

Hotel, Tourism & Leisure Monthly Round-Up

July 2023

Investment Market is slow as the bid/ask gap remains

Investors are circling to pounce on discounted, distressed hotels assets but high-quality opportunities are few and far between.

Despite concerns around cost of living and inflation UK hotels have, on average, performed well through 1H 2023 comfortably beating pre-covid RevPAR levels and providing owners with sufficient cashflow to cover rising costs and keep lenders on-side.

While prospective buyers stress challenges of rising interest rates and broader economic uncertainty, owners (prospective sellers) see considerable future demand growth and price their assets accordingly – typically well above what “opportunistic” investors are willing to pay.

In the US some investors are being forced to take losses on over-leveraged assets. [Ashford Trust, for example, plans to hand the keys for 19 hotels back to the bank](#) after debt surpassed book value and market values for the properties.

In the UK however, while there have been an increasing number of pubs, restaurants and gyms going through restructuring, administration or liquidation ([Fitness First recently had a judgement on their restructuring plan](#)), few quality hotels have been forced to sell.

All indications are that pressure is rising on hotel owners along with operating costs and interest rates, as refinancing deadlines loom. Some level of price "correction" seems inevitable, but transaction volume remains muted.

International Travel is getting back to pre-Covid levels

13th July was a record day for commercial flights with 137,225 aircraft movements tracked globally. In the UK, international visitor numbers are up sharply as some holidaymakers, particularly [from the Americas](#), make best to the "cheap" pound while avoiding the searing heat across much of southern Europe. It's safe to say the signs for UK tourism are good!

The importance of Capital Allowances in repurposing and repositioning

As new development activity in the UK has slowed due to rising project and finance costs and a limited number of quality operating hotels available to buy, a growing number of investors are looking at the repurposing and repositioning of other Real Estate assets.

One element that is often insufficiently assessed in due diligence is Capital Allowances. They can have a major impact on project viability. The value of the potential upside can vary greatly and is asset specific.

Malcolm Kerr (Horwath HTL UK) and Steven Metheringham (Crowe UK) provide [further insight into the importance of Capital Allowances](#).

Knowledgeable parties can easily have the upper hand in transactions, and, in some cases, this additional value can impact the final decision.

Introduction to Vedika

We are delighted to have Vedika Jhunjhnuwala join the Horwath HTL UK team. Vedika has hands on experience delivering strategic projects, hotel development and ESG for an owner operator in New Zealand. She has also recently completed her MBA from London Business School.

Annual Hotel Conference in Manchester



The HHTL UK team will all be at AHC in Manchester on 11th and 12th September where Malcolm will moderate a panel on [Exclusive Use Hotels: The Next Chapter](#) on **12 September 11.30 to 12.15**.

With 400 hotels in the UK currently operated under exclusive use contracts, what comes next?

Panel guests include:

[Henry Jackson](#), Partner, Knight Frank

[Devin Grosse](#), Chief Executive Officer, Focus Hotels

[Ronald Egelman](#), Senior Director Development UK, Ireland & Nordics, Wyndham

[Matthew Plax](#), Head of Corporate Banking, Mizrahi Tefahot Bank Ltd – London

[Kay Tierney](#), Hospitality Portfolio Director, Lake Merritt Capital

Come and join the panel session and see us at stand 47.

Consulting.uk Top Consulting Firm Rating









The Crowe Real Estate Team (which includes Horwath HTL UK) has just been rated one of consulting.uk's top consulting firms.

About the Horwath HTL UK Team

Malcolm Kerr, Elliot Cornish-Sheasby, and Vedika Jhunjhnuwala are a team of hospitality professionals with over 30 years of combined experience.

They provide planning and development support to hotel, tourism, and leisure stakeholders in the UK and worldwide. With expertise in strategic planning, operations, development, risk and assurance and ESG for hotels, F&B, spas and private members clubs and events.

Together, Malcolm, Elliot, and Vedika can help clients achieve their hospitality goals. They are committed to providing clients with the highest quality of service and support.

Contact 55 Ludgate Hill London EC4M 7JW United Kingdom T: +44 (0)20 7842 7253 www.horwathhtl.co.uk Subscribe for latest news	 Malcolm Kerr Managing Director T: +44 (0)20 7842 7253 M: +44 (0)7500 009635 mkerr@horwathhtl.co.uk 	 Elliot Cornish-Sheasby Consultant T: +44 (0)20 7842 7429 esheasby@horwathhtl.co.uk 	 Vedika Jhunjhnuwala Consultant M: +44 (0)7584 057287 vjhunjhnuwala@horwathhtl.co.uk 
--	---	---	---

Crowe U.K. LLP is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe U.K. LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe U.K. LLP. This material is for informational purposes only and should not be construed as financial or legal advice. You are encouraged to seek guidance specific to your circumstances from qualified advisors in your jurisdiction. © 2022 Crowe U.K. LLP