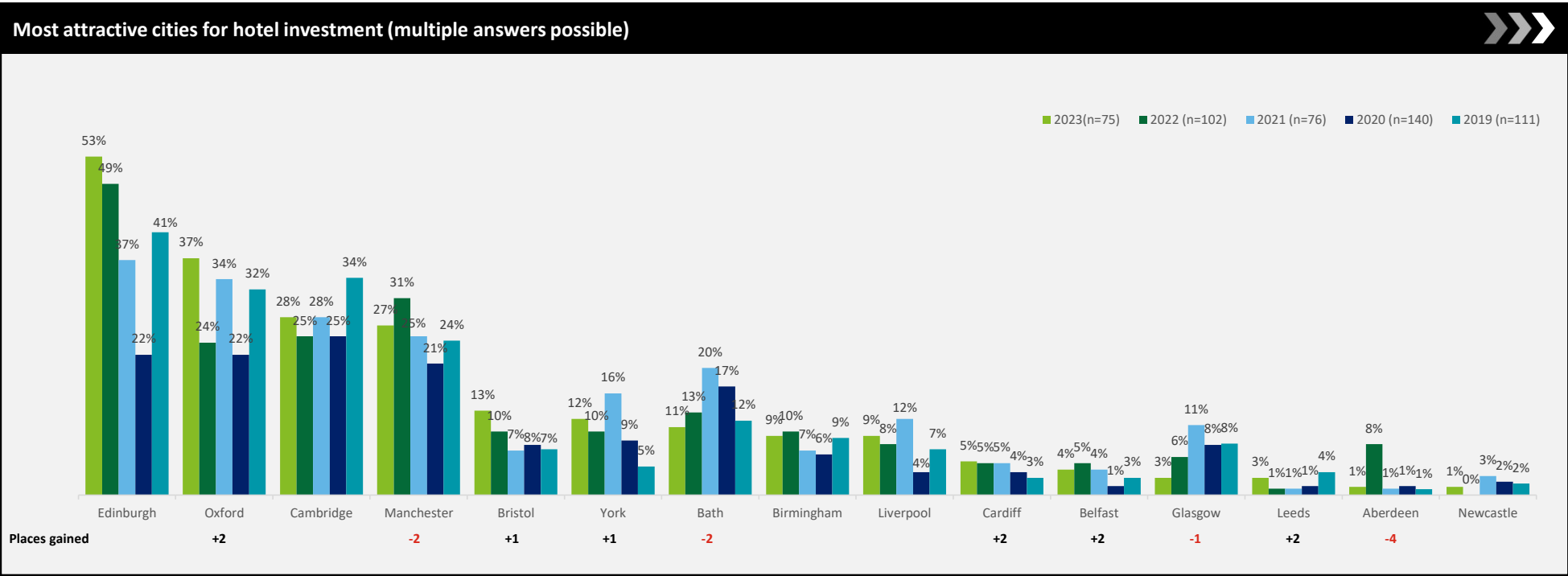
A photograph of a hotel room interior. In the foreground, a bed with a striped duvet is partially visible. Two wooden armchairs with cushions are positioned on a wooden deck, facing a large floor-to-ceiling window. The window offers a panoramic view of a sunset over a body of water, with silhouettes of trees and hills in the distance. The room's walls are made of dark wood, and there are more windows with curtains on the right side.

# UK Hotel Market performance

# Most attractive cities for hotel investment in 2024

Edinburgh remains the most attractive city for hotel investment in 2024 for the third consecutive year, while Oxford gained two places to become the second most attractive city in the UK. Meanwhile, Manchester, Bath, Glasgow and Aberdeen all dropped in the ranking compared with last year.

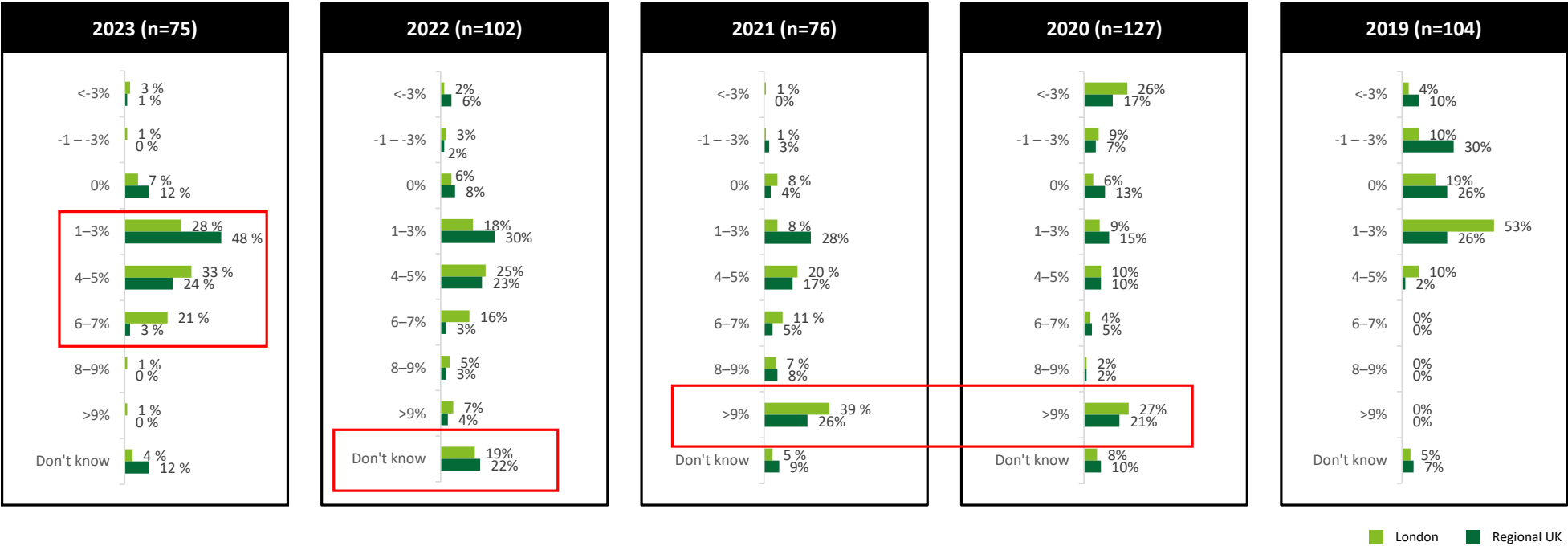
Q1: Which of the following cities in the Regional UK do you see as being the most attractive for hotel investments in 2024?



# Growth in RevPAR (Revenue per Available Room) expected in 2024 vs. previous years

Most survey respondents (82%) expect a growth of 1% to 7% in London’s Revenue Per Available Room (RevPAR), while 75% of respondents anticipate a RevPAR of 1% to 5% in the regions this year. In a sign of normalisation post COVID, not only the number of undecided respondents was much lower this year, the higher RevPAR expectations for the year ahead [over 9%] seen in the last two years have fallen according to this year’s survey.

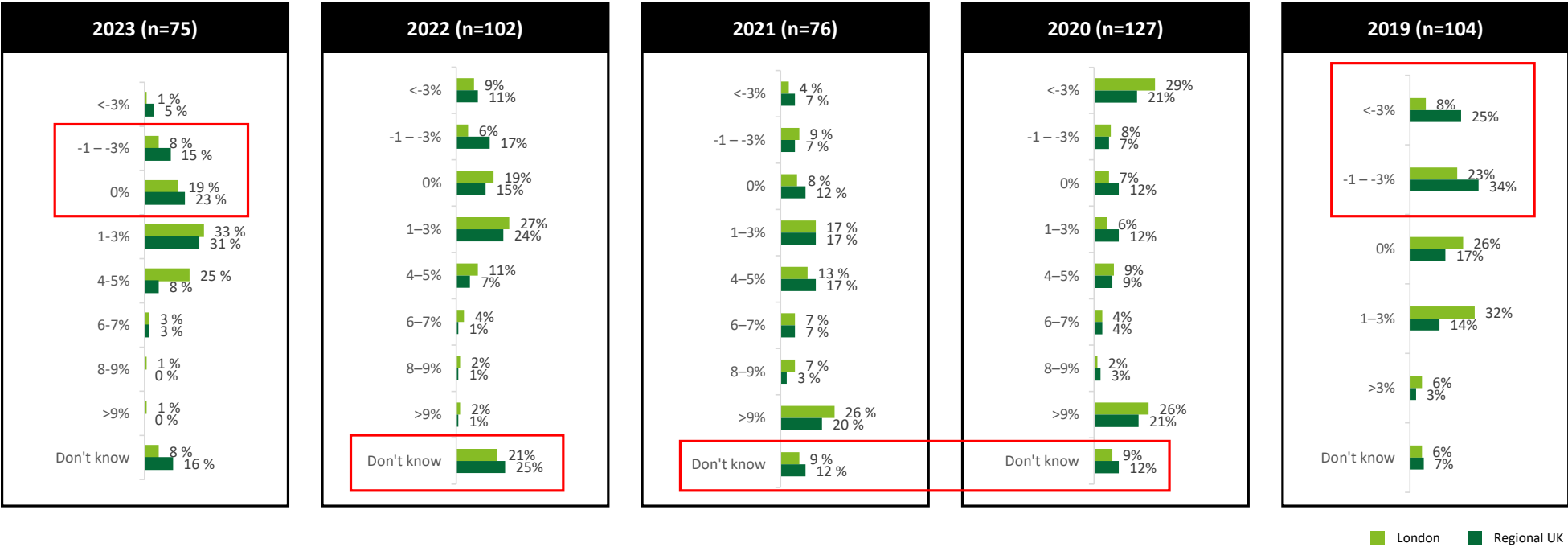
Q2: What level of RevPAR (Revenue per Available Room) growth do you expect to see in London and in the Regional UK in 2024? >>>



# Growth in GOPPAR (GOP per Available Room) expected in 2024

The lower Gross Operating Profit per Available Room (GOPPAR) expectations for 2024 compared to the last two years are due to the pressures that high inflation, labour shortages and greater energy prices are putting on profits. As a result, over one in four respondents (28%) expect 0% or negative GOPPAR in London in 2024 and close to one in two have equally negative expectations for regional performance over the same period.

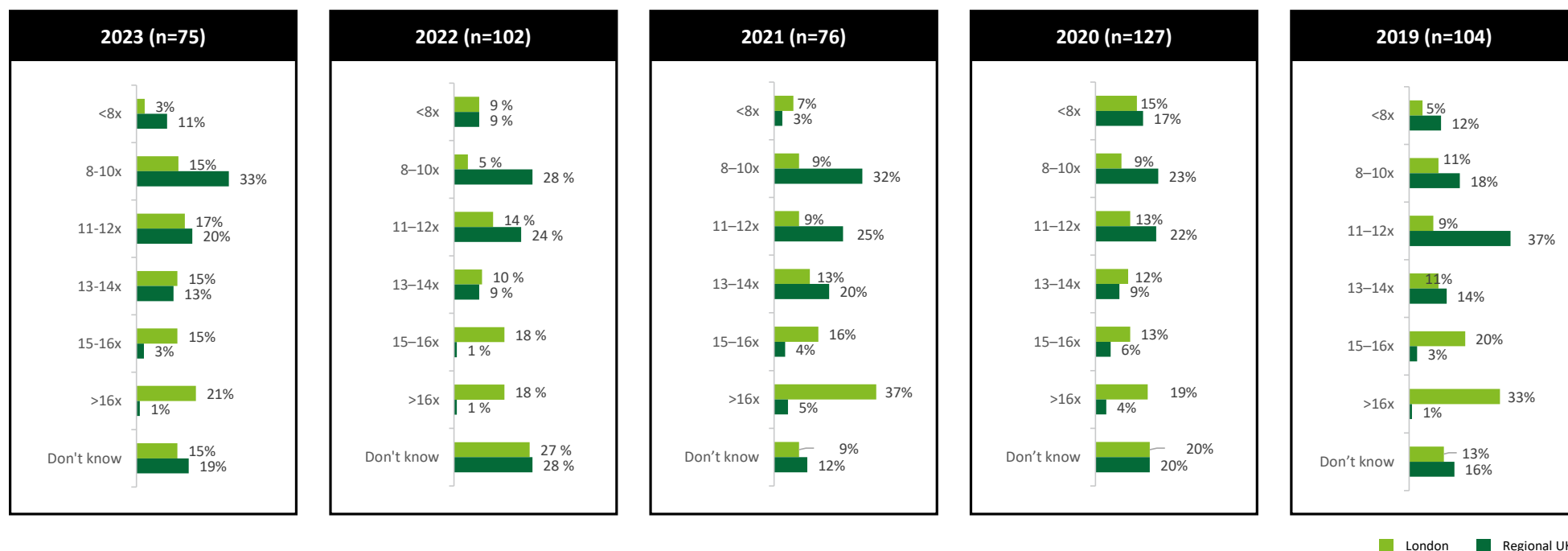
Q3: What level of GOPPAR (Gross Operating Profit per Available Room) growth do you expect to see in London and in the regional UK in 2024? >>>



## Pricing multiples expected in 2024

Executives were more confident about their EBITDA multiple expectations for 2024, with a lower proportion of respondents undecided this year compared with the same period a year ago. There was a spread of multiples expected across London including over one in three respondents (36%) expecting multiples of more than 15 times. For regional UK, 66% of respondents are expecting multiples between eight to 14 times.

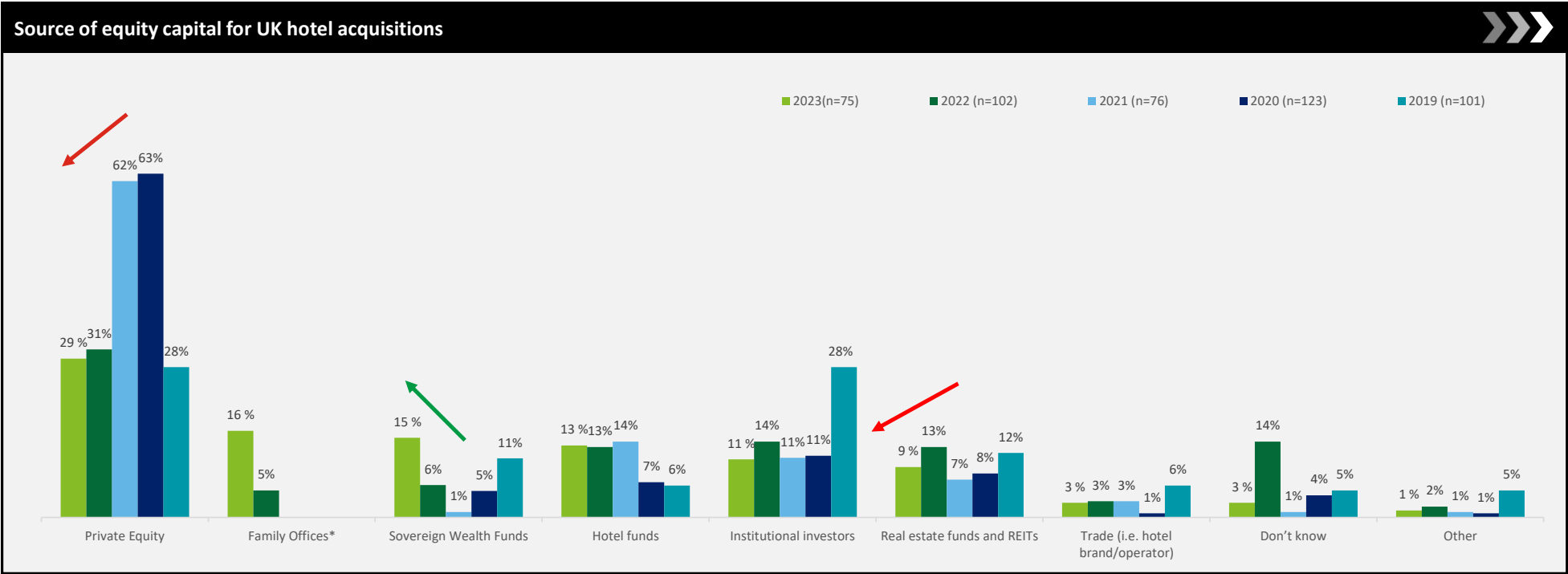
Q4: What EBITDA multiples of pricing do you expect to see in London and in the regional UK in 2024?



# Source of equity capital for UK hotel acquisitions in 2024

Private equity is expected to be the largest source of equity capital for UK hotel acquisitions in 2024 for close to one in three respondents (29%). However, private equity investments have seen a notable decline in recent years in line with lower levels of deals taking place in the sector.

Q5: Which of the following do you expect to be the largest source of equity capital for UK hotel acquisitions in 2024? >>>



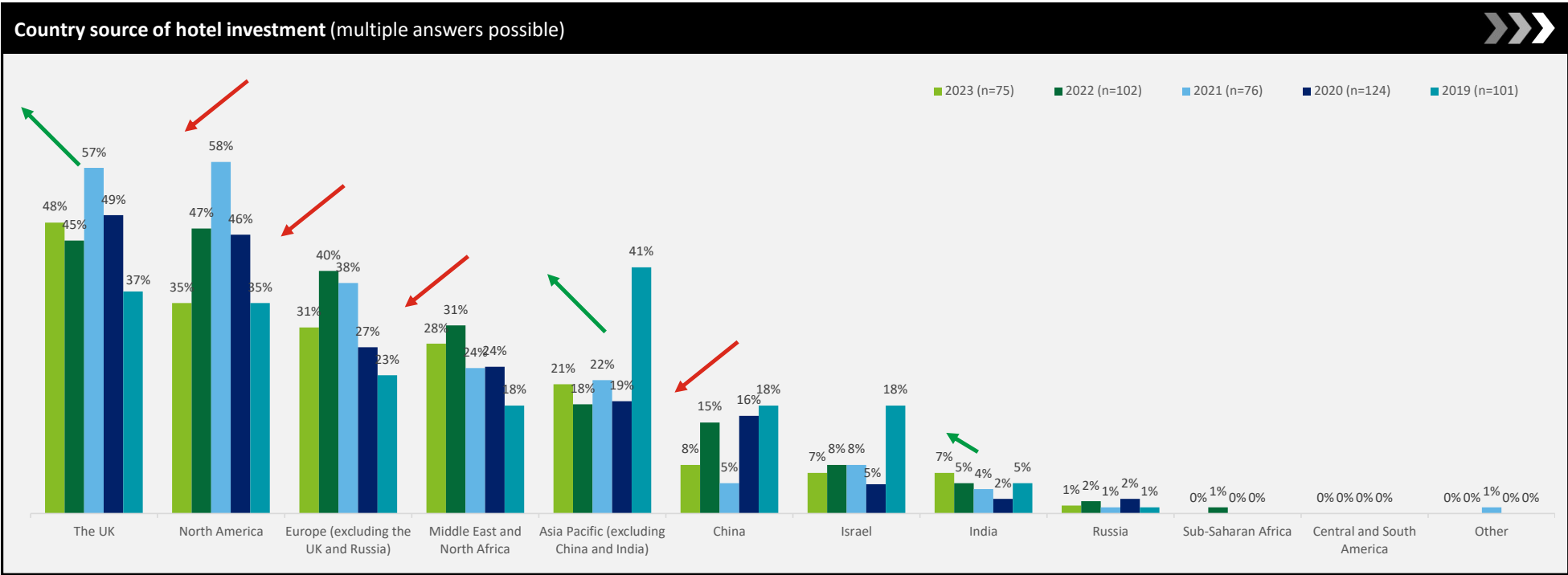
Note: \* New category added in 2022  
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# Country source of hotel investment into the UK hospitality sector

Beside the UK, the geographies investing the most into the UK hotel sector include North America (35%) and Europe (31%). However, in a sign of the slowing economic activities in those regions the proportions of respondents mentioning those markets as the primary sources of finance for the UK hospitality sector were lower this year.

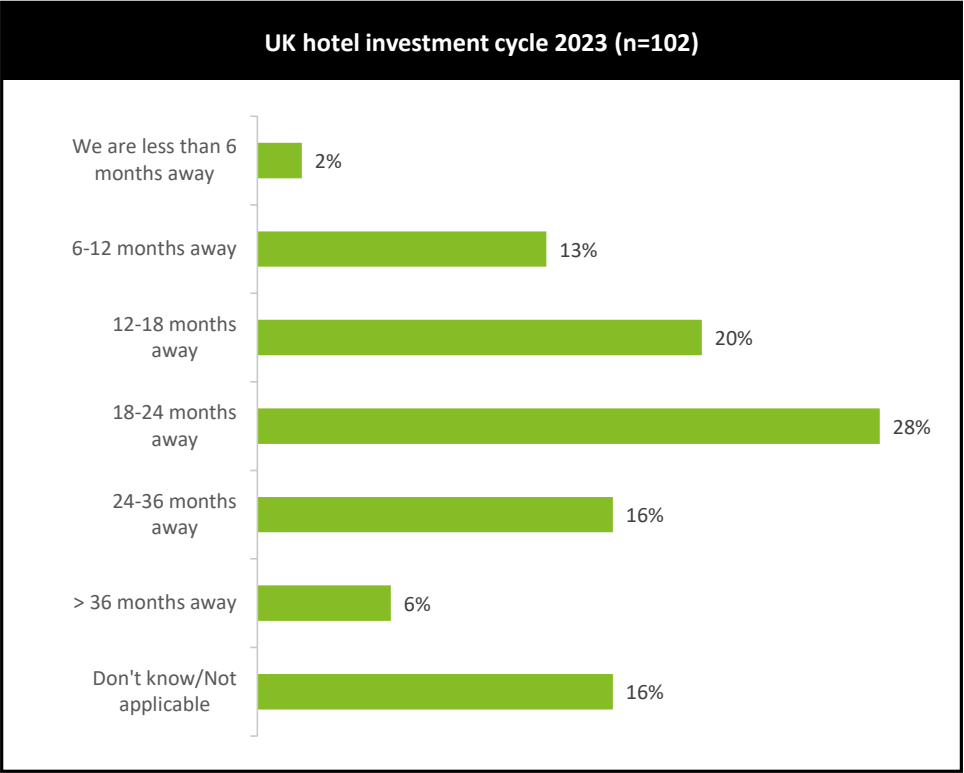
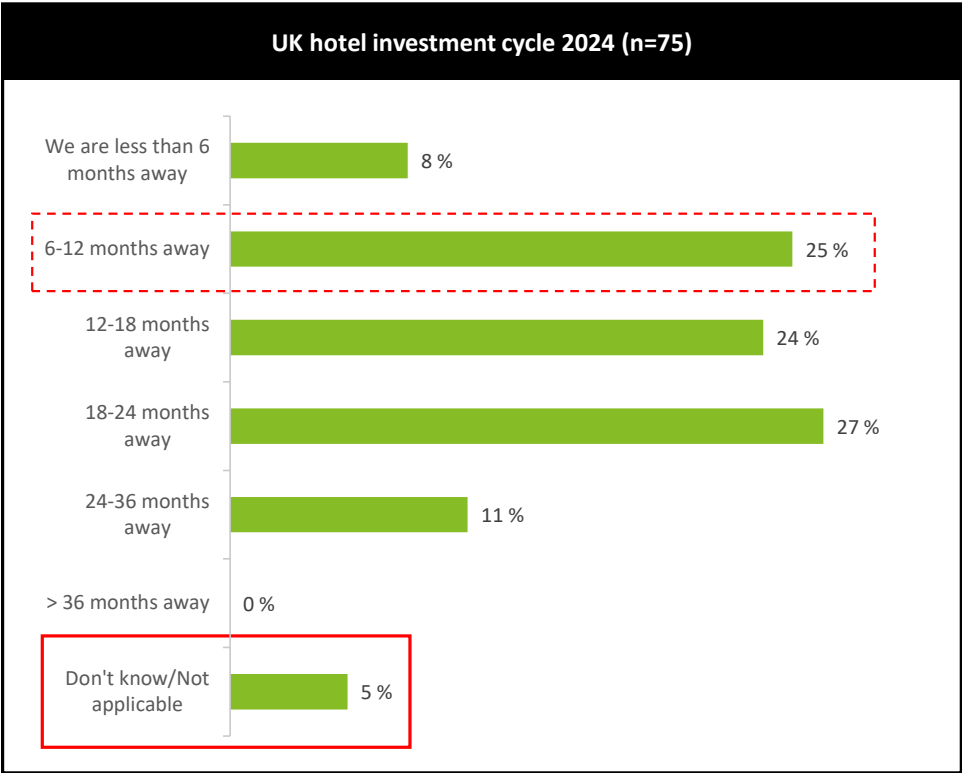
Q6: From where do you think the majority of UK hotel investment will be sourced in 2024? >>>



# UK investment cycle

One in four of the respondents (25%) think it will take between 6-12 months for the normalisation of performance in the current UK investment cycle. This is twice the number compared to the same period last year.

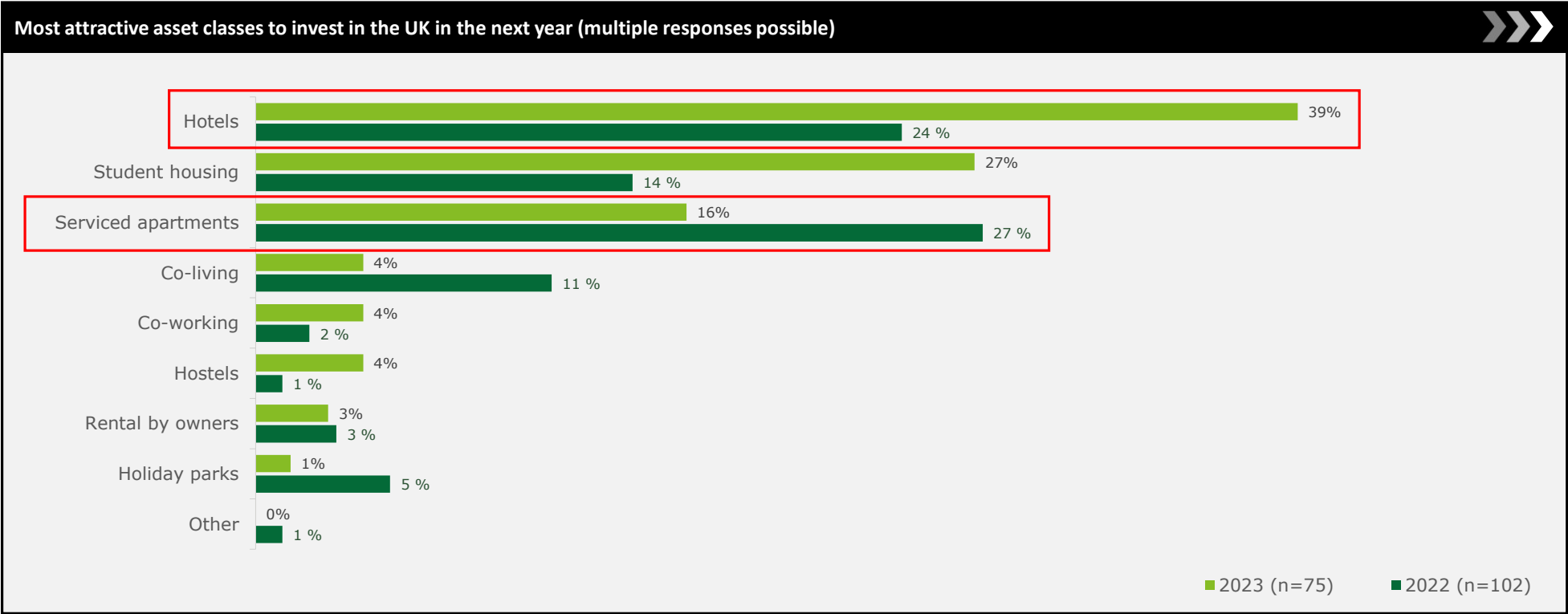
Q7: Roughly how far away do you think we are from a normalisation of performance in the current UK investment cycle? >>>



# UK investment opportunities

In the UK, Hotels are rated the most attractive asset class to invest in in 2024, followed by student housing. However, serviced apartments have had a ten-percentage point decline moving it to the third rank.

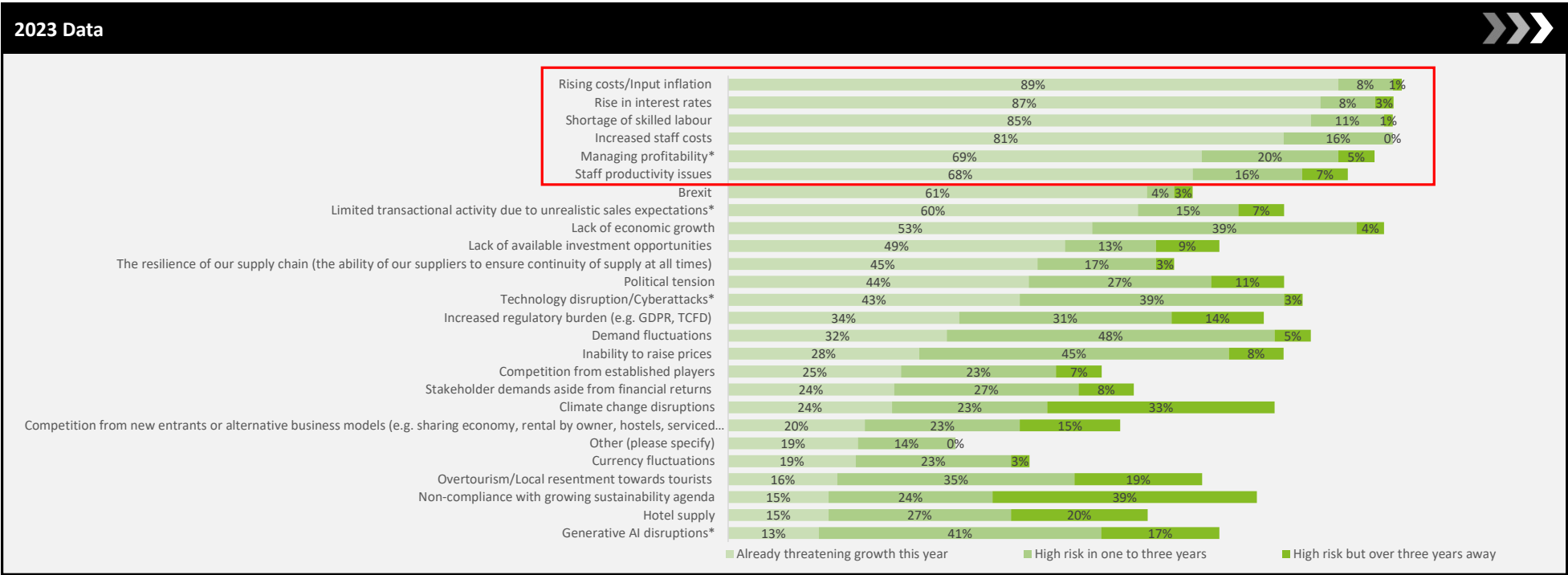
Q14: Which of the following do you see as the most attractive opportunity to invest in the UK in 2024? >>>



# Risks to the hotel industry

Rising costs, shortage of skilled labour, rise in interest rates and increased staff costs remain the key risks threatening growth. Technology disruptions, Gen AI disruptions and demand fluctuations are expected to be high risk to the industry in the next one to three years.

## Q18: What are the key risks to the European and UK hotel industries and on what timescale?



Note: \* New category added in 2023  
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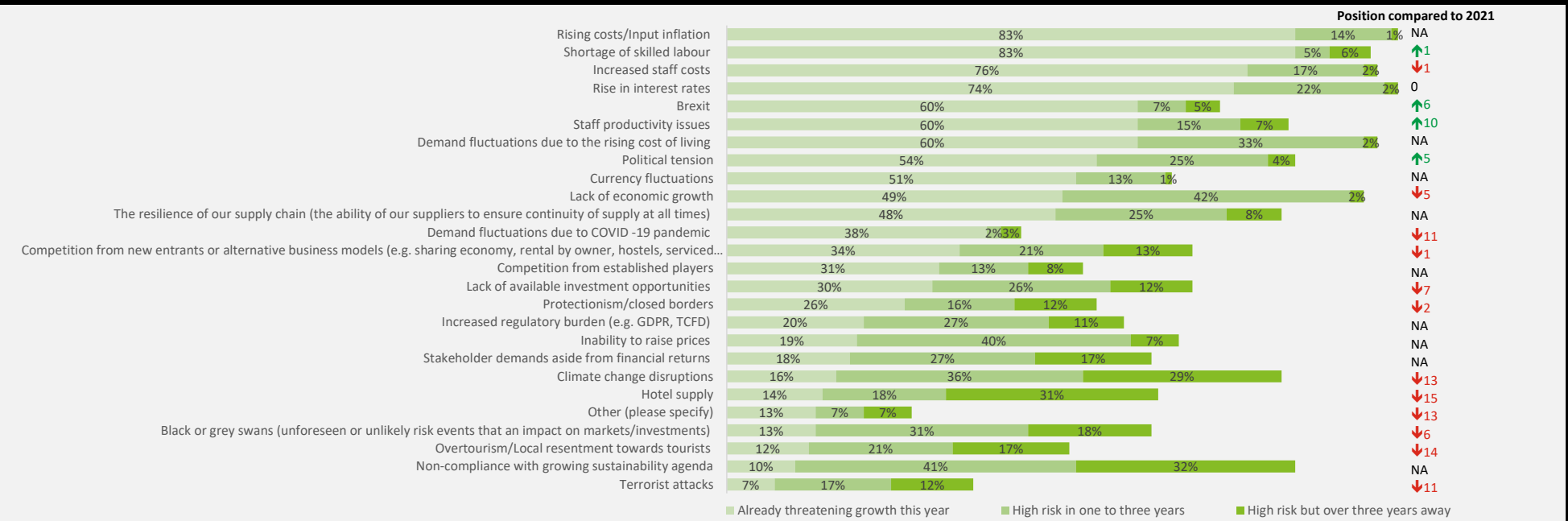


# Risks to the hotel industry

2022 data for reference

Q18: What are the key risks to the European and UK hotel industries and on what timescale?

## 2022 Data



Note: \* New category added in 2023

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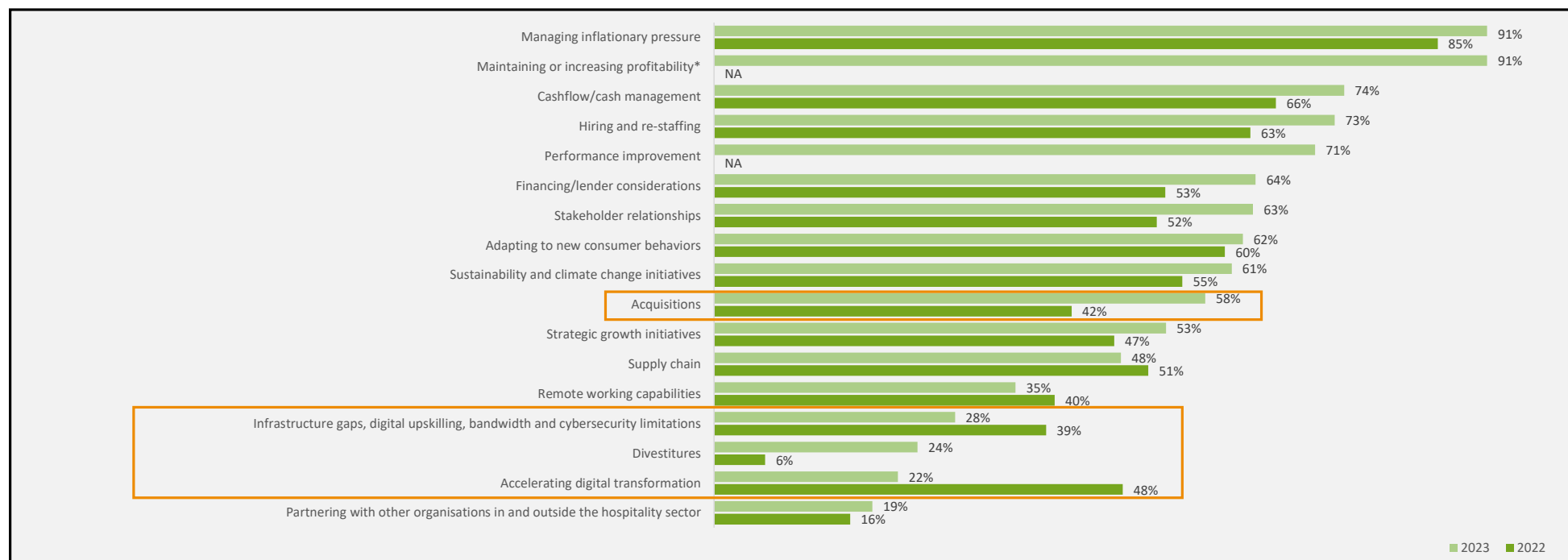
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## Hotel business key priorities

Managing inflationary pressures, maintaining profitability and increasing cashflow are the immediate priorities for most hotel industry executives over the next 12 months. Given the ongoing labour shortages experienced in the sector, hiring and retaining talent, and performance improvement also remain key focus areas for executives in the year ahead.

Q19: What are your organisation's key priorities in the next 12 months?



Note: \*added in 2023

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# Sentiment for UK market

Levels of confidence in the UK hotel market have improved significantly compared with 2022. The proportion of respondents believing profitability will improve in the next five years has nearly doubled this year growing from 38% in 2022 to 64% in 2023. In addition, nearly three- quarters of respondents (73%) say they are optimistic about the long-term future of the UK hotel market, compared with 66% in 2022.

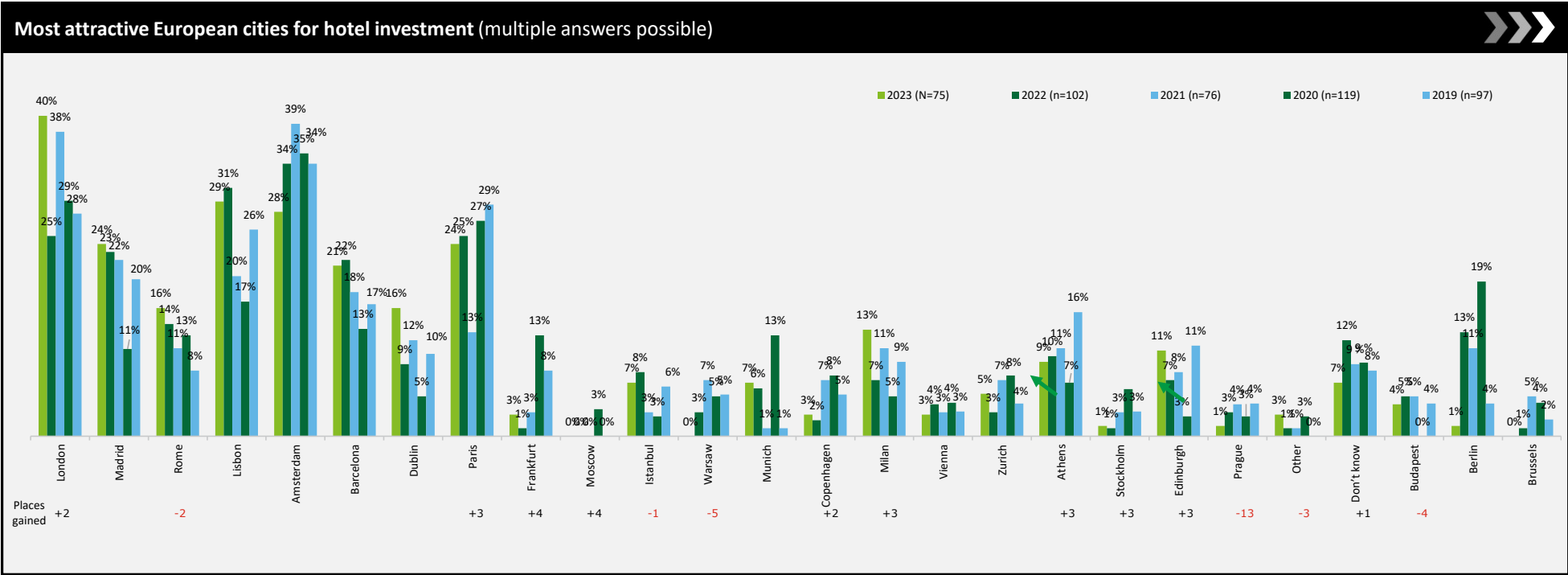
Q8: Please indicate whether you agree or disagree with the following statements



# Top ten most attractive European cities for hotel investment in 2023

London is set to become the most attractive European city for hotel investment in 2024, moving up two places to the top spot. Lisbon retains its number two ranking, while Amsterdam falls to third place. Cities attracting more investment this year include Dublin, Milan and Edinburgh.

Q9: Which of the following cities in Europe do you see as being the most attractive for hotel investment in 2024?







# European Hotel Market performance

# Views on phase in the investment cycle

With the exception of the Netherlands where the investment cycle seems clearly on the upturn, the rest of Northern Europe investment cycle is more negative, with Germany and Ireland experiencing a downturn, whereas the UK and France are undergoing a trough period, according to respondents in our survey.

Q10: In which phase of the hotel investment cycle do you think the following markets are? >>>

## Phase of the hotel investment cycle >>>



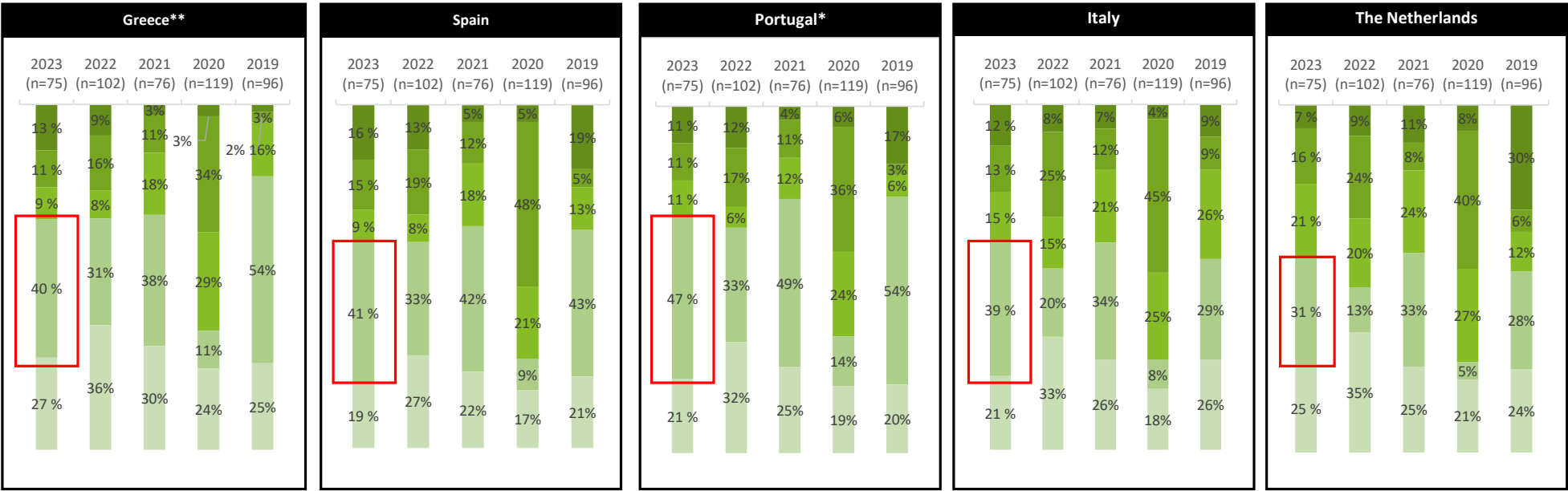
■ Peak ■ Downturn ■ Trough ■ Upturn ■ Don't know

# Views on phase in the investment cycle

There is more certainty in the Southern European investment cycle with most Mediterranean markets proving to be on the upturn following more consolidation in the region. Portugal, particularly, emerges as the country where close to one in two respondents (47%) feel the investment cycle is on the rise.

Q10: In which phase of the hotel investment cycle do you think the following markets are?

Phase of the hotel investment cycle



■ Peak ■ Downturn ■ Trough ■ Upturn ■ Don't know

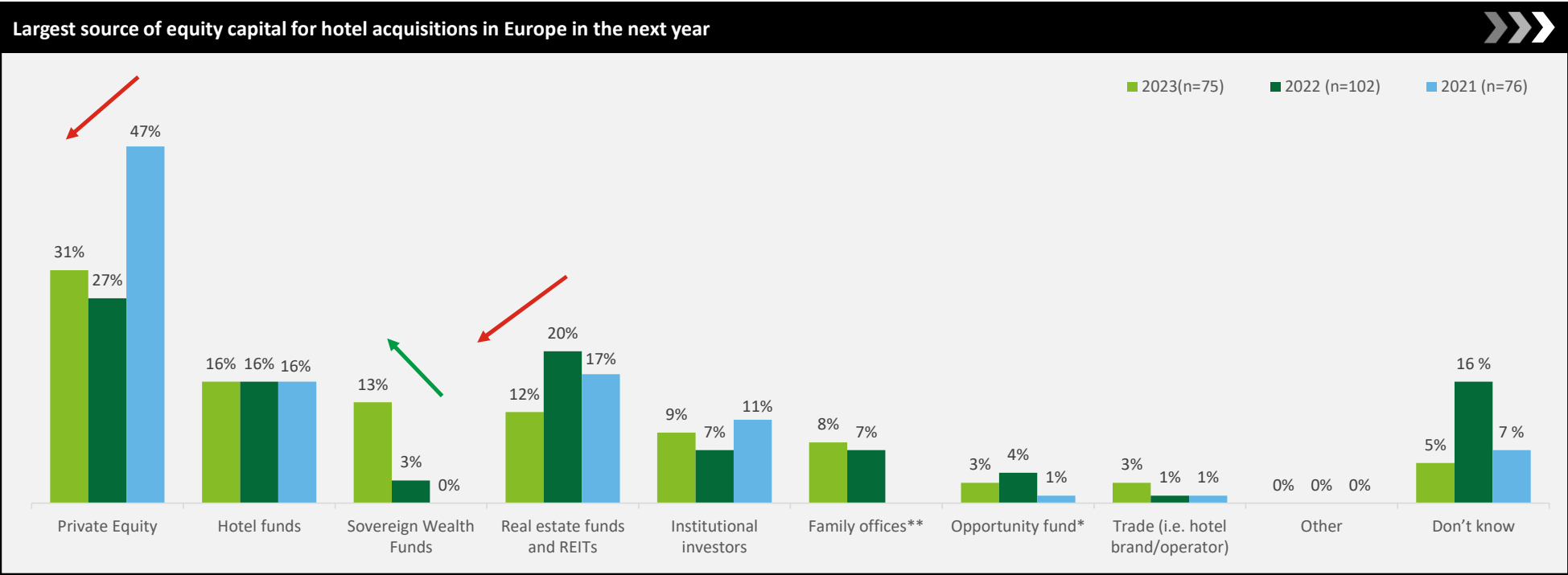
Note: \*added in 2019 \*\* added in 2018

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# Most common source of equity capital expected in 2024

Private equity remains the main source of equity capital for hotel acquisitions in Europe in 2024, with a four-percentage point increase compared with last year, while sovereign wealth funds have surged by ten percentage points to become the third largest source of equity capital for hotel acquisitions.

Q11. Which of the following do you expect to be the largest source of equity capital for hotel acquisitions in Europe in 2024?



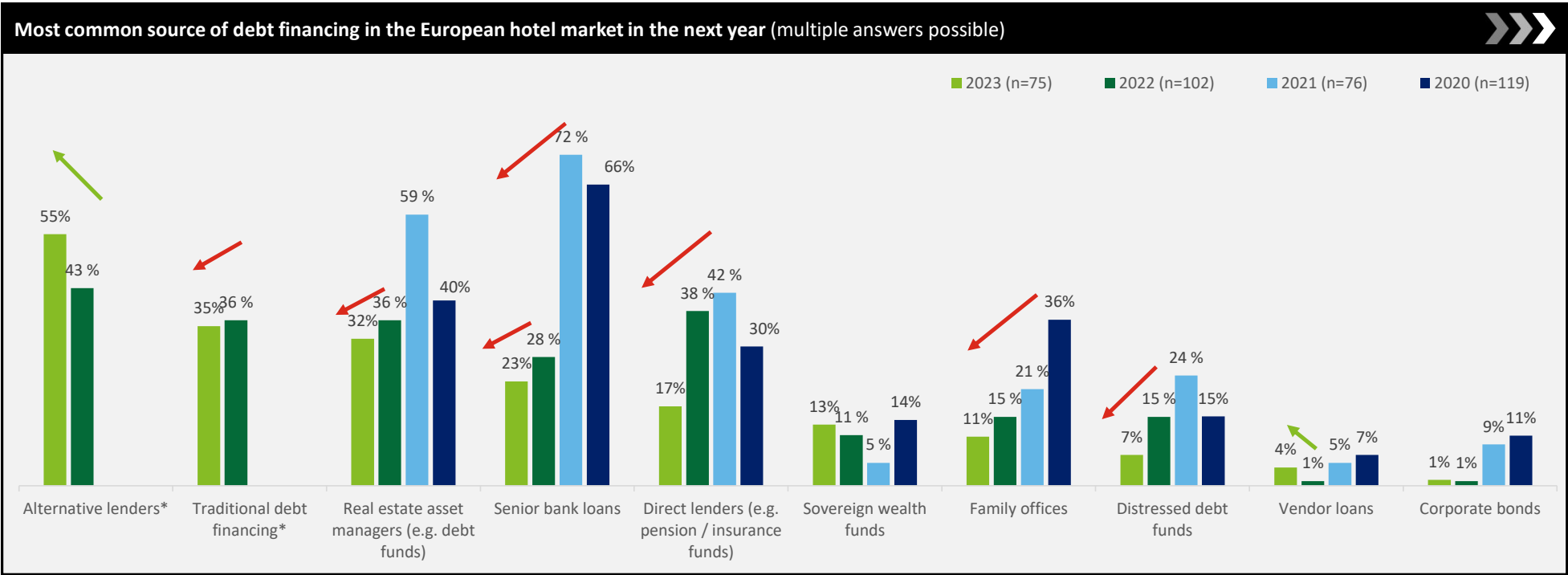
Note: \* New category in 2020 ; \*\*New category added in 2022  
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# Most common source of debt financing in 2024

Alternative lenders remain the most common source of debt financing in the European hotel market in 2024 also gaining a significant 12 percentage points from 43% to 55% this year. By contrast, all other sources have lost momentum compared with the same period a year ago, except for sovereign wealth funds and vendor loans.

Q12. Which of the following do you expect to be the most common sources of debt financing in the European hotel market in 2024? >>>

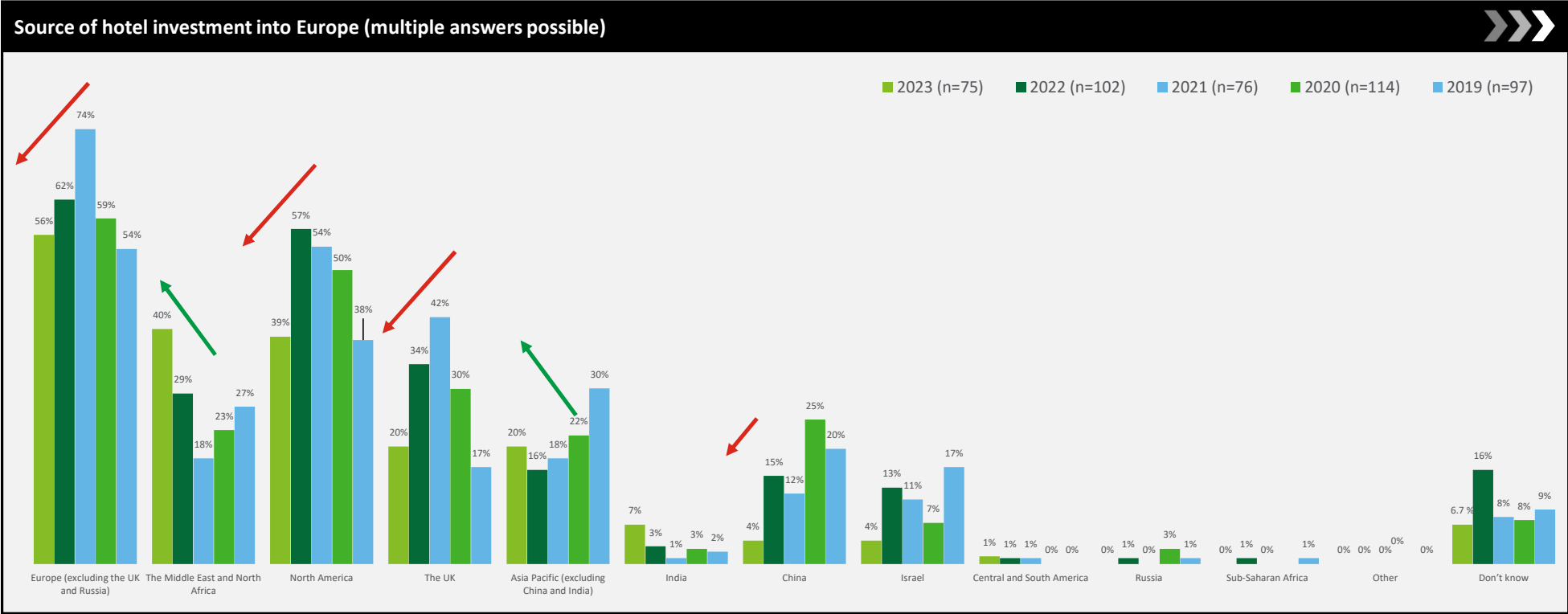


Note: \* New category in 2022  
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# Source of hotel investment into Europe in 2024

More than half of respondents expect hotel investment to be sourced from Europe, with funding from the UK and North America declining in significance this year due to slowing economic activity.

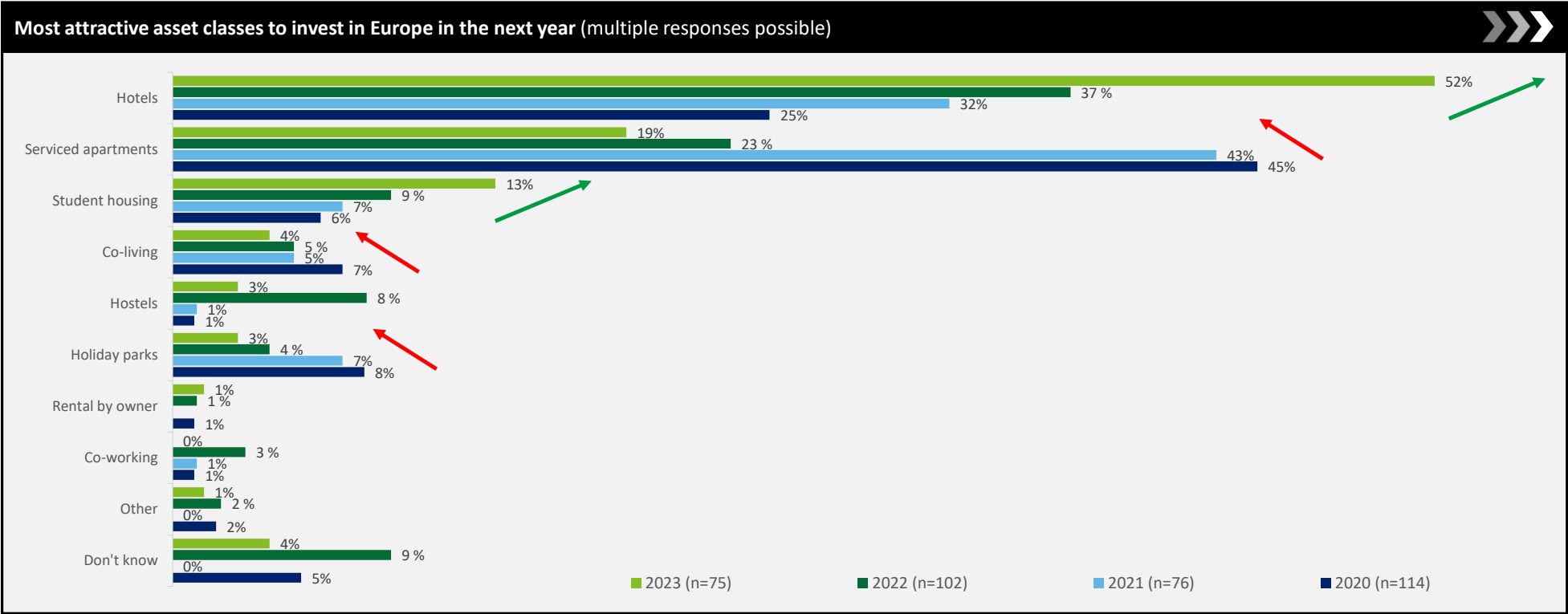
Q13: From where do you think the majority of hotel investment in Europe will be sourced in 2024?



# European investment opportunities

Hotels continue to be the most attractive European asset class for investment in 2024 for one in two respondents representing a significant 15 percentage points increase on last year.

Q14: Which of the following do you see as the most attractive opportunity to invest in Europe in 2024? >>>



The background of the slide is an abstract composition of numerous 3D cubes. These cubes are arranged in a dense, overlapping pattern that creates a sense of depth and movement. The color palette is primarily blue, with varying shades from deep navy to bright cyan, giving it a modern, technological feel.

# Other questions

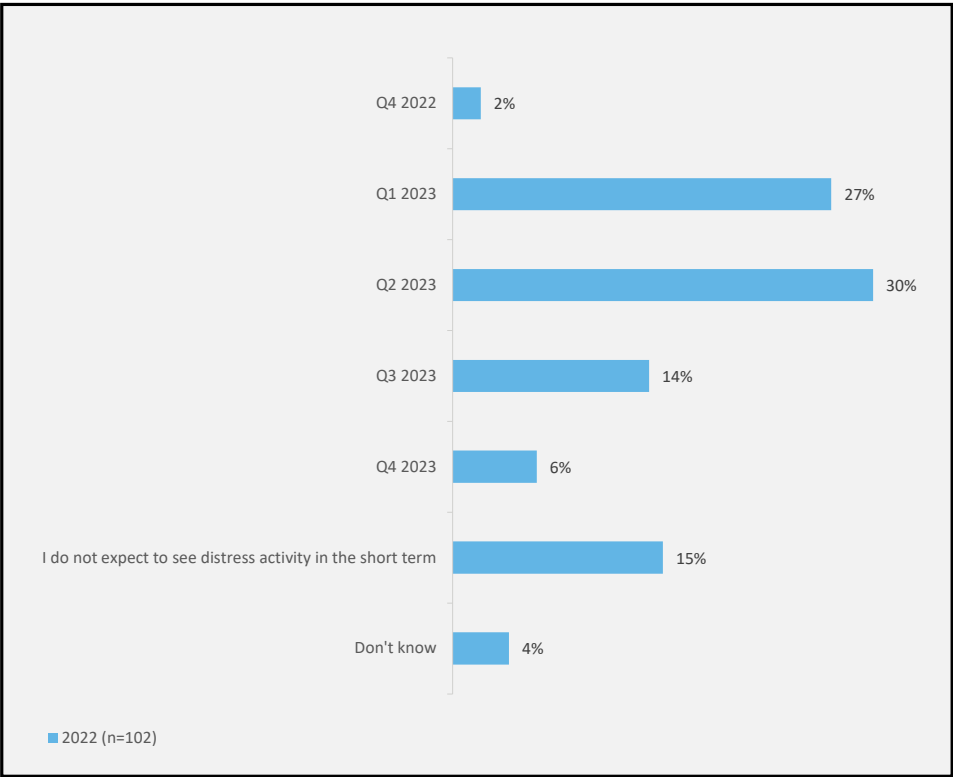
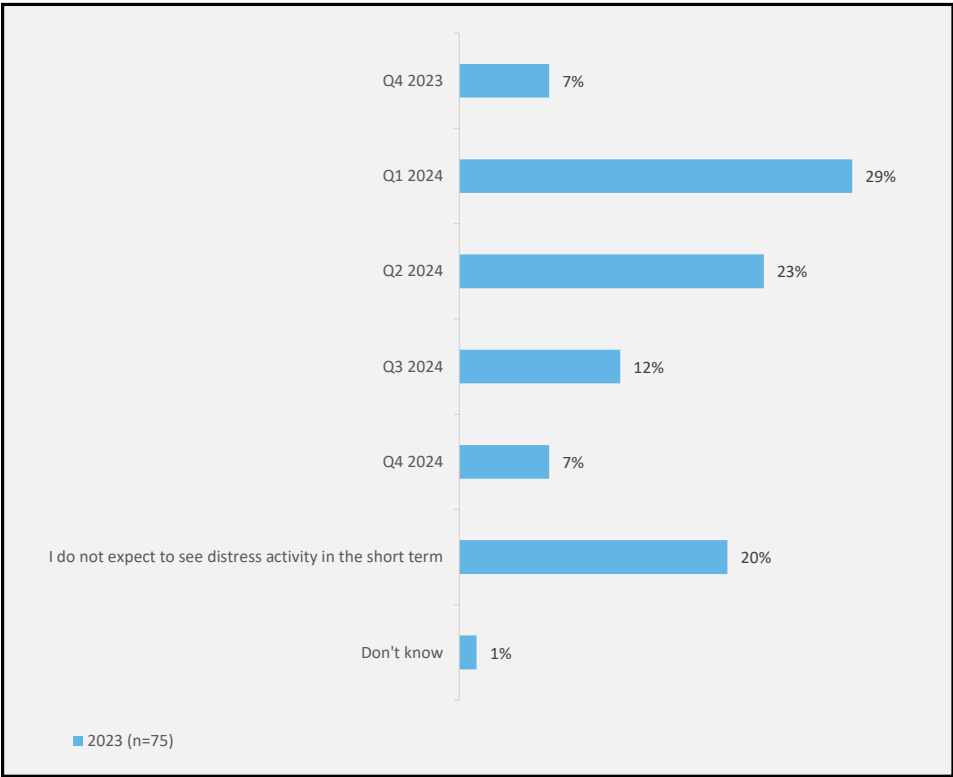
Disruption, distress and sustainability



# Distress activity

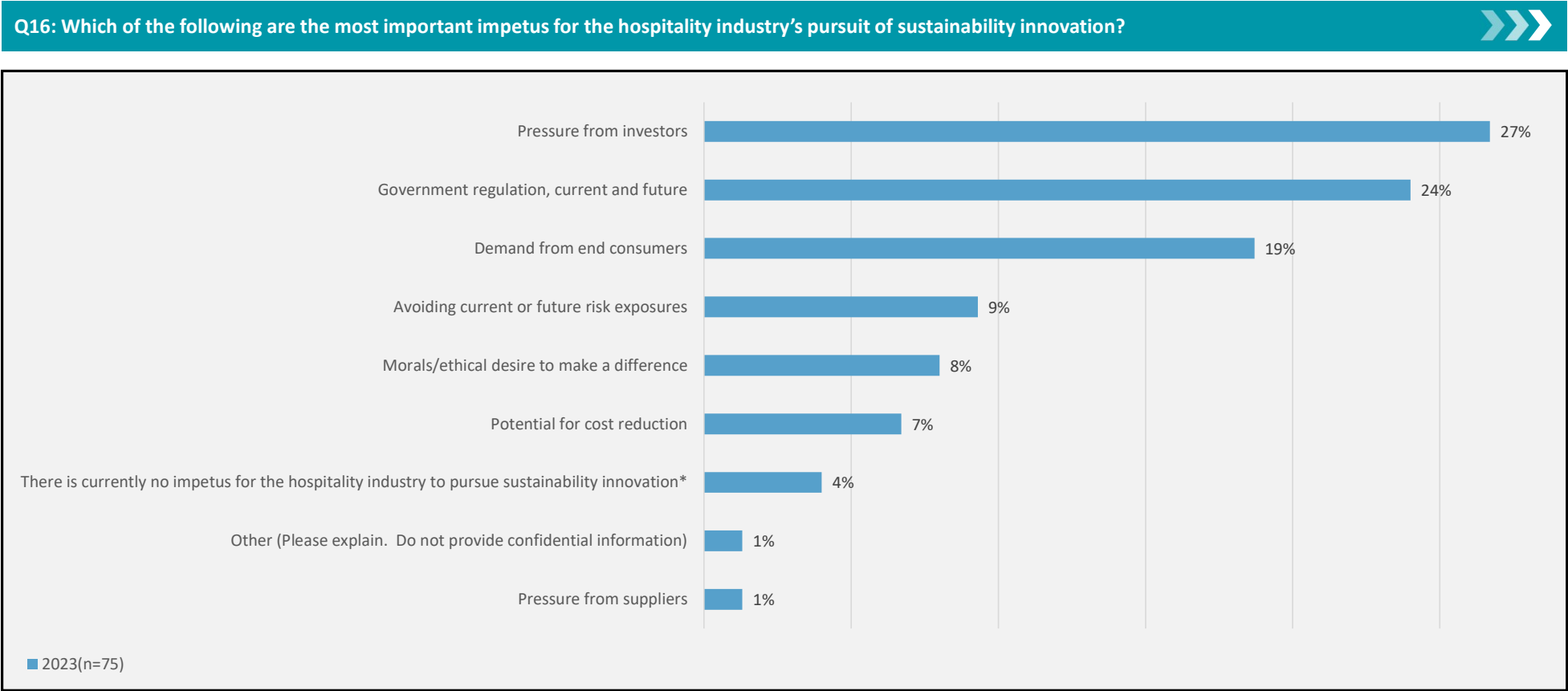
One in two respondents (52%) expect to see distress in the first two quarters of 2024, and almost 20% of the respondents do not expect to see distress activity in the short term.

Q15: Given the current market pressures, when will the sector start to see true distressed activity? >>>



# Pursuit on sustainability innovation

Pressure from investors is the key driver of sustainability innovation within the hospitality industry, followed by government regulations and demand from consumers

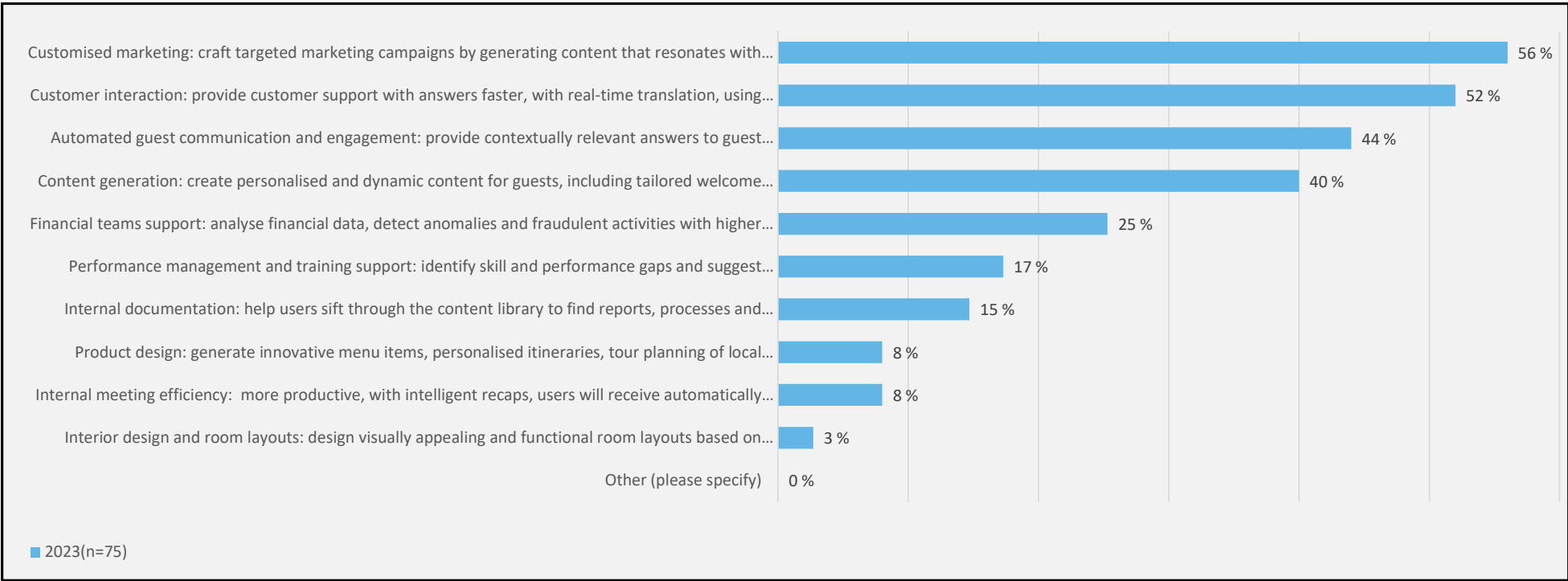


Note: \*added on 2022  
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# Applications of Generative AI

GenAI is viewed more as a tool to enhance customer engagement, such as for creating customised marketing campaigns, than as a solution to support operational efficiency, such as to detect fraudulent activities or to generate new financial models.

Q17: What do you see as the biggest opportunities from the applications of generative artificial intelligence (e.g. Chat/GPT/Bard) »»»



Note: \*added on 2023  
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# Other themes for the hotel sector in 2024

Other questions about the hospitality industry raised by the respondents

## ESG reporting

- What will be the real impact of **new ESG reporting**? When will sustainability issues in existing hotel stock become a real problem in terms of re-financing?
- Do you think the rise of **ESG has genuine interest from investors** or it is purely a PR stunt or tick box exercise to ensure their backers continue to support them where it is being talked about?

## Hotel segments

- What sub-segment is the **most attractive hotel segment** to invest in 2024? There are some different attractive segment, but the Lifestyle Luxury seems the most attractive for 2024.
- How is the industry going to manage the **asylum hotels** over the next 3 years?

## Investment and talent retention

- How does the industry create a better reputation as an employer of choice to **attract and retain young talent**?
- Is Hospitality now a **mainstream asset class**: should we abandon the **“Alternative Investment”** badge at last?
- As an industry how can we ensure sustainable **net profit growth** to continue being an asset class which shows **long term attractiveness** to financial investment in the sector?



An aerial photograph of a large crowd of people walking across a crosswalk with white stripes on a dark asphalt surface. A complex network of thin, teal-colored lines is overlaid on the image, connecting various points across the crowd, suggesting a data network or social connections.

# Demographics

## Respondent profile

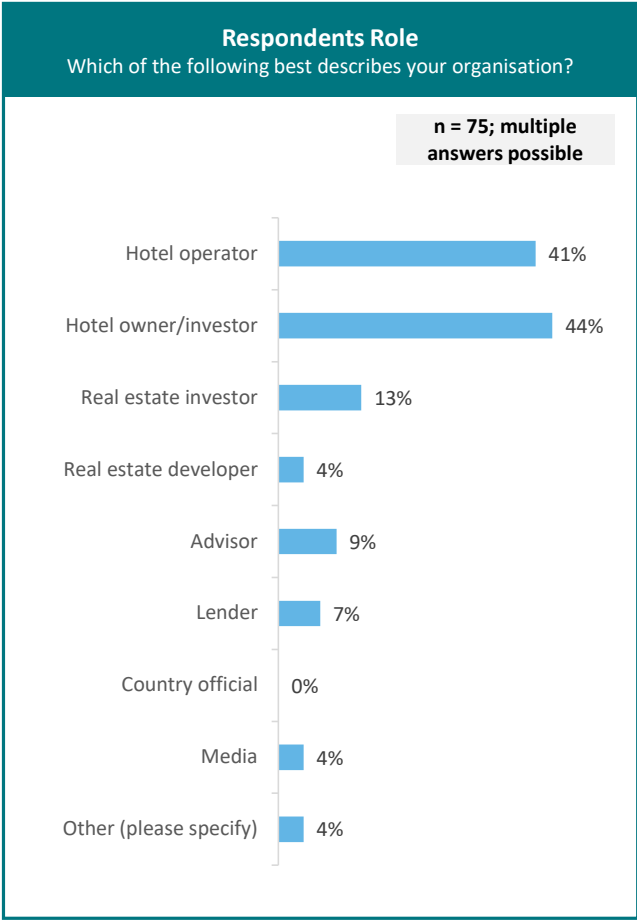
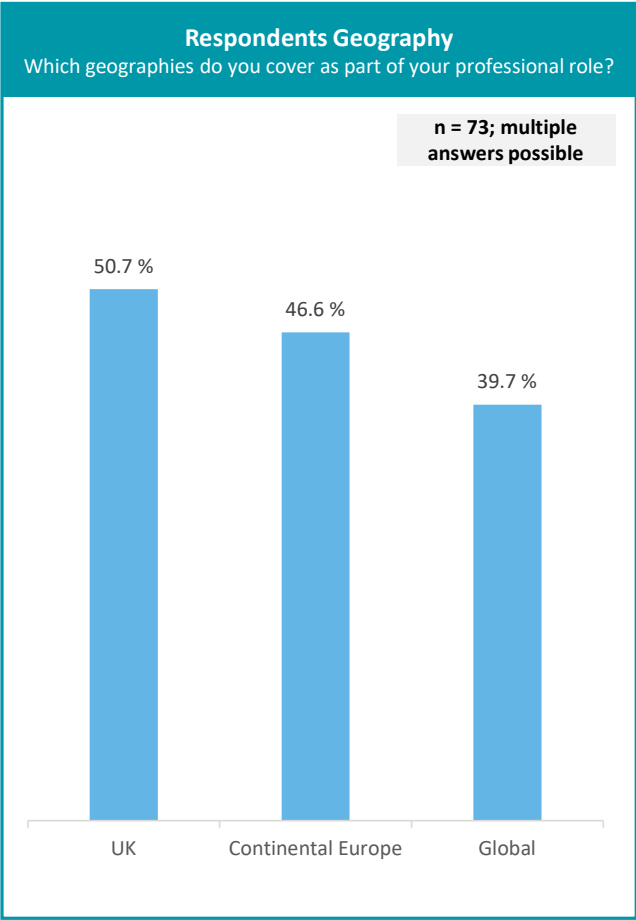
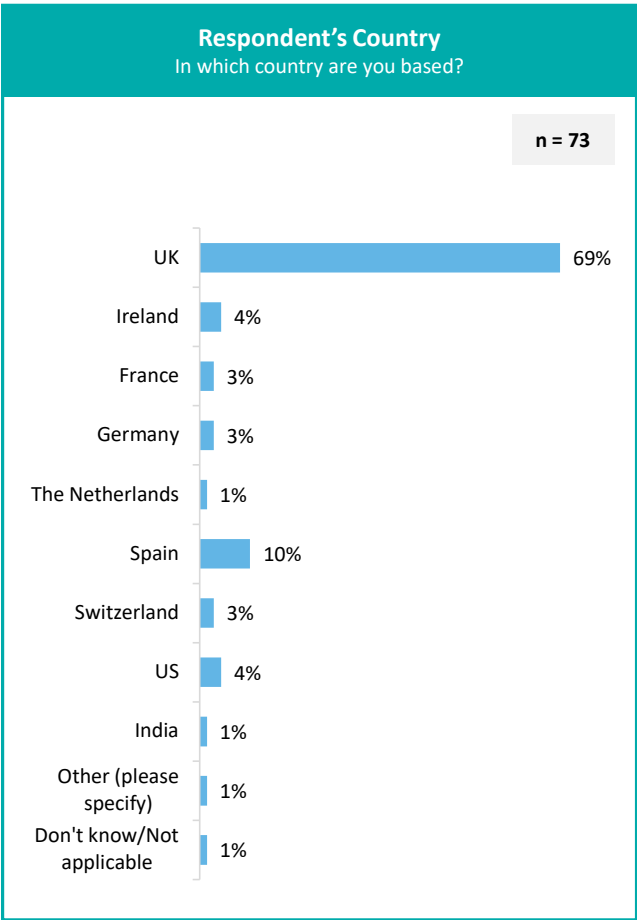


# EHIC 2023 survey questions

Q1	Which of the following cities in the regional UK do you see as being the most attractive for hotel investments in 2024?	Q6	From where do you think the majority of UK hotel investment will be sourced in 2024?	Q11	Which of the following do you expect to be the largest source of equity capital for hotel acquisitions in Europe in 2024?	Q16	Which of the following is the most important impetus for the hospitality industry's pursuit of sustainability innovation?
Q2	What level of RevPAR (Revenue per Available Room) growth do you expect to see in London and in the Regional UK in 2024?	Q7	Roughly how far away do you think we are from a stabilisation of performance in the current UK investment cycle?	Q12	Which of the following do you expect to be the most common sources of debt financing in the European hotel market in 2024?	Q17*	What do you see as the biggest opportunities from the applications of generative artificial intelligence (e.g. ChatGPT/Bard)?
Q3	What level of GOPPAR (Gross Operating Profit per Available Room) growth do you expect to see in London and in the regional UK in 2024?	Q8	Please indicate whether you agree or disagree with the following statements	Q13	From where do you think the majority of hotel investment in Europe will be sourced in 2024?	Q18	What are the key risks to the hotel industry?
Q4	What EBITDA pricing multiples do you expect to see in London and regional UK in 2024?	Q9	Which of the following cities in Europe do you see as being the most attractive for hotel investment in 2024?	Q14	Which of the following do you see as the most attractive opportunity to invest in the UK and in Europe in 2024?	Q19	What are your organisation's key priorities in the near and more distant future?
Q5	Which one of the following do you expect to be the largest source of equity capital for UK hotel acquisitions in 2024?	Q10	In which phase of the investment cycle do you think the following markets are?	Q15	Given the current market pressures, when will the sector start to see true distressed activity?	Q20	What question(s) about the hospitality industry did we fail to ask but should have? Please let us know what we should ask others and your own best answer. Do not include any confidential information.

\*new question added in 2023

# EHIC delegate research 2023: Respondents profile







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