

News release

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Hospitality sector recovery likely to continue in 2012 despite ongoing global economic uncertainty, says Ernst & Young

NEW YORK and LONDON, 23 January 2012 - Hospitality market fundamentals look set to continue the recovery which started in 2011 in spite of continuing uncertainty and the prospect of further upheaval in the global and regional economies according to Ernst & Young's latest [Global Hospitality Insights](#) report published today.

Despite the uncertain global economic environment, hospitality indicators continue to appear positive. "The conventional wisdom suggests that key fundamentals should be on the wane, but that has not happened yet and, due to many factors, we don't believe it will occur in 2012," said Michael Fishbin, Ernst & Young's leader of Global Hospitality Services. Nevertheless, Fishbin suggests hotel operators and investors in the sector need to stay focused and not have a false sense of security by the overall numbers.

"The situation for the hotel industry is markedly different from market to market and global operators need to be on their toes and ready to react to rapidly changing conditions," he added.

Fishbin contrasted hospitality markets in developed economies, such as the US, with some developing economies such as China and Brazil, where construction has been very active. In the US, currently the largest hotel market in the world, the construction of new hotels has historically averaged around two percent per year but in recent years, and for the foreseeable future, is projected to be less than one percent per year. “Even with the uncertain economic outlook, hotel supply is not going to outpace demand any time soon, giving fundamentals such as room rates and overall occupancy a chance to further recover,” Fishbin said.

Among emerging economies, Brazil could fare the best over the next decade in part by the impact of two mega events – the FIFA Soccer World Cup and the Summer Olympics – scheduled to take place there in 2014 and 2016, respectively. These events will attract millions of travelers to the country and while hotel construction has been increasing in preparation for both events, officials are taking a pragmatic approach in order to avoid overbuilding.

Fishbin concludes that while the bias among hotel companies will be to continue to grow in 2012, that growth should not come without a fair amount of checking back in the rear view mirror. “This isn’t a time for hotel operators to abandon the principles that allowed them to navigate through the recent economic downturn,” he says. Many companies are still sitting on piles of cash waiting for an opportunity to transact, says Fishbin. “Companies should take advantage of this breathing room to reassess and examine their capital agendas to make sure they are using cash wisely and efficiently as well as preparing for future growth,” he says.

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For more on *Global Hospitality Insights Top Thoughts*, go to www.ey.com/realestate.

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