Global Tourism and Real Estate

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Introduction

A rapid increase in travel and tourism has been an integral part of the ongoing wave of globalization. Patterns of global economic growth are impacting tourism activity worldwide. With growing affluence in emerging economies, the pool of international travelers is expanding to include visitors from a broader variety of countries. Increasing cross-cultural contacts and greater access to information regarding tourism attractions in hitherto lesser known parts of the world, increasing fascination with the emerging and developing economies, new forms of tourism activity, such as ecotourism, and increased investment in infrastructure further broaden the destinations of travelers. At the same time, due to the changing business environment and evolving technological and logistical changes, the tourism industry is undergoing major structural changes. Firms historically viewed as tourism-related are shedding and outsourcing non-core activities, and firms in peripheral industries are moving into tourism-related activities. An emphasis on branding and franchising has emerged in concert with an increasingly fragmented ownership pattern of branded tourism facilities, giving flexibility to involvement of different types of owners within the industry.

The real estate industry is an integral part, and underlying infrastructural basis of the tourism sector, as it is of many other sectors in the economy. Tourism activities are most often tied to geographic settings, and much of the physical space where the activities occur has been developed by and may be managed by real estate firms. With the development of a transnational business base, market overlap, vertical and/or horizontal integration for reasons of business efficiency or strategy, the distinctions between tourism
and real estate are becoming increasingly blurred in terms of use patterns. Hotels serve as long-term residences and offices for an itinerant business workforce, and leisure communities offer both residential and recreational services to an often international population.

Along with other sectors, real estate is also globalizing. US real estate firms are following their traditional customers—US multinationals—abroad, adding international customers to their client base, and transferring their specialized services to locations in foreign countries. In the global setting, US real estate firms provide types of real estate services and structures that were previously found primarily in the US and in other developed countries. Greater cross-border investments, business and leisure travel, and increasing demand on the part of global travelers for the style of travel and tourism services previously found mainly in the developed world, suggest opportunities for US real estate firms in this changing pattern of tourism.

This paper examines and analyzes the role of real estate as a key underlying component of travel and tourism (T&T). Some of the questions addressed are: what is the real estate content of T&T? How does the emerging pattern of globalization affect tourism, and hence that part of the real estate industry that is connected to the tourism sector, particularly in the context of US firms? What is the extent of investment, domestic and cross-border, in key real estate pillars of T&T, such as hotels, and T&T infrastructure, in the form of airports, highways and transportation hubs? What are the constraints and bottlenecks to further development?

We begin by reviewing selected research on the key elements of globalization in these two industries--real estate and tourism. The next two sections focus definitions and
on trends in both industries, related to the US economy. The next portion of the paper describes global trends in tourism, some of the structural changes taking place in the industry, and the effects of changing exchange rates on tourism patterns. We use a more detailed discussion of the hotel sector to highlight how changing business structures and evolving demand and supply side factors are have reshaped the real estate role in a globalizing tourism sector. We draw from the findings related to general trends and the illustration of the hotel industry to create a conceptual framework of the prospects and limitations for different real estate related sectors in responding to changing tourism demand. The paper concludes with an outline of unanswered research questions, and suggestions for future research directions and data approaches.

**Underlying Factors in Real Estate and Tourism Globalization**

While a number of studies exist on global real estate markets (see collection in Brown and Liu 2001 for example), little has been written on the implications of globalization from the point of view of the US real estate industry. Bardhan and Kroll 2007 identify three main sectors within the broad real estate industry, investment, development, and services, each of which is affected differently by globalization. The analysis finds that US firms involved in investment and finance are the most likely to be global players, although less than one fifth of major real estate finance and investment firms listed in the Onesource database indicated physical international presence. At the other extreme, only about ten percent of major US brokerage and real estate service firms (firms with 500 or more employees) have global operations or linkages with international partners.
Even without physical presence, the global economy affects many aspects of the industry, including real estate prices and returns, and the underlying costs of materials (Linneman 2006). Motivations for globalization of real estate investment include diversification of risk, higher returns, and changing customer demand (Bardhan and Kroll 2007). Geographic diversification within a single product type raises questions, as there is evidence that both office (Goetzman and Wachter 1996) and residential (Bardhan, Edlestein and Leung 2004) products move with the global market rather than distinctly by geographic area. A broader mix of real estate products appears to provide diversification benefits in a mix with other types of products in a global portfolio (Conover et al 2002, Hesli et al 2004).

Lachman 2006 emphasizes the impact of changing global demographics on real estate demand and opportunities. For many of the developed countries, aging of the population and declining labor force numbers will slow economic growth and limit real estate opportunities to "replacement" over the next few decades. Developed countries that continue to grow through immigration (the United State, Australia, Canada and the United Kingdom) can still offer growth in demand for new real estate and the stability sought by "institutional grade" investors. Lachman demonstrates that higher growth will come not only from Asia but from Latin America, the Middle East, and parts of the Pacific, but at higher levels of risk because of the country's level of economic development as well as institutional and political factors. Emerging economies in Eastern Europe mirror Western European demographic trends (or even precede them), but offer significant replacement demand, as a short term phenomenon (Brounen and Eichholtz 2004). Although Lachman 2006 indicates that institutional investors may continue to find
opportunities with their return and risk parameters within the US, Bardhan and Kroll 2007 found that even these investors have begun entering less familiar and less stable markets in emerging economies, in search of higher returns.

Research on tourism globalization has largely focused on tourism as an activity or a service, rather than the real estate aspects and implications. Hjalager 2007 presents four "stages" of tourism globalization which focus on different aspects of the process. These aspects include i) international promotion of tourism destinations; ii) cross border business investment in tourism services; iii) "fragmentation," including outsourcing supply chains across borders and drawing on and building a global labor force; and iv) new value chains--from extending tourist brands to other types of products to sharing expertise beyond the service company to other providers. Technology and communications play an important role in shaping the global aspects of elements iii and iv. Hjalager notes several consequences of new technology developments. Communications technology such as the Internet has expanded access to the international market for small tourism providers. Making use of these technologies has affected human resource demand, adding higher skilled/higher wage jobs to the tourism sector.

Hjalager 2007 describes a range of tourism investment directions that are directly tied to the real estate. Tour operators made direct investment in hotel capacity in the 1960s and 1970s, while other foreign investment has concentrated in hotels in metropolitan areas. Theme park operators, such as Disney and Legoland, have developed internationally. The author also notes "small-scale micro-investments" have been eased by the free flow of capital within the European Union. Overall, these investments are
small compared to other aspects of tourism development, such as management, franchising, and even the globalization of tourism supply chains.

Ioannides 1995 describes the standardization and consolidation that have occurred as the industry has become more global. Hotel chains, airlines, and major tour operators all played a role in this process. The author argues that the major tourism suppliers use both geographic diversification and vertical integration to reduce overall risk and maximize profits, while linkages with local suppliers are little understood. The state plays a role as well in assisting the coordination of tourist suppliers and in promotion.

Analysis of the determinants of tourism spending show a significant relationship, in developed countries, between relative prices (as measured by changes in exchange rates) and international tourism flows (Eilat and Enav 2004). Exchange rate fluctuations were found to be less significant for developing countries. The relationships are complex and also are affected by factors such as GDP, income levels, differences in the overall prices of goods and services, and risk perceptions. (See also Law and Au 1999, Lazko 2005). Research on US/Canadian tourism flows show that the price relationship, as affected by exchange rates, is of importance for cross-border flows between neighboring countries as well, although the relationship can be complex (Di Matteo 1999, with updated evidence of basic trends from Neils 2006).

Much of the empirical analysis of tourism globalization, especially the real estate aspects, focuses on the hotel industry. Dunning and McQueen 1981, drawing from a broader tourism study, find that the hotel industry has unique characteristics when compared to manufacturing multinational enterprises (MNEs) that allow the firm to capture the advantages of globalizing the service without necessarily relying on an
accompanying investment in the physical plant. Their analysis is based on Dunning's "eclectic paradigm," which combines an understanding of location advantages with company-specific advantages (Dunning 2002). Once the location is chosen, competitive advantage for the hotel MNE comes from factors that are distinct from real estate, such as "intangible assets and logistics skills" that reduce the "transaction cost" of entry into a new market; advantage of experience with known groups of customers; sourcing advantages for supplies; expertise in management, organization and training; wider promotion prospects for staff; and links with related activities (transportation, reservation, referral systems). (Dunning and McQueen 1981, page 203). Research by Anikeeff 2004 and Endo 2006, among others, confirm this separation of real estate from other aspects of tourism services foreign investment.

Dunning and Kundu 1995 use the eclectic paradigm to identify both company and location factors that affect hotel globalization. Based on responses from thirty-four companies, the study determines significant internal characteristics to include knowledge of home-country customers, parent company brand image, and investment in training (thus knowledge and communications factors are key). Location characteristics include host country size and growth rate, tourism opportunities in the host country, availability of infrastructure, and political and economic stability of the host country. The research also identifies characteristics that influence companies to choose an equity position or contractual relationship (as opposed to some type of franchising arrangement). Reasons cited include quality control, coordinating capabilities with the parent company, host country investment policy, and political and economic stability (page 129). Dev, Erramilli and Agarwal 2002 cite control over technology as a further reason for
maintaining an equity position in a hotel, but add that this approach leads to a slower pace of international expansion.

Other studies highlight the importance of agglomeration and networking in successful location choice for hotel investment. Canina, Enz and Harrison 2005 found positive externalities from hotel agglomerations, with budget hotels locating close to luxury hotels experiencing increasing revenues. Kalnins 2006 found a similar "luxury hotel" effect in attracting economy brands, although the reverse was not true. The study describes a number of informal or formal networks that boost profitability, including referrals among hotels when capacity is reached. Kalnins 2006 presents evidence that networking and cooperation can influence success and enhance the benefits of proximity, both in the case of an immigrant network of hotel owners and more broadly within the industry.

The company or investor's country of origin influences where and how global tourism investment occurs. Hjalager 2007 finds that the franchising model is more strongly established among North American companies as compared to European firms, and has contributed to the dominance of North America chains in global hotel operations (p. 446). In earlier periods, ownership positions were most likely to be found for investments in developed countries, with investment in developing countries less likely to include an equity stake (Dunning and McQueen 1981). However, these authors also found a difference in investment strategy based on country of origin of the investor, with European firms more likely to prefer an equity stake. Although franchising has been a long-term strategy for moving into new markets across borders, in some cases the absence of financing in emerging markets such as Eastern Europe has led hotel
companies to expand via an ownership position (Anikeef 2001). Ownership strategies can vary within a single country over time and by product type. While Dunning and McQueen 1981 found Japanese hotel investors were among those less likely to undertake equity based foreign investments, Edgington's 1995 study of Japanese real estate investment in North America found that US real estate became attractive to investors with excess capital in the late 1980s, with individual investors drawn to high-profile recreation properties in a very limited number of geographic areas. Related industries (such as the airline industry) made tourism-related real estate investments linked to the demands of their existing customer base.

Studies of globalization of the hotel sector highlight some of the factors drawing US hotel chains and investors into new tourism markets. Bender and Roth 2006 cite US market saturation and global demographics as key drivers for expansion into new international hotel markets. US brands have demonstrated competitive advantage, in terms of profitability relative to domestic providers in entering emerging markets, as shown in a case study of hotels in China (Yu and Huimin 2005).

With management often separated from the real estate (particularly for hotels), much less has been written on the degree to which tourism related real estate investment or development is globalizing and how it is globalizing. Trade publications and newspapers report active investment activity. Hotels account for 10 percent of the global property sales reported by REAL Capital Analytics in their 2007 year in review report, and many of these sales are cross-border. The largest individual property sale they report for 2007 was of a Las Vegas casino and resort to a Dubai buyer. US buyers are equally active, with Morgan Stanley becoming the largest hotel owner in Japan with the purchase
of All Nippon Airways hotel properties in 2007. The sections that follow look further into trends in tourism globalization and in the real estate aspects of tourism to understand how these two industries may evolve as they interact in the process of globalization.

There is much less research on other tourism types as it relates to real estate. Inskeep 1988 in outlining the planning aspects of tourism, describes a broad range of real estate elements including accommodations; commercial, cultural, and conference centers, visitor centers, recreation facilities, utility service sites, employee housing, open space and conservation areas, and circulation systems. The article also describes the links to related services, from tour services to retail, health and financial services.

A number of case studies look at infrastructure and tourism, although not specifically as infrastructure as a potential real estate investment. For example, Khadaroo and Seetanah 2007 find that transport infrastructure can positively influence tourism among European, American, and Asian tourists, whereas only European and American tourists are deterred by a dearth of non-transport infrastructure.

Gladstone 1998 distinguishes between the urbanization impacts of cities whose economies are based on leisure (e.g. retirement centers) and “tourist metropolises” that have become (or were created as) entertainment centers, with a focus primarily on the labor force implications. Gladstone and Fainstein 2001 examine the impacts of the tourism sector on Los Angeles and New York, focusing on the economic development and labor impacts, as well as the effects of the broader economy and local political and social structure shape the industry. Both cities attract a much higher proportion of foreign visitors than the US as a whole. Tourism has been very vulnerable to economic swings in both cities, both up and down, and contributes significantly to their export base.
The research highlights a different aspect of real estate and tourism--real estate
development regulations and negotiations in redevelopment areas become a tool for
shaping a social agenda around tourism employment and benefits issues.

Major Trends in Tourism

Tourism Sectors--Definitions and Measurement

Although "tourism" is often described as an industry, it does not show up as a
single industry or sector, or even as the sum of a set of sectors, in the normal economic
accounting for the US economy. Instead, tourism involves portions of more than half a
dozens industrial sectors. The United Nations, OECD, and World Tourism Organization
(WTO) have developed a methodology for reporting tourism economic activity in
Bureau of Economic Analysis (BEA) publishes reports of US tourism output and
employment following this model (See for example Kern and Kocis 2007).

The World Trade Organization defines tourism as "the activities of persons
traveling to and staying in places outside their usual environment for not more than one
consecutive year for leisure, business and other purposes not related to the exercise of an
activity remunerated from within the place visited." This definition focuses on travel as a
key aspect of tourism. In addition to travel, the main activities involving tourism include
accommodations, food and beverage services, as well as shopping, entertainment,
amusement and recreation.

Tourism output is measured both by industry and by output commodity in the
BEA reports, and in both cases, the tourism component/subset of the industry or
commodity needs to be distinguished from the total output of the industry or commodity. For example, the “food services and drinking places” industry has a large local-serving portion of demand, with only 20 percent of the output directly attributable to tourism, according to BEA (see Figure 1).

![Figure 1](#)

**Figure 1**

*Output, Selected Tourism-Related Industries, 2005 (Total Industry Tourism Output = $0.654 Trillion)*

On the other hand, not all food and beverage services output is produced by the food services and drinking places industry; the commodity measure includes the food and beverage services produced by other industries (the hotel industry, for example), while establishments classified as within the food services and drinking places industry may produce other "commodities" as well (eg. gambling or entertainment). In addition to these complex accounting elements, multiplier effects expand tourism-related output, as shown in Figure 2.
Tourism commodity output overall grew by 10.7 percent between 2000 and 2006, after adjusting for inflation. This did not occur in a steady annual increase--output dropped from $547 trillion in 2000 to $521 trillion in 2001 (still in 2000 dollars), and only recovered above the 2000 level in 2004, when output reached $574 trillion. By 2006, output (in 2000 dollars) had grown further, to $605 trillion. International air travel has shown the strongest growth since 2004, a combination of i) recovery from the sharp drop-off in international air travel following the 9/11 terrorist act and subsequent incidents, and ii) response to sizeable increases in business travel following growing FDI, offshoring and international trade. (See Figure 3.)
Overall, the strongest output growth since 2000 of major tourism sectors has been in food and beverage services (19.7 percent) and travel arrangements (22.5 percent). Recreation and entertainment output has grown by 18.7 percent, spurred largely by a 41 percent growth in gambling activity. International air travel has outpaced domestic air travel in growth, growing by 10.9 percent from 2000 to 2006, compared to domestic air travel growth of only 3.6 percent, in real terms. This has occurred despite large price increases in international air travel and price decreases in domestic air travel, as shown in Figure 4.
In contrast to a net increase in output since 2000, employment in the tourism industry in 2006 was at the same level as in 2000, as shown in Figure 5. Employment dropped by 4.3 percent between 2000 and 2003 and grew by 4.7 percent from 2003 to 2006. The bulk of employment growth was in food services and drinking places. Employment in traveler accommodations remains below its 2000 level, although there has been growth since 2003, while employment in transportation continues to drop.
International Tourists in the United States

The nonresident (foreign) share of tourism in the US has dropped since 2000. Nonresidents accounted for 15.3 percent of tourism output within the US in 2000, dropped to 11.7 percent by 2003, and recovered slightly to 12.7 percent by 2005. Outbound travel by US tourists abroad showed much less change, proportionately. US travelers going abroad accounted for 18.2 percent of all tourism originating in the US in 2000, dropped to 16.1 percent in 2003, and recovered to 17.3 percent by 2005. The role of international tourism continued to expand in 2006, as shown in Figure 6, with growth in both inbound and outbound travel. However, net tourism exports were substantially below the levels prior to 2001. The weakness of the US dollar in 2007 and 2008 may strengthen these trends again.
In terms of tourism spending, nonresidents account for between 15 and 20 percent of the total (domestic plus foreign) tourism share of accommodations, personal
consumption expenditure (PCE) commodities, food and beverages, sightseeing and gambling, as shown in Figure 7.

**The US Dollar and International Tourism**

**Figure 8**

**US Dollar Exchange Rate Fluctuations, Selected Countries**

![Graphs showing exchange rates](source: Board of Governors of the Federal Reserve System from FRED database.)

The weakening of the US dollar in 2007 and 2008 will likely lead to a growing share of nonresident spending on tourism in the US, when satellite accounts are updated. Exchange rate fluctuations vary across countries, as shown by the charts in Figure 8. The Japanese yen has been relatively stable over the past 8 years, relative to the dollar. The Chinese yuan was tied to the dollar until recently, but has been allowed to fluctuate and has begun to dip in the past two years. The weakening dollar is particularly apparent for the European Union and Canada and can be anticipated to raise opportunities within the US related to foreign visitors from these regions. (These regions are a major source of foreign tourists to the US--visitors from Europe and North America accounted for 85
percent of tourist arrivals to the US in 2005 according to the UN World Trade Organization).

The lack of predictability of exchange rate fluctuations and the long term nature of the real estate aspect of tourism investments suggests that exchange rates will be a secondary factor in determining tourism-related investments, after GDP, per capita income, and growth rates.

**Real Estate in the Tourism Sectors**

**Measures of Real Estate Aspects of Tourism**

Historically, much of tourism development has been tied to new real estate development. Real estate (in the form of building structures) is the single largest component of capital investment in the tourism-related industries. Structures account for between 55 and 60 percent of capital investment in arts, entertainment and recreation industries and in accommodations and food services, as shown in Figure 9. More than half of capital investment in the retail sector is also in structures. (The average share of structures in capital investment for all industries is just over 40 percent.) Travel, in contrast, has a much heavier component of investment in equipment, with structures accounting for 15 percent of capital investment.

More broadly, the role of real estate-related products and services as an intermediate input varies broadly among tourism-related sectors, as shown in Figure 10. Real estate transactions, services, and design activities account for between 10 and 15 percent of intermediate inputs to sightseeing, travel arrangements, hotels and motels, and
food services and drinking places, more than one fourth for other accommodations, but less than 5 percent for air transportation.

Figure 9
New Structure Component of New Capital Investment, Tourism-Related Industries and Comparable Sectors

![Bar chart showing the percentage of new structure component of new capital investment across various sectors]

Source: Authors from Bureau of Economic Analysis, 1997 Capital Flow data, purchasers prices.

Figure 10
Real Estate Related Inputs as a Share of Total Intermediate Inputs to Tourism

![Bar chart showing the share of real estate related inputs across various tourism-related industries and total inputs]

Source: Authors from Bureau of Economic Analysis, 1997 Benchmark Use Data.
Trends in hotel occupancy and rates provide a window into opportunities and risks in tourism-related real estate. The cost of a hotel room (measured by average daily room rate) has on average kept pace with the overall price changes as measured by the Consumer Price Index (CPI). (See Figure 11). Room rates have gone down, relative to the CPI, during periods of recession, and in the 1995 to 2000 expansion, rates grew much faster than the rate of inflation. The sharp downturn in rates beginning in 2001 reflects the overall weakness in travel and tourism demand as a result of the post-2001 security environment and the bursting of the dot-com bubble, which sharply reduced travel to the previously booming centers of innovation. Occupancy dropped even more severely than room rates in 2001, as shown in Figure 12.

Figure 11
U.S. Average Daily Room Rate Index and Consumer Price Index

Source: PKF Hospitality Research US Trends
Tourism-Related Real Estate Investment Vehicles

Real estate investment vehicles include publicly-traded Real Estate Investment Trusts as well as private institutional and individual investment funds. According to the National Association of Real Estate Investment Trusts, lodging and resorts accounted for 8 percent of market capitalization by sector at the end of second quarter 2007, as shown in Figure 13. These are REITs where at least 75 percent of the assets are in the lodging and resorts category. Additional tourism-related investment may be found in the retail, diversified, and even residential (leisure community) sectors.
Figure 13
FTSE NAREIT US Real Estate Index:
Market Capitalization by Sector, June 2007

Source: FTSE® Group and National Association of Real Estate Investments Trusts®

Figure 14
U.S. NCREIF NPI National and Hotel
Returns

Source: National Council of Real Estate Investment Fiduciaries, NPI Returns

Figure 14 shows trends in returns for US hotel-related real estate investment funds since 1997, in comparison to all real estate investment funds tracked by the NCREIF, the National Council of Real Estate Investment Fiduciaries, which tracks institutional
investor performance. Hotel real estate returns have been more volatile than other commercial real estate, and had a much larger dip in returns in 2001. Hotel returns rose sharply in 2006 relative to other real estate commercial products.

**Global Tourism**

The discussion so far has concentrated on tourism trends, and related real estate issues, within the US. International tourism has been growing steadily, with greater numbers of cross-border trips and increasing number of destinations. According to data collected by the Airports Council International, worldwide passenger traffic in 2006 was 800 million trips greater than in 2000, an increase of over 20 percent, as shown in Figure 15. United Nations World Trade Organization (UNWTO) data suggests that the greatest increase in travel has been in Asia. Both developed countries such as Japan, and emerging economies such as China and India have seen visitor arrival increases on the order of 40 percent or greater between 2000 and 2005 (Figure 16).

Much of the passenger movement is intra-regional in nature. For example, China, which reports the largest numbers of arrivals in 2005 (over 100 million), receives most of those visitors from neighboring Asian countries (Table 1). Japan receives over 70 percent of visitors from other parts of Asia and the Pacific. Almost two thirds of visitors to the United States are from other parts of North and South America. Of all the places with data reported by the UNWTO, India shows the most diversified pattern of arrivals, with the largest share (37 percent) from Europe, and a similar proportion from the Asia/Pacific region and South Asia.
Figure 15
Total Worldwide Passenger Movements

Source: Airports Council International (ACI)

Figure 16
Growth in Arrivals, 2000-2005, Selected Countries

Source: Computed from World Trade Organization data.
### Table 1
Share of Arrivals by Region, Selected Countries, 2005

<table>
<thead>
<tr>
<th>Country</th>
<th>Arrivals (000s)</th>
<th>Africa</th>
<th>Americas</th>
<th>Europe</th>
<th>Asia/Pacific</th>
<th>South Asia</th>
<th>Middle East</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>120,286</td>
<td>&lt;1%</td>
<td>1.8%</td>
<td>4.3%</td>
<td>93.2%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>India</td>
<td>3,883</td>
<td>3.4%</td>
<td>20.7%</td>
<td>37.0%</td>
<td>15.1%</td>
<td>21.7%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Japan</td>
<td>6,727</td>
<td>&lt;1%</td>
<td>15.3%</td>
<td>12.1%</td>
<td>70.8%</td>
<td>1.4%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>UK</td>
<td>29,970</td>
<td>2.2%</td>
<td>15.3%</td>
<td>72.5%</td>
<td>7.3%</td>
<td>1.4%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Russia</td>
<td>21,591</td>
<td>&lt;1%</td>
<td>2.1%</td>
<td>91.2%</td>
<td>6.1%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>S. Arabia</td>
<td>8,034</td>
<td>5.4%</td>
<td>&lt;1%</td>
<td>4.2%</td>
<td>5.5%</td>
<td>14.2%</td>
<td>69.8%</td>
</tr>
<tr>
<td>USA</td>
<td>49,205</td>
<td>&lt;1%</td>
<td>63.4%</td>
<td>21.7%</td>
<td>13.2%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>France</td>
<td>76,001</td>
<td>1.2%</td>
<td>6.1%</td>
<td>89.0%</td>
<td>3.3%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Germany</td>
<td>21,500</td>
<td>&lt;1%</td>
<td>11.2%</td>
<td>74.9%</td>
<td>9.3%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Italy</td>
<td>36,513</td>
<td>&lt;1%</td>
<td>8.9%</td>
<td>86.5%</td>
<td>3.0%</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

Source: Computed from UNWTO data.

Directions of outbound flows of tourists differ substantially from inbound flows across countries. Of 31 countries reported by the UNWTO, Germany and the United Kingdom report the largest number of outbound travelers, with the United States third, and Poland, surprisingly, fourth (with travel to neighboring European countries included in the count. See Figure 17). China, with its large population and emerging economy, also provides greater numbers of outbound travelers than other more developed European and Asian economies. In China, however, the number of inbound visitors greatly exceeds the number of outbound, as shown by the data in Table 1 and Figure 17.
The data in Figure 18 indicate that tourism receipts per visit tend to be lower in European countries according to UNWTO data, most likely because much of the travel to Europe involves short visits from neighboring countries. In countries like India, a high share of the visitors are from developed countries. Receipts have grown most quickly in India and in Japan. Lower per capita expenditures do not necessarily translate into lower revenues--overall tourism receipts from inbound and domestic visitors are highest in Europe, followed by North America and then Asia.¹ Both overall levels and growth rates are likely to be of importance in tourism-related real estate investment decisions.

¹ The expenditure data for these regions is incomplete. For example, receipts for France and India are not reported in the UNWTO data for recent years. However, even missing these two major markets, expenditures in Europe exceeded $216 billion in 2005, compared to close to $152 billion in North America (no missing data) and $83 billion in Asia. Earlier receipts in France were on the order of 10 times greater than in India, suggesting that even were data more complete, the ranking of receipts by major geographic region would not change.
The rapid growth of tourism in emerging economies is a precursor of future tourism development opportunities in these countries. There are currently wide gaps in travel affordability between developing and developed countries, as shown in Figure 19.
With airfares at 600 to 1000 percent of monthly incomes, the opportunities for travel are limited to relatively affluent individuals in India and China. However, these countries are also among the fastest growing large economies in the world. With this rapid growth, emerging middle classes will provide growing demand for tourism both domestically and internationally.

**Real Estate and International Tourism**

The localized nature of real estate is weakening. From land development to design and construction, firms that once focused only on local markets within a US region are finding demand for their services abroad, diversifying their markets and developing new risk-management techniques. In the context of international tourism, the primary real estate players have historically been global hotel and hospitality chains, international developers of hotels, resorts and vacation communities, and to a somewhat lesser degree of relevance, specialized real estate developers and service providers in the logistical and travel arena, viz. construction, expansion and modernization of airports and other related travel infrastructure. More recently, the tourism demand continues to come from these market segments, but the players are changing as tourism providers focus more on core services, often separating from the real estate aspects of the operation.

**Hotels**

Globalization of tourism is creating new opportunities in accommodations. For US real estate firms involved in hotel real estate, revenues are often as high outside as in the US, as shown in Figure 20 for 2005. Even in the emerging economies experiencing growth in tourism outpacing inventory growth, rates in hotels catering to business and

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2 Real estate aspects of the hotel sector are described in more detail in Begley 2008.
international travelers are at times comparable with rates in major cities in developed countries. For example, Deloitte's HotelBenchmark reported Asia Pacific average room rates at $137/night for the first half of 2007, but as high as $253 in Mumbai (a 46% increase from a year earlier) and $144 in Shanghai. "World city" pricing is to some extent spread across product type within markets. Figure 21 compares price ranges by hotel "star" category in London and Mumbai. The gap appears to widen somewhat at the lower "star" levels.

Figure 20
Revenue Per Available Room 2005
Selected World Cities


Figure 21a
Changing structure in the hotel industry is creating segmented opportunities for hotel brands and hotel and property managers—which can be considered akin to specialized real estate services—and property owners. While there is no standard hotel ownership and management structure, in general the largest international hotel companies

Source: compiled from hotel.com data.
own multiple brands and franchise the majority of their business worldwide. Few of the top ten international hotel companies own the majority of their hotel real estate assets. Instead, the hotel company provides a brand name and management service, while property ownership is an entirely different operation.

Franchising has been used as an international growth strategy in services more broadly for three decades (Contractor and Kundu 1998). Hotels have lagged this larger trend, but this has changed rapidly in the last 10 years. While there is no database that tracks the ratio of franchised and owner-operated hotels as a component of international hotel company assets, several of the largest hotel chain annual reports indicate a trend towards franchising as an active business strategy for some companies (Starwood Hotels & Resorts Worldwide, Inc, 2006; InterContinental Group, 2006). Of the nine largest global hotel companies as of 2006 (based on a list compiled by the American Hotel & Lodging Association as well as individual company websites and 2006 Annual Reports) 3, four have only franchise arrangements. Three others have the majority of properties franchised. Only Accor, a French chain, still owned (rather than franchised or managed) the majority of its hotel properties as recently as 2006, as shown in Figure 22.

US-based hotel companies dominate the international market. Seven of the nine largest global hotel companies are US based. These hotel companies, as well as InterContinental, a British-headquartered firm, have the majority of their hotel properties in the US. (See Figure 23). Accor is also largely invested in developed countries, with one-third in France, the company's home country, 22 percent in the rest of Europe, and over 30 percent in the US.

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3 This data is representative of stocks at the time of compilation. Extensive exchange of ownership during 2007 has led to several changes in chain ownership since the end of 2006, as noted in the table footnotes.
The largest hotel companies are far from the only players in the international hotel market. According to the IHG 2006 Annual Report, as of 2006, two-thirds of hotel rooms were located in only 12 countries. The 10 largest hotel companies, by their measures, brand less than 21 percent of global hotel rooms. Nevertheless, branding is increasing in importance. In Europe, for example, the number of branded hotels increased from 15 to 25 percent between 2000 and 2004.

Figure 22
Multinational Hotel Companies Operating Structure by Number of Hotels, 2006

Source: Compiled from Annual Reports, company websites, and other company sources.
Beyond the annual reports of major hotel companies, data on the real estate ownership of hotel product is quite thin. As an illustration, we inventoried all hotels in the city of San Francisco, to determine the share of hotels under brand management and the share where real estate was owned separately from the hotel business. Our preliminary results show that 43 percent of hotels and 25 percent of rooms are owner-occupied. Twenty-four percent of hotels, but 54 percent of rooms are in major brands. Thus, smaller hotels are likely to be in properties owned by the hotel owner, while larger hotels are likely to be branded companies where the real estate is owned as an investment separately from the hotel, as shown in Figure 24.
Franchising strategies are not the only means used by hotel chains to narrow down their focus to core operations. For example, Accor, a French chain, recently sold its Italian food services business to Barclay’s Private Equity in August 2007 (Accor). Similarly, Cendant Corporation, which was a real estate, hospitality and travel services, and rental car company, spun off its hotel group Wyndham Worldwide in 2006 (which it had purchased from The Blackstone Group in 2005) as part of its plan to disaggregate its business into four distinct companies (Wyndham Worldwide). With hotel management moving out of the real estate business, investment vehicles, including REITs and private institutional and individual funds, as discussed earlier, are gaining in importance. Trends in the US and elsewhere differ distinctly. Publicly-traded U.S. hotel-themed REITs have been impacted by extensive mergers, acquisitions, and privatization in the last five years. In the last two years alone, eight of the 23 hotel-themed REITs were either delisted, or acquired by other REITs or by private companies. One possible reason for the reduction
of hotel REIT supply is the severe restrictions on leverage (capped at 60 percent) and equity reinvestment (required payout 95 percent of income to shareholders) imposed on REITs in the United States (Jones Lang LaSalle Hotels). These restrictions have two impacts on investor returns: (1) with the attractive debt rates available for commercial property investors over the last few years, buyers with a greater capacity for leverage can achieve higher returns and therefore be more competitive than REITs; and (2) the required payouts prevent REITs from applying the capital-intensive management strategies that are generally needed in the hotel industry to remain competitive (Jones Lang LaSalle Hotels).

Another explanation is that as cap rates have compressed, hotels, which were not historically considered “institutional-grade” investment quality, have became attractive options for private real estate investors. This occurred in tandem with a variety of other factors; including shocks to other equity markets and the availability of cheap leverage, all of which made hotel property investment more favorable. (Larkin and Lam 2007)

While they are a mature product choice in the United States, globally Real Estate Investment Trusts (REITs) are still a new concept. The United Kingdom, for example, only recently started offering REITs in January 2007 (Larkin and Lam). Similarly, hotel-themed REITs have been available for a while in the United States and Australia, but are new to other countries such as Japan and China. Globally, there are few hotel-themed REITs with cross-border investments, but one notable example is HOST Properties, a U.S.-based REIT that recently acquired ten properties in Europe and has seven properties in the Americas (outside of the U.S.). Another example is the Sino Group, who currently has a pan-Asian REIT product.
Private equity investors have also been active in the hotel acquisitions arena. Blackstone has been an active private equity real estate investor for many years (they also recently became a public company), and as of May 2007, their overall real estate assets comprised 19.9 billion, or 23 percent of their total assets. Over the past 15 years, they have acquired 1,422 hotels, including some international acquisitions. In July 2007, Blackstone announced it would be purchasing Hilton Hotels for $26 billion. Once the transaction is complete, Blackstone will be the largest international hotel company (assuming it holds the properties, rather than selecting a few prime properties to hold and selling the rest; Inter-Continental Hotel Group, is currently the largest hotel company, and Hilton and Blackstone are both in the top 10, based on number of rooms).

**Infrastructure**

Infrastructure is a real estate-related and tourism-related product whose growth in importance is affected by many of the same factors leading to growth in international tourism. Infrastructure can encompass a variety of sectors, for example, a recent U.S. Congressional report on critical infrastructure notes the various definitions –particularly those given by the U.S. Congressional Budget Office- and states that infrastructure can include everything from “transit systems, wastewater treatment works, water resources, air traffic control, airports, and municipal water supply” to industrial, communication, education, public housing, government, healthcare, security, and correctional facilities (Moteff and Parfomak 2004). In the context of this report, the infrastructure discussion is limited to major physical investments, which could include transportation (perhaps among the most important for tourism), as well as other critical support items like water,
wastewater treatment, power, and telecommunications. Our major focus is transportation, which has the closest direct ties to tourism.

Infrastructure can be either a constraint to tourism development and related real estate investments or an opportunity for real estate related investment to overcome these constraints. The US has substantial infrastructure investments, but much of the new "action" related to tourism is occurring in other parts of the world. Table 3 lists the Airports Council International top ten Airports in terms of total passenger traffic, international passengers, and cargo. While four US airports appear in the top ten airports by total passengers and four others rank in the top ten by cargo shipments, none rank in the top ten for international passengers.

<table>
<thead>
<tr>
<th>All Passengers</th>
<th>International Passengers</th>
<th>Cargo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta</td>
<td>London LHR</td>
<td>Memphis</td>
</tr>
<tr>
<td>Chicago ORD</td>
<td>Paris CDG</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>London LHR</td>
<td>Amsterdam</td>
<td>Anchorage</td>
</tr>
<tr>
<td>Tokyo HND</td>
<td>Frankfurt</td>
<td>Seoul</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>Hong Kong</td>
<td>Tokyo</td>
</tr>
<tr>
<td>Dallas/Ft Worth</td>
<td>Tokyo</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Paris CDG</td>
<td>Singapore</td>
<td>Paris CDG</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>London LGW</td>
<td>Frankfurt</td>
</tr>
<tr>
<td>Beijing</td>
<td>Bangkok</td>
<td>Louisville, KY</td>
</tr>
<tr>
<td>Denver</td>
<td>Dubai</td>
<td>Singapore</td>
</tr>
</tbody>
</table>

Source: Airports Council International (ACI)

Infrastructure can be a significant bottleneck to the expansion of international tourism, especially in developing and emerging economies. China has addressed this problem through extensive transportation infrastructure investments--the decision to make these investments has been fairly straightforward due to the country's centralized governmental structure and revenues from expanding economic growth. Countries with
more decentralized infrastructure provision systems and/or lower revenues from growth are less able to respond quickly to growing infrastructure needs. Transportation is only one facet of the infrastructure bottleneck problem. In many developing countries, a safe water supply and reliable energy resources are also at issue.

New investment vehicles are emerging in response to the international growth in infrastructure demand. As a result, there are a variety of structures available for investors to participate infrastructure development. Among these are public enterprises, private provider contracts/concessions, build-operate-transfer (BOT) models where a contractor builds and operates the facility and sells it back to the public agency at a predetermined date, public public-private partnerships, infrastructure investment funds, and land sales. Notable BOT projects include: the construction of the Dulles Greenway to the Dulles Airport in Virginia, the Cross Harbour and Western Harbour Crossings in Hong Kong; the Bangkok Mass Transit System, and the North-South Highway in Malaysia (Schaufelberger and Wipadapisut 2003). In China, it is not uncommon for cities to finance half their infrastructure through land leases; and this model is also used in Hong Kong, Ethiopia, and India (Peterson 2006).

Institutional requirements have been structured to allow infrastructure investment vehicles in Korea, Singapore, and India, as well as within Europe (Tun and Cochrane 2006). The Inter-American Development Bank has encouraged pension fund investment as a means of funding infrastructure in Latin America (Vives 1999). The first exchange traded fund (ETF) for global infrastructure was established in the US in 2007 (Rochte 2007). Australia, on the other hand, has a robust infrastructure exchange, offering a variety of funds that invest in toll roads, telecommunications, airports, materials facilities,
transportation, and utilities (ASX 2006). Build-operate-transfer contracts as well as private and publicly traded infrastructure investment funds have gained popularity in the past few years as an alternative asset class, but this is still a fairly new product type for many investors.

Infrastructure opportunities are characterized by both strong demand and fluidity in how it may be financed. In addition to the direct opportunities that may emerge from this for a range of real-estate related firms (such as builders and financial firms), ancillary services, such as retail close to transit hubs, create further opportunities for real estate firms.

Changing Structure, Multiple Future Paths

Both the hotel and infrastructure sectors show significant changes over time that affect the level and manner of involvement of real estate firms. Changing ownership structure of hotel companies offer a role for real estate firms that have not previously specialized in hospitality functions, while the increased concentration of brands among larger suppliers opens up the possibility of building long-term customer relations between property owners, managers, and hotel service companies. The need to modernize infrastructure for a growing international travel base opens up many opportunities as well. The following section looks more broadly at both opportunities and constraints and how they may affect the role of real estate firms involved in tourism globalization.

A Framework for Understanding Real Estate Implications of Tourism Globalization

The preceding review of trends in tourism and in particular the hotel industry highlight a number of factors of importance in considering how tourism globalization
may interact with the real estate industry as it, too, globalizes. First we consider how worldwide trends are likely to affect the location of real estate opportunities. Table 3 summarizes growth opportunities for different types of tourism development in different parts of the world. Second, we consider how different real estate sectors may participate in this expansion. Table 4 describes the competitive position of US companies involved in various types of real estate related activities with respect to tourism globalization, identifying both opportunities and constraints.
<table>
<thead>
<tr>
<th>Table 3</th>
<th>Region of Opportunity by Tourism Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tourism type</strong></td>
<td>Developed, growing population (eg. US, Australia, UK)</td>
</tr>
<tr>
<td><strong>Accommodations</strong></td>
<td>Continued growth in demand related to domestic population growth and tourism from abroad.</td>
</tr>
<tr>
<td><strong>Retail Sales</strong></td>
<td>As above. Innovations to meet growing diversity of demand from multinational, multicultural customer base.</td>
</tr>
<tr>
<td><strong>Entertainment</strong></td>
<td>Continued growth in demand related to domestic population growth and tourism from abroad.</td>
</tr>
<tr>
<td><strong>Leisure/Retirement</strong></td>
<td>Growth from expanding retirement age population</td>
</tr>
</tbody>
</table>
### Table 3
Region of Opportunity by Tourism Sector

<table>
<thead>
<tr>
<th>Tourism type</th>
<th>Developed, growing population (eg. US, Australia, UK)</th>
<th>Developed, declining population (eg. Germany)</th>
<th>Emerging, growing population (eg. China, India)</th>
<th>Emerging, declining population (eg. Eastern Europe)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure</strong></td>
<td>Job opportunities, need for infrastructure beyond tourism-uses</td>
<td>Increase tourism demand</td>
<td>Increased investor demand</td>
<td>Increased investor demand</td>
</tr>
</tbody>
</table>
### Table 4
**US Real Estate Sector Global Prospects and Risks from Tourism**

<table>
<thead>
<tr>
<th>Real Estate Sector</th>
<th>Competitive Advantages</th>
<th>Limitations</th>
<th>Areas of Opportunity</th>
<th>Concerns</th>
</tr>
</thead>
</table>
| Developers         | ■ Experience with hotel and resort product types  
                     ■ History with expanding US brands  
                     ■ Access to investors, capital markets | ■ Lack of experience in other markets  
                     ■ Property ownership and licensing regulations vary across countries  
                     ■ Competition from local developers | ■ Growing tourism markets in Asia, other emerging markets  
                     ■ Specialty tourism types in Europe, Japan  
                     ■ Retirement, leisure markets | ■ Need to identify target demographic groups in developed world  
                     ■ Risk basis in emerging economies |
| Investors          | ■ Wide range of existing investment structures  
                     ■ Investor demand for real estate  
                     ■ Increasing investor interest in international funds | ■ Limited experience with international markets  
                     ■ REITS face strict regulations on investment structure | ■ Growing tourism markets in Asia, other emerging markets;  
                     ■ Specialty tourism types in Europe, Japan;  
                     ■ Product innovation | ■ Investment volatility in new markets  
                     ■ Risk of overinvestment  
                     ■ Investing in the wrong product in unfamiliar markets |
| Real estate services | ■ Professional knowledge and expertise are easily transferred  
                       ■ Existing customer base is globalizing  
                       ■ Hotel management: track record with globalizing brands | ■ Need to adapt to culture, business structure and institutions of host country | ■ Accomodations expertise, emerging economies  
                     ■ Management of niche tourism products, developed countries | ■ Knowledge may not meet different needs of new markets |
## Table 4

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<table>
<thead>
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<th>Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure investors</td>
<td>Growing sophistication of investment vehicles/opportunities</td>
<td>Weak regulatory framework in developing countries</td>
<td>Rising popularity of infrastructure investment among countries and investors</td>
<td>Cost management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Difficulty predicting contractual weaknesses and profit streams</td>
<td></td>
<td>Exchange-rate fluctuations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Labor risk management</td>
</tr>
<tr>
<td>Retail Developers</td>
<td>Well developed models that have transferred to other settings</td>
<td>Cultural and institutional differences may require modifications of existing model</td>
<td>Emerging economies in Asia and Latin America</td>
<td>Demand uncertainty-will local retailers accept model? Will local customers accept US retailers?</td>
</tr>
<tr>
<td></td>
<td>Existing relationships for raising capital</td>
<td>Differences in property ownership structure may reduce potential profits.</td>
<td></td>
<td>Legal/institutional uncertainties in enforceability of income agreements</td>
</tr>
</tbody>
</table>

Source: Authors’ research and conclusions.
Tourism sectors across the globe

The demographic changes noted by Lachman 2006 can be used as a framework to discuss where tourism-related real estate opportunities are likely to occur. Attractiveness of development or investment options will be affected by the overall volatility of tourism returns, the sensitivity of tourism activities to economic, environmental, political and social concerns, the growth prospects of the geographic areas, and the receptiveness of the legal and institutional structure to foreign investment.

The combination of economic and demographic growth is pushing demand most strongly in the emerging economies with growing demographic bases (China, India, other parts of Asia). Continued population growth in some of the higher income developed economies (US, Australia, United Kingdom) offers growth opportunities in a more familiar environment. Demographic changes, and in particular the large increases in retirement populations in many parts of the developed world (including European countries with slow or declining population growth), as well as in China, offer significant opportunities for leisure-related development. Furthermore, as affluence improves and business diversifies in some of the slower growth or declining emerging economies of Eastern Europe, there may be opportunities for a mix of tourism facility development related to business growth or entertainment.

Real Estate Competitiveness and Opportunities

Major advantages of US firms in moving into global areas of tourism include their history with the globalizing tourism service providers (such as hotels); access to capital; experience with a variety of investment instruments, professional knowledge, and
established management systems. Constraints come from cultural and institutional
differences, lack of experience or of a services support network in new markets,
differences in property ownership structure, and restrictive regulations related to property
ownership and licensing. The combination of rapidly expanding opportunities and
uncertain future growth rates make the area of international tourism related real estate
development both high return and high risk.

A Research Agenda

Within these frameworks are several important areas of research. These can be
divided into industry structure, demand growth, supply characteristics, investment
vehicles, and institutional factors. Some of the key questions include:

1. Industry structure--Is the fragmentation between real estate and service
   observed in the hotel industry affecting other aspects of the tourism? Does a
   fragmented industry structure change the development and investment
   patterns and incentives of the real estate side of tourism?

2. Demand growth--Will the changing demographics affect tourism products
differently than other types of commercial real estate? What are the key
   aspects of this, and how will it affect the geographic spread of investment?
   Where are returns likely to be highest, and where are the greatest risks? What
   is the role of business travel as compared to leisure travel or retirement
   concentrations--how do the type of tourism product demanded and related real
   estate needs vary with different sources of demand?

3. Supply characteristics--What are the competitive advantages of US designers,
developers, and tourism service providers in entering markets outside of the
US? How will entry into international markets affect the structure of these firms?

4. Investment vehicles--What are the advantages and risks of different types of investment vehicles for US real estate investors entering international tourism markets? What strategies exist for taking advantage of opportunities for high returns in emerging tourist markets while providing some hedge against the down side? What options exist for investing in growth opportunities in developed countries generated by inflows of international tourists?

5. Institutional factors--How do country and local institutional characteristics influence the ways in which multinational real estate firms participate in global tourist development?

Research on these topics will be shaped by data availability issues, and is likely to require a combination of detailed company data, survey and case study work in addition to reliance on available published data sources.

Conclusions

Key factors driving the globalization of tourism include the economic growth of emerging economies, the expansion of multinational business and consequent travel through the globe, and the widening communications base that provides information on all parts of the world. This expansion affects both the tourism industry and the real estate industry, as well as ways that the two interact.

As tourism has expanded globally, many of the traditional tourism service providers have changed their business structure to facilitate the expansion into new
markets. This has often included a separation of real estate activity from the core travel-related services. This process of fragmentation opens the door to development and investment activities by real estate players.

Major international players in both industries are following broader trends in economic growth, investing in high end products throughout the world to serve international travelers as well as an expanding base of middle and upper income travelers in emerging economies. The result has been a tendency for prices in developing areas to become world prices.

A number of issues and constraints face the tourism industry, which could affect real estate investments in this area. Infrastructure capacity constraints are likely to impede the pace at which tourism demand grows. Legal and institutional differences across borders will slow the ability of real estate firms to respond to growing demand internationally. Price factors, from exchange rates to energy costs, make this a particularly volatile industry, and may reduce the overall returns that can be expected from real estate investments, which generally have a long term horizon. Security issues can further increase volatility and uncertainty.

Changing investment structures may have further effects which are difficult to predict. The growing role of investment companies specialized in neither tourism nor real estate alone, but becoming major owners of tourism related real estate and services, may change how long term planning and investment occurs in the industry.
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