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The hotel sector is in a holding pattern, which could see the industry looking nervously around, meercat-style, until summer at the earliest.

This week saw the first proper gatherings of the sector, with Cushman & Wakefield Hospitality's New Year Summit and the launch of Christie & Co's Business Outlook 2008 giving executives the chance to compare notes on the year ahead and measure their post-Christmas cheer.

2007 was a game of two halves, was the consensus, with the first half being full-steam ahead, and the second half in the doldrums.

Operationally, hotels are at a peak, but with all but the single asset and small portfolio deals stalling, concerns are building that falling consumer confidence and spending will start to erode revpar.

For transactions, lack of debt is making its presence felt. The total value of European hotel transactions will reach just half 2006's \$20bn (£10bn) total, it 2008, it was forecast at the New Year Hotel Investment Summit.

Nick Pattie, managing director of C&W Hospitality, said: "2008 will see strong operating performances continuing but growth slowing, whilst investment yields will soften in all but the prime markets."

Christie & Co reported 13.1% growth in average prices during 2006, but more modest growth of 6.1% during 2007. Prices in 2008 are forecast to move forward at the end of 2008, if the markets stabilise.

Jeremy Hill, head of hotels at Christie & Co, said: "From mid 2008 we are hopeful that solutions to the credit crunch will have emerged, and that interest rates will have stabilised or more likely reduced. Good quality, well located hotel property will still be highly sought-after by a variety of buyers and such strong demand will start to push prices up from the middle of the year.

"Demand for good quality hotel property from a wide range of investor groups continues to exceed supply, and this trend is expected to continue during 2008. Private equity groups still have funds to invest in hotel property and high net worth individuals continue to favour hotel assets. Property firms even now seek the premium returns offered by hotels."

Conrad Bigham, director at Cushman & Wakefield Hospitality, said: "Provided that underlying operational performance remain robust, we anticipate a sharpened focus on reinvestment in existing hotel assets and continued development of new hotels.

"The recent dominance of private equity firms is likely to be substituted by a combination of sovereign wealth funds and ultra high net worth individuals

"Sheer weight of capital and appetite for quality assets in strong locations is expected to mitigate the impact of the credit crunch."

This has so far been proven – for all the concerns about a stagnating deals market there have been deals: Hotel du Vin has acquired the 22-room St Andrews Golf Hotel and GuestInvest has spent £120m on what will be two sites.

The sector is for now strong, and hotels are expected to continue to outperform many other commercial property classes, but the froth of 2007 is ebbing away.

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