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HD **Emerging markets a threat to hotel deals**

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Australia was the third most popular destination for hotel investment in the Asia-Pacific in the first half of 2014, according to global real estate company Cushman & Wakefield.

The top-ranking destinations were China with $US1.7 billion ($1.8 billion) and Japan ($US881 million). Investors spent $US654 million on Australia hotels in the first six months of the year, a 10 per cent rise on the same period last year.

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Several big Australian deals are likely to conclude in the second half of the year, and will be needed for the hotel sector to match the $US2.3 billion invested in 2013 .

The 2014 first-half figures show several emerging hotel investment markets, including the Philippines, Korea, Malaysia and Indonesia, which could impact on demand and competition for Australian hotels and the prices investors are willing to pay.

Currently on the block are Starwood's Sydney flagship, Sheraton On The Park, expected to sell for about $465 million; the NSW government's sandstone Department of Lands and Department of Education buildings; Pearls Australasia's Sheraton Mirage Resort on the Gold Coast with expectations of about $170 million; and other smaller assets.

In May, the Sofitel Sydney Wentworth sold to Singaporean group Frasers for $202 million, to date the year's top sale. Sales up 9.5pc

Across the region, hotel sales were up 9.5 per cent over the first half of 2014 totalling $US5.2 billion, according to Cushman & Wakefield.

This followed a bumper 2013 in which investors and operators poured $US12.8 billion into hotels, the highest amount in the past five years.

China, Japan, Singapore and Australia were the four biggest investment markets last year.

Cushman & Wakefield regional director Akshay Kulkarni attributed the more than doubling in hospitality investment volume in 2013 compared with 2008, to excess liquidity, low borrowing costs and the region's favourable tourism growth and outlook.

For 2014, Cushman & Wakefield is forecasting the hotel investment market to moderate somewhat and attract between $US9 billion and $US10.5 billion in total investment.

Among the established markets, Mr Kulkarni forecast Japan to "undoubtedly improve further and lead the pack, due to strong corporate demand and greater investor optimism arising from Abe's economic reforms".

But he expected lower transaction volumes in Singapore – where sales volumes fell steeply in the first half of 2014 – and in **China**, the latter due to weaker trading performances in key **Chinese** markets and the slowing economy.

India would gain significantly, "due to the change in approach to debt service and banking norms forcing asset restructuring companies to offload some of their stocks", Mr Kulkarni said.

"This provides India with a significant opportunity to attract a significant share of the regional investments."

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