

Investors Check into Hospitality Real Estate

Strong performance boosts activity in the sector as fund managers target new markets

A new joint report from data provider Preqin and investment firm and asset manager Pro-invest Group finds that the hospitality real estate sector has grown in prominence over the past decade, and has diversified to become a truly global industry. Performance has been strong in recent years: hospitality has been among the highest performing real estate sectors in recent vintage years, and returns have met or outpaced the MSCI US REIT index over one-, three-, and five-year horizons. This has spurred significant investor appetite, and has seen fundraising hit a ten-year high of \$31bn in 2017. Fund managers have put this capital to work, deploying more than \$110bn since the start of 2015 into hospitality assets. They are increasingly targeting larger deal opportunities, and the sector is diversifying beyond established markets into Asia and Australasia.

For more information, see the full *The Global Appeal of Hospitality Real Estate: A Preqin and Pro-invest Report* here:

<https://docs.preqin.com/reports/The-Global-Appeal-of-Hospitality-Real-Estate-A-Preqin-and-Pro-invest-Report.pdf>

Justin Hall, Real Estate Product Manager – Preqin:

“The hospitality sector has seen a flurry of activity in the past couple of years, hitting levels not seen since the Global Financial Crisis. Returns in the sector have outpaced both office and residential assets in every vintage year since 2010, and investors are taking note. While the industry remains heavily centred on North America, there seem to be significant opportunities for growth in less saturated markets like APAC. The success of firms like Pro-invest in these regions, and the growing investor appetite for hospitality, suggest that we have not yet reached a peak for the industry.”

Ronald Stephen Barrott, Founder & CEO – Pro-invest Group:

“With a stable and growing tourism industry across international borders, the hotel sector has increasingly come in the spotlight and is progressively accepted as an institutional grade asset class. In many cases, hotels outperform traditional real estate asset classes, as hotels have the ability to yield high returns - provided they are actively managed throughout their lifecycle. The key to unlocking a well-performing hotel is having a well-versed team with boots on the ground to manage the hotel on a day-to-day basis. At Pro-invest, with over 480 years of collective industry-based experience across asset management, hotel operations and real estate development, we actively manage our clients’ hotel assets from end-to-end, allowing us to provide investors with attractive risk-adjusted returns.”

Key Hospitality Real Estate Facts:

- Horizon performance for **hospitality-focused real estate funds has met or exceeded the MSCI US REIT index** in the one-, three- and five-year periods to the end of 2018.
- **Hospitality is among the top two performing sectors** in four of the five most recent vintage years (2011-2015).
- **Fundraising for the sector has doubled in the past decade**, reaching a high of \$31bn in 2017. A record number of hospitality-focused funds (62) closed in 2018.
- Deal activity has been strong, with more than \$110bn invested by private equity real estate (PERE) funds in hospitality assets since 2015. **Deal values reached a record \$28bn in 2017**, and remained high at \$27bn in 2018.
- Of the 11 PERE hospitality deals on record worth more than \$1bn, six were completed in the past 18 months.
- The majority of activity (62%) has been in North America, but the proportion of **activity in Europe and APAC has been growing**, and now stands at 28% and 9% respectively.
- Robust activity has contributed to AUM growth, following a significant drop in 2016 as several large funds ended their lifespan and were liquidated. **Assets in the sector now stand at \$29bn as of December 2018.**

About Preqin:

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Preqin is the Home of Alternatives™, the foremost provider of data, analytics and insights to the alternative assets community. From pioneering rigorous methods of data collection to developing a revolutionary platform, we have committed ourselves to furthering the understanding of alternatives for over 16 years. Through close partnership with our clients, we continuously build innovative tools and mine new intelligence to enable them to make the best decisions every day.

For more information, contact our dedicated press team at press@preqin.com or call (+44) 20 3207 0265.

About Pro-invest Group:

Pro-invest Group is an asset manager and investment firm established in 2010. With close to AUD 2 billion assets under management, Pro-invest operates as a locally established, integrated private equity real estate business combining active asset management, development and operational capabilities, providing investors with above industry risk-adjusted returns in the hospitality, commercial and retail space. Pro-invest's unique structure ensures full control of the entire value chain, allowing for effective sustainability management, risk mitigation and return optimisation.