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TRAVEL AND HOSPITALITY

Urban hotel market to see renewed investor interest in 2024: JLL

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This year, stays in some of the biggest cities in the world are expected to see a resurgence of funding. Image credit: JLL

By EMILY IRIS DEGN

According to commercial real estate services company JLL, city-side stays are set to soar this year.

The firm's Global Hotel Investment Outlook states that urban markets are seeing boosted performances thanks to the rise of group, business and international travel. As a result, hotels in locations like London, Tokyo and New York are expected to spark major funding interest.

"Urban revenue per available room (RevPAR) accelerated in 2023 driven by a surge in international travel (now that all borders are reopened) and the return of group and business demand," said Zach Demuth, global head of hotels research at JLL Hotels and Hospitality Group, New York.

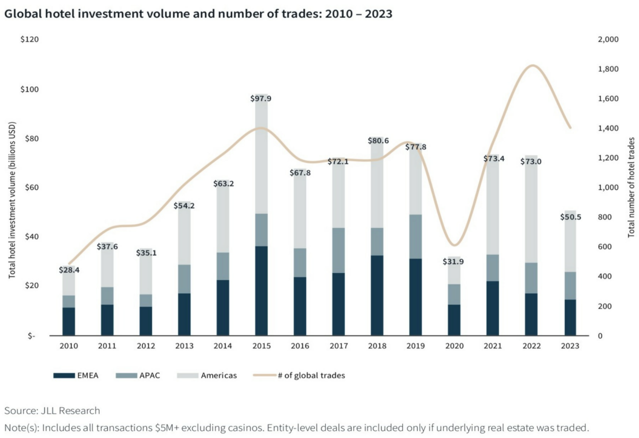
"International travel, which remains behind 2019 levels by 15 percent globally, is a key driver for not just urban hotel occupancy but also foreign capital," Mr. Demuth said. "As international travel continues to recover, we expect markets like London, New York, and Tokyo to be some of the most sought-after for global hotel investors in 2024, with must-have luxury assets likely the largest beneficiaries of capital."

For the report, findings from JLL's Global Hotel Investor Sentiment Survey and research are included. Insights are also provided by seven contributors from the in-house team, including Mr. Demuth; Jessica Jahns, head of EMEA hotels research; Marina Bracciani, vice president of EMEA hotels research; Kevin Davis, CEO of the Americas; Will Duffey, head of hotels and hospitality in EMEA; Nihat Ercan, CEO of APAC; and Ophelia Makis, senior analyst of the Americas hotels research.

Cities are soaring

JLL's experts advise that audiences keep an eye on a few themes in 2024.

One of these trends is the resurging performance of urban markets. This is largely due to borders opening back up.



After the historic dips of 2020, the global market is seeing investment numbers rise again. Image credit: JLL

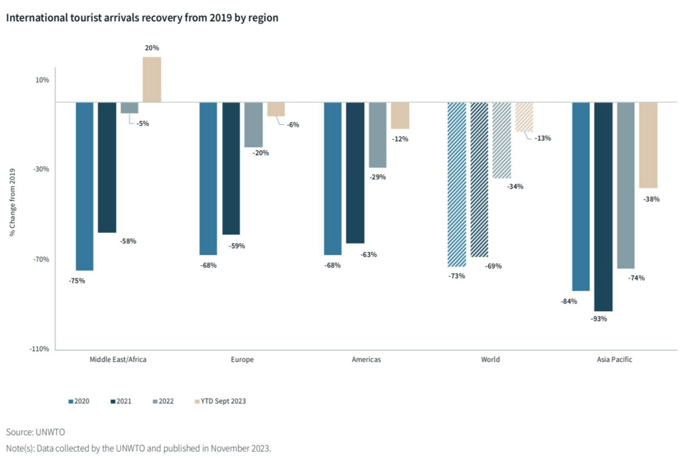
Based on JLL's 2023 Global Hotel Investor Sentiment Survey, 84 percent of participants plan to put the majority of their capital toward city properties within the next 12 months.

With asset pricing sticking below pre-pandemic rates, the liquidity of these stays is expected to increase even more going forward.

London specifically is welcoming greater numbers of international and domestic tourists as the pound weakens. Relative to 2019, the locale's RevPAR in 2023 spiked 19 percent.

Though occupancy is lagging compared to the same reference year, JLL shares that this will also pick up in 2024.

New York City's RevPAR jumped 14 percent in 2023, based on 2019 figures. Global tourists, domestic groups and business demand are behind its rise.



International tourism is largely the driving factor behind the rise of urban hotels. Image credit: JLL

Investors are already dipping their toes into the Big Apple, the globe's leading hospitality market. As of last year, hotel liquidity was $3.3 billion, a total that is 28 percent higher than its historical average.

Meanwhile, Tokyo's RevPAR went up 9 percent between 2019 and 2023. With the depreciation of the yen, and considering intraregional travel is increasing throughout the region, hotel transaction volume hit $1.2 billion here during the previous annual period.

This is 31 percent higher than the city's historical average.

Two other trends

Another trend expected to dominate the next 12 months is sustainable investment and regenerative tourism.

Travelers are expected to prioritize trips that align with their values. High-end hotels that integrate consciousness into each experience will have a leg up on the competition.

According to JLL, businesses that articulate a commitment to ESG, authenticity and wellness will be able to expand, enhance value and dig into new sources of capital. With these perks in mind, communication and the successful execution of company promises will be key.

The firm's report points to how powerful branding is for consumers and investors. This is the last of the three themes outlined.

Now, customer loyalty and conveying a sense of identity are vital parts of participating in the increasingly profitable segment (see story), and traveler enthusiasm is only accumulating (see story).

The global industry's RevPar is reported to have achieved a full recovery last year. Levels in November 2023 ranged from 94 percent to 121 percent compared to 2019.

This was the case across regions, however, the Americas, the Middle East and Europe came out on top: the latter will keep its crown as a favored destination in 2024, forecasters say.

Upcoming occasions like the Summer Olympics in Paris will help to keep tourists' attention.

Leisure travelers will be the foundation for success, according to the report. Image credit: JLL

Although APAC is lagging behind these other regions, its performance suggests that its RevPAR will surpass 2019 numbers by the first quarter of this year.

JLL states that Turkey, Saudi Arabia, Spain and India are the markets to watch closely going forward.

Each of these four nations is notably resort-friendly, and researchers predict that leisure tourism will be the primary driver of hotel performance around the globe.

"2023 saw a notable increase in new investors entering the sector, with 19 percent of global hotel liquidity driven by first-time buyers (highest in history)," said JLL's Mr. Demuth.

"Hotels have emerged as a preferred asset class amongst some investors as they represent a superior inflation hedge (hotels are able to reset their rates daily) and continue to see robust operating performance," he said. "We expect global hotel liquidity to accelerate in 2024, with luxury assets in gateway urban markets to likely garner the most investor interest.

"Luxury hotel performance continues to strengthen, underpinned by rising global wealth and consumers' ongoing propensity to spend on travel above all else."