
Foreword

The global hospitality industry entered 2014 on an upward growth trajectory; a greater sense of optimism was palpable across most regions, as accelerating capital markets, favorable supply and demand balances, and strong investor appetites fueled higher transaction volumes and strengthened lodging fundamentals.

Robust investor interest worldwide was reflected in the year's key industry trends:

- ▶ More lodging projects broke ground as traditional lenders eased restrictions on construction loan originations.
- ▶ Accelerating cross-border capital flows intensified competition among domestic and international investor groups for hotel assets.
- ▶ In select secondary markets, investors evaluated higher-yield opportunities outside of gateway cities, reflecting renewed interest in the sector.
- ▶ Evolving guest preferences propelled an influx of new hotel brands.

Even amid geopolitical instability, the emergence of new health concerns and stagnant economic growth in certain regions, the global hospitality industry thrives in a cycle of accelerating growth, and optimism prevails in most markets.

Over the next 12 months, further gains in the global hospitality sector are anticipated. Major industry players are seeking to strategically deploy and optimize their capital investments, and strong investor appetites, coupled with the availability of flexible and creative capital sources, will fuel demand for hotel acquisitions. The consolidation of asset-light, third-party management platforms will remain

prominent, as investors continue to seek the most qualified operators to improve the performance of recently acquired hotel assets. Previously dormant lodging markets are positioned to gain traction, as increasingly opportunistic investor groups weigh higher returns in secondary locations and emerging submarkets. And the focus on technology will intensify, as both hoteliers and customers continue to evaluate their return on investment in a lodging experience grounded in sophisticated social, data and mobile applications.

The global lodging industry will continue to adapt as new accommodation platforms emerge. Traditional lodging types now exist in a shared economy with apartment rental services and other alternative offerings, including membership clubs, hostels and avant-garde lifestyle brands. As global travel increases across leisure, corporate and group segments, destinations must effectively implement and invest in their tourism strategy to differentiate themselves. Furthermore, the continued increase in cross-border capital flows will intensify competition in gateway markets among traditional financial investors, presenting new financial and tax implications for both domestic and foreign investors.

At EY, we believe hospitality plays an integral role in building a better working world by connecting global regions across

economic, investment and experiential platforms. The impact of hospitality on our global economy is significant; across the world, the travel and tourism industry encompasses 266 million jobs, and contributes 9.5% of gross domestic product (GDP) globally. With travel and tourism sector growth forecast to expand by 3.9% during 2015, the sector will be increasingly recognized as a key driver of economic growth at the local, regional and global level.¹

As we strive to address issues important to the industry, we are excited to present this year's edition of *Global hospitality insights: top thoughts for 2015*. The report reveals key issues and trends we believe will be the primary areas of focus in the global hospitality industry in the upcoming year.



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1. "Economic Impact Analysis," World Travel & Tourism Council, 2014.