The German Hotel Market

May 2021

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HOTEL MARKET OVERVIEW GERMANY

A historic year in review

The new decade started with a year of turbulence for the hotel industry. After consecutive years of growth, the sector ultimately was slowed down abruptly by the Covid-19 pandemic. The impact around the world – especially in the tourism sector – highlights how unprepared the pandemic has hit the global economy.

The measures taken to contain the pandemic were particularly noticeable in the tourism industry and officially ordered operating bans or (partial) closings not only impaired hotel performance, but also the hotel real estate market in 2020. While it is difficult to predict at the moment how long the pandemic will continue to affect Europe, it can be assumed that the current measures and vaccination strategies will have a positive effect on the hotel sector by the middle of this year. Once this stabilises on a pan-European level, hotel performance will improve again, and we expect interest in hotel real estate in Germany to pick up significantly.

The recovery of hotel operations depends on many different factors. Some economic research institutes are forecasting early signs of an economic recovery from 2021 – supported by financial aid packages from the federal government and central banks. Though the recovery will be likely asymmetrical according to the country and economic sector, we assume that an expected flattening of the 7-day incidence, an increase in vaccinations and the lifting of the corresponding travel restrictions will lead to a rapid recovery in the hotel market.

The performance over the summer months in 2020 suggests that people are willing to travel, and a lot of demand has penned up over the year with everyone eager to travel once restrictions are lifted. We expect particularly domestic leisure destinations to benefit, as guests are looking for nature and space to socially distance. Demand in business-led destinations with significant international demand such as Frankfurt and Dusseldorf will take longer to recover as people are expected to initially travel locally until the vaccinations are comprehensively administered globally.

Over the last few months, it has already become clear that the German hotel market has proven to be more resilient than other European countries. Domestic tourism has experienced an upswing and the federal government has responded to the crisis with extensive financial aid measures. Therefore, Germany's outlook is positive in a European comparison. However, the survival of many hotel businesses will depend on when the financial aids from the government actually arrives and businesses are allowed to reopen without serious restrictions.

We assume that the need for cash will drive some sellers to adjust their pricing expectations. In addition, enormous liquidity is waiting for the right opportunity on the buyer side, as traditional funds increased existing or raised new capital. This has to be deployed into suitable opportunities. Pressure and competition between investors could in turn lead to an adjustment of prices and thus stimulate hotel investments in 2021. Nevertheless, it is to be expected that the crisis will lead to further professionalisation among investors and that those who have little industry knowledge and experience will tend to stay away from hotels as an asset class in the future or acquire the appropriate knowledge in order to fully understand the operator's property.

The liquidity in the market and the prospects for hotel operations to open up, coupled with the vaccination strategy, suggest that 2021 will be a year for the brave, for private equity and value add buyers. With regard to contracts, it is likely that fixed and inflexible contract models will be adapted in the future to hybrid or flexible models to spread the operational risks between operators and owners.

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Head of Hotels Germany

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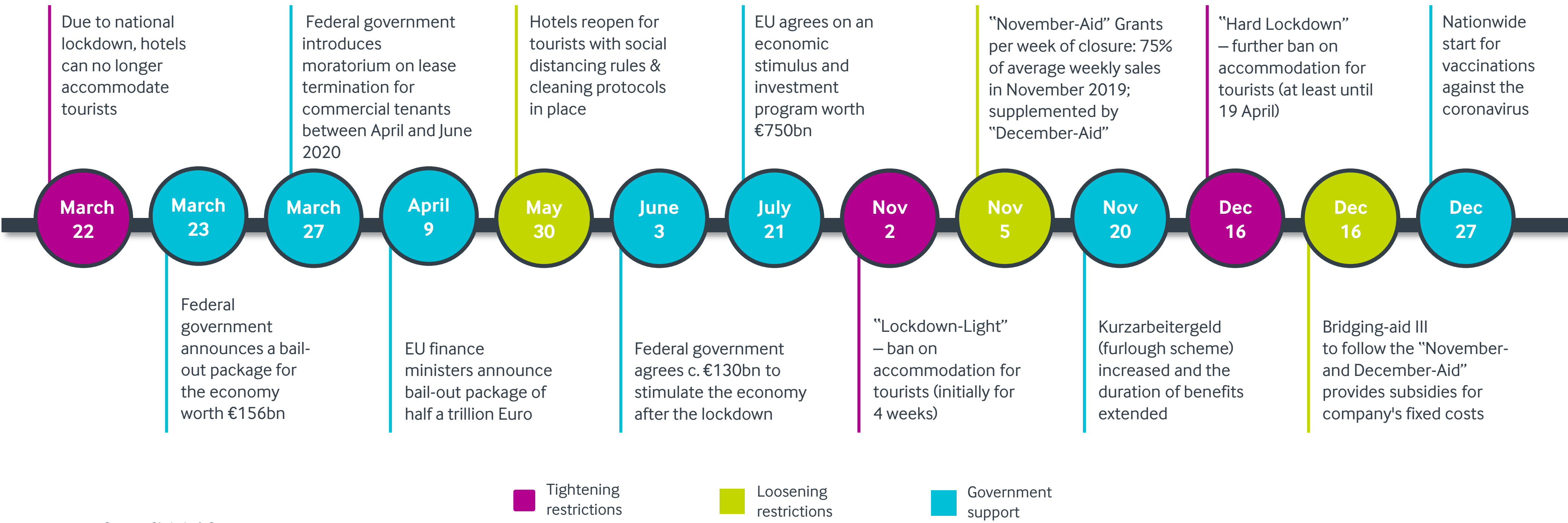
Associate Director Consultancy

TIMELINE OF KEY EVENTS IN 2020

The year 2020 was certainly a turbulent year for the hotel industry. In January, the first confirmed cases of Covid-19, the infection and respiratory disease caused by SARS-CoV-2 virus, became known. On March 11th, the WHO confirmed the virus as global pandemic and measures, such as travel restrictions and test requirements were taken to contain its spread. The measures were particularly noticeable in the tourism sector and many hotels are seeing a decline in operating income, due to fewer travellers and thus lower demand for hotel stays.

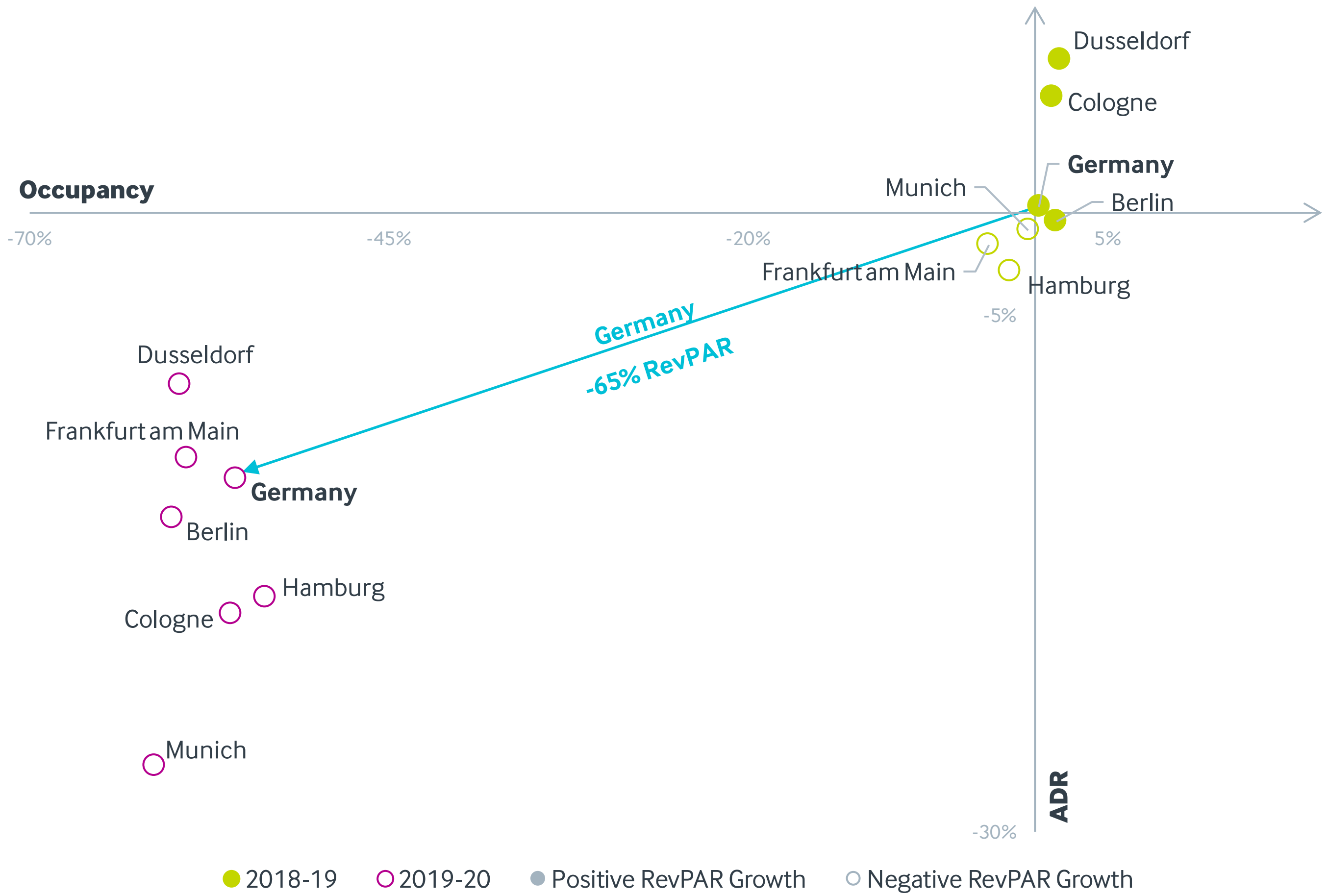
Starting in February, the hotel industry began to see the effects of cancellations of major international events and conferences across Europe. In Germany accommodation of tourists was banned from the end of March. Whilst some hotels closed, the majority remained open with reduced staff thanks to the flexible furlough (Kurzarbeit) scheme. The industry saw a brief respite in the summer months when trading picked up slightly as restrictions eased and people attempted to enjoy a staycation. Unfortunately, hotels have seen restrictions tighten again from November onwards and still in place at the time of publishing this report (May 2021). Though as of May a number of islands and tourism destinations in Germany's northern-most state Schleswig-Holstein became Modellregionen (model regions) in order to trial holiday concepts in line with Corona restrictions. While other states such as Bavaria have indicated to reopen hotels later in May, still no clear path to reopening exists across the country. Moreover, international travel is absent due to quarantine regulations and while support measures are in place, many feel they are insufficient and not disbursed in a timely manner.



Source: Christie & Co

HOTEL MARKET KPI TRENDS 2020

Top 6 German Markets – KPI Growth 2020 vs 2019



Sources: AM:PM, STR, Christie & Co

While 2019 saw some winners in terms of RevPAR growth, notably Dusseldorf, Cologne and Berlin – despite their supply growth – others felt the pressure of new supply resulting in slightly negative RevPAR in 2019.

However – and without any surprise – all of Germany's Top 6 cities suffered significantly in 2020, recording record occupancy declines in excess of -50%, with all except Hamburg exceeding the national average of -55.7%.

While all the cities were more or less equally impacted on occupancy, the story was very different on ADR. While all cities recorded negative ADR growth, the range of decrease was significant larger, with decreases ranging from just below -10% to almost -30%. Dusseldorf was the most resilient of the Top 6 cities and Munich the most susceptible recording the highest ADR decrease with just shy of -30%.

SUPPLY ADDITIONS PRESSURE PERFORMANCE LEVELS

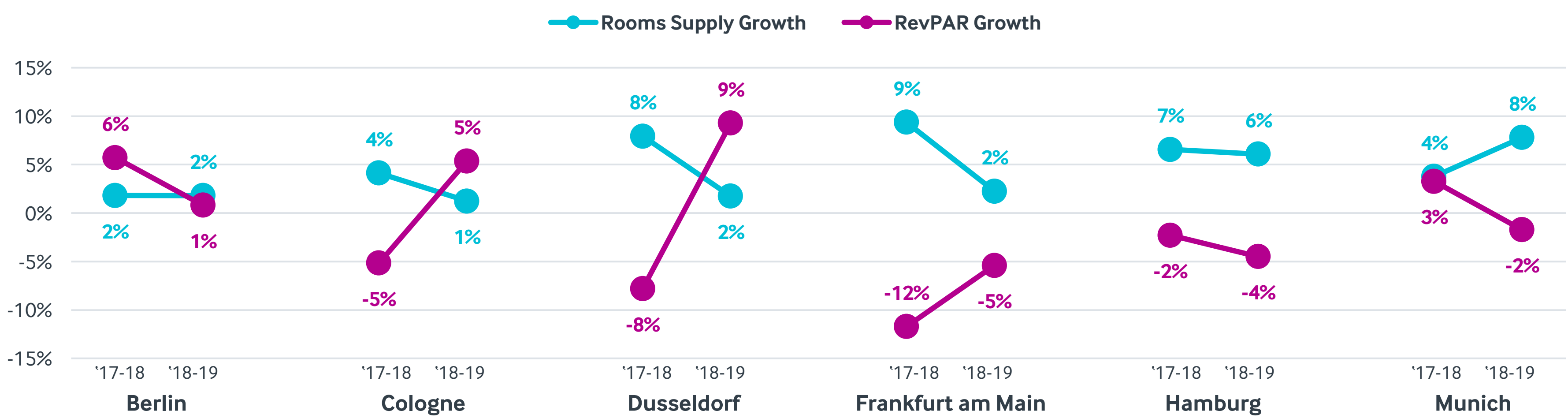
In recent years, Germany's Top 6 cities were considered safe heavens and saw sustained interest from global hotel investors. This appetite, partially fuelled by record-low interest rates, has led to an unparalleled construction boom. In 2019, 38 hotels with almost 7,000 rooms entered the market across the Top 6 markets, resulting in a total supply increase of 3.7%. The pipeline was particularly strong in Munich, with 14 new hotels in 2019. At the same time, nine new hotels opened in Hamburg.

Even though the pandemic caused less hotels to open, 2020 still saw 26 hotels with nearly 5,000 rooms enter the Top 6 cities; led by Hamburg and Frankfurt were six new hotels and over 1,200 rooms opened. This included the Marriott Hotel Frankfurt Airport (233 rooms), niu the coin (179 rooms) as well as MOXY Hamburg City (291 rooms) and Premier Inn Hamburg St. Pauli (225 rooms).

While of course not the only factor, supply is often the most direct factor impacting RevPAR levels. Needless to say that the supply additions over the last years have had some impact on RevPAR levels and during 2018 and 2019, the Top 6 cities showcase different impacts on their respective RevPAR levels. Berlin, for example was able to absorb the limited supply growth of around 2% per year in 2018 and 2019 as demand continued to outpace supply growth. While Dusseldorf took a strong hit on its RevPAR in 2018 as a result of the 4% supply growth, it was able to absorb it the following year, recording a strong +9% growth in RevPAR in 2019. Hamburg and Frankfurt, had already seen supply outpace demand growth in the 2015-2017 period and they were thus less resilient to the continue growth in supply.

More detail about supply additions and the impact these had on each hotel markets can be found in the appendix.

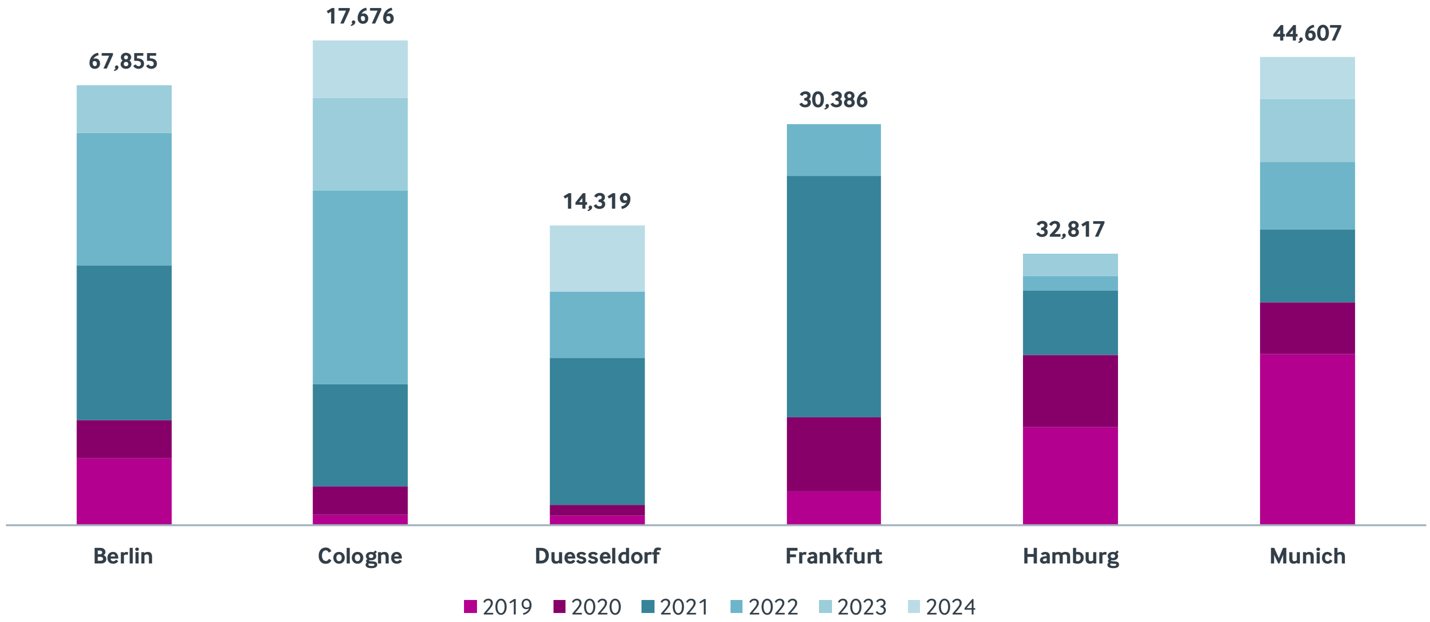
Rooms Supply vs. RevPAR YoY Variance per Market 2017-18 and 2018-19



Sources: AM:PM, STR, Christie & Co

SUPPLY ADDITIONS PRESSURE PERFORMANCE LEVELS

Confirmed Room Pipeline per Market 2019 - 2024



Sources: AM:PM, STR, Christie & Co

Expectably, several planned openings were postponed to the following year due to the pandemic. Thus, 76 additional hotels with around 13,000 rooms are now in the pipeline for 2021.

While stock in Dusseldorf has remained quite stable since 2015, the economic powerhouse of the Rhine-Ruhr area is seeing supply grow by over 40% in 2021, which will put further pressure on performance.

Despite strong supply growth since 2014, the pipeline for Hamburg, the city with Europe's third largest port, foresees an increase in room supply of 10% in 2022.

As we do not expect demand to recover in line with those supply additions, KPIs in Dusseldorf, Hamburg, Munich and Frankfurt are likely to stay under pressure in the medium term.

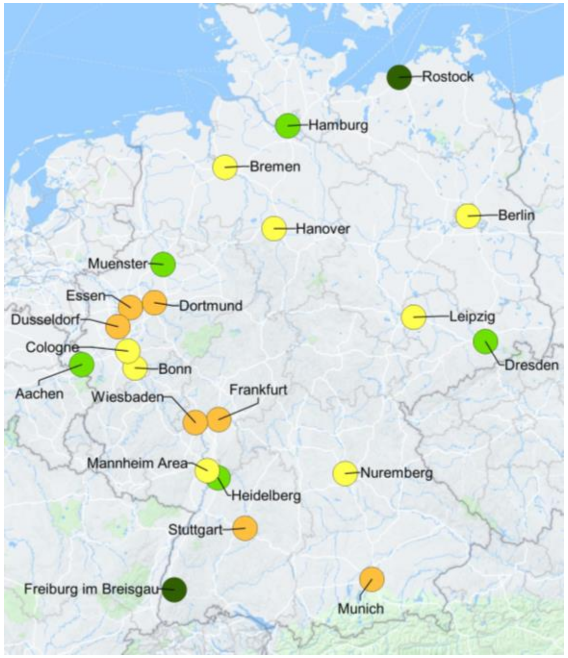
PERFORMANCE VARIANCES ACROSS MARKETS

Following the first lockdown in March, occupancy plummeted across all major destinations in Germany. Albeit hotels were officially allowed to accommodate non-touristic guests, most travel activity came to a halt when many firms stopped travelling for business in the wake of the pandemic. This resulted in occupancy levels significantly below 15% in April 2020.

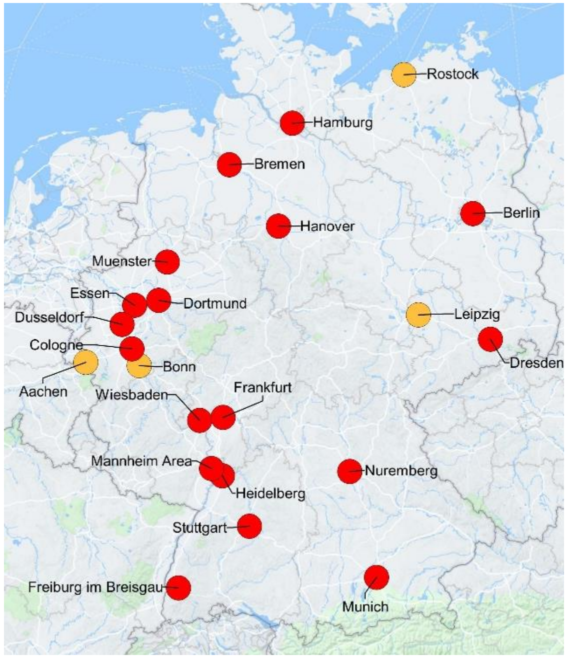
When hotels were permitted to reopen for tourists on 30 May, performance across individual markets presented significant variances between leisure destinations such as Rostock and Freiburg compared to business-driven cities such as Frankfurt and Dusseldorf. Anecdotally, we understand that a number of leisure destinations such as the islands in Northern Germany and the Allgäu Alps in the South have been the winners over the summer with an extension of the high season into autumn. Destinations reliant on international and business travel as well as MICE and airport hotels continue to struggle with low occupancies as corporate travel remains subdued and touristic accommodation has been banned again from November. This has not been revoked at the time this report was published. Thus, we are seeing hotels temporarily closing in cities where demand remains insufficient to cover operating costs.

Actual Occupancy – April 2020

Actual Occupancy – August 2020



Actual Occupancy – November 2020



<20% | 20% - 34% | 35% - 49% | 50% - 64% | > 65%

Sources: STR, Christie & Co

EFFECTS ON CONTRACT STRUCTURES

Many hotel operators – some through no fault of their own – got into existential hardship due to the official orders in the wake of the pandemic. Liquidity bottlenecks due to the lack of demand meant that some businesses were unable to meet their payment obligations – especially leases. As a supporting mechanism the government introduced a **moratorium on lease termination** due to rent arrears for commercial tenants until 30 June 2022. Provided that these arrears accrued in the period from 1 April to 30 June 2020 due to the economic effects of the Corona pandemic. However, this only provides for a ban on termination; there are **no statutory regulations on lease reductions** or extensive deferrals.

In order to contain tenant bankruptcies and **make the effects of the pandemic more manageable for both parties, tenants and landlords have used different regulatory instruments**. Examples of these instruments are deferrals of rent payments, suspension of the rent with simultaneous extension of the lease contract by the missing months, a temporary reduction in rent, possibly combined with tiered or turnover rent stipulations or the agreement of additional rental securities (e.g. corporate guarantees). Dr. Markus Doleschal, Head of Real Estate Management Hotel at Deka comments: "In most cases, we have managed to find an economically viable solution for both parties, taking into account our fiduciary requirements and the individual situation of the tenants. We are currently assuming market recovery to begin in mid-2021. Moreover, we assume that established hotel locations and market-driven hotel concepts will emerge stronger from the crisis and that these hotel products will continue to be attractive for Deka."

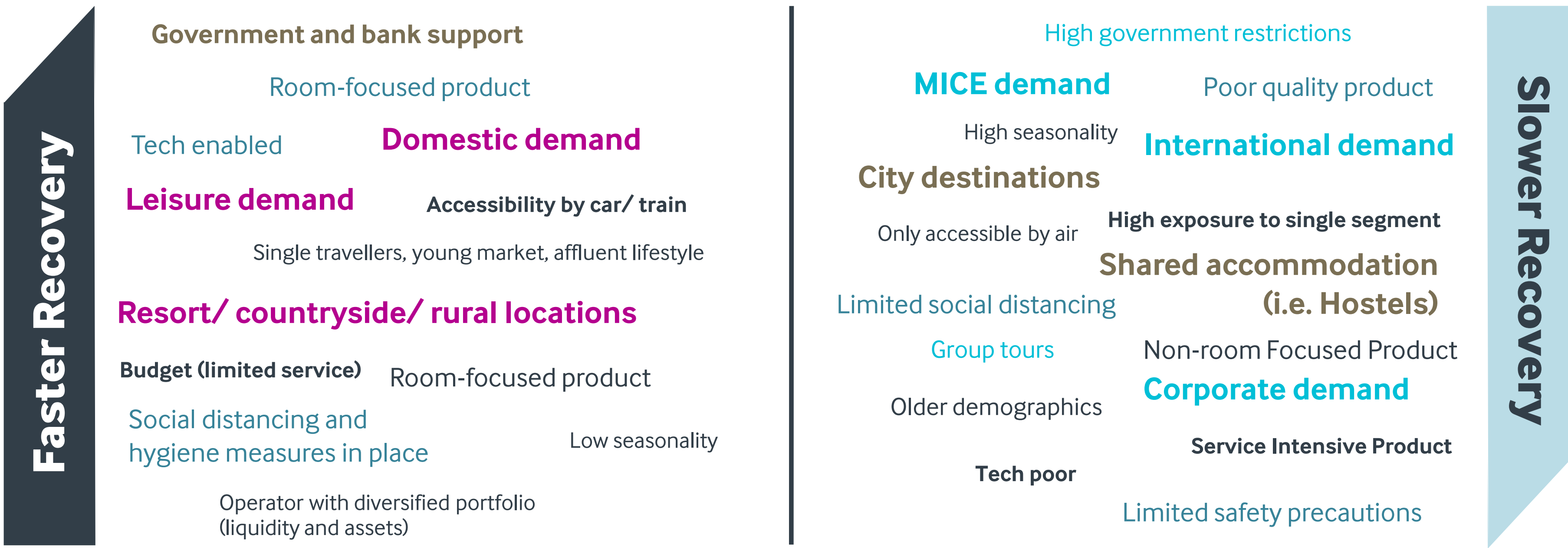
Going forward, investors and operators are equally concerned about the extent to which existing and future contracts should be permanently adapted to the changed market conditions. **Existing contracts are supplemented by various regulations, so-called "Corona clauses"** and adapted to the individual needs of the contractual partners. These deal, among other things, with rent reductions, which can be drawn on in the event of a significant decline in business volume and which are later offset in the form of shares in either sales or profits. With the long-term prospect of this profit sharing, operators try to bring about more variability. Though, this results in more difficult conditions for institutional, regulated bodies and funds, as their scope for profit sharing is limited for regulatory reasons. Furthermore, the **willingness of owners to agree to such flexible models depends on their readiness to take risks** as well as the rulings set by the supervisory authority BaFin for institutional investors. We therefore assume that even more active owners will be in demand going forward.

FORECASTING RECOVERY POTENTIAL

The recovery of hotel operations in Germany depends on many different factors as highlighted below. However, the performance over the summer months in 2020 suggests that after a year of limited travel opportunities significant demand has penned up and people are eager to travel once restrictions are lifted. Even though we expect the recovery to be asymmetrical and likely diverge across markets and assets, we assume that an advance in vaccinations and the lifting of the corresponding travel restrictions will result in a quick recovery of the domestic hotel market.

In the last few months it has already become clear that the German hotel market has proven to be more resilient compared to other European countries. Domestic tourism has experienced an upswing – particularly in more rural resort locations. Historically, Germany was amongst the largest feeder markets for many destinations globally in addition to strong domestic demand. The already large share of local demand has increased further during the months were travel restrictions were lifted and leisure destinations across the country are likely to further benefit from the staycation trend. However, operators with an all-eggs-in-one-basket-strategy and high exposure to single segments, shared accommodations such as hostels and hotels with a large share of group tours and older demographics will likely take longer to recover. Nevertheless, the federal government has responded to the crisis with extensive financial aid measures. Consequently, Germany has a good recovery prognoses compared to other European countries. However, the survival of many hotel businesses will depend on when the aid actually arrives and the businesses are allowed to reopen without serious restrictions.

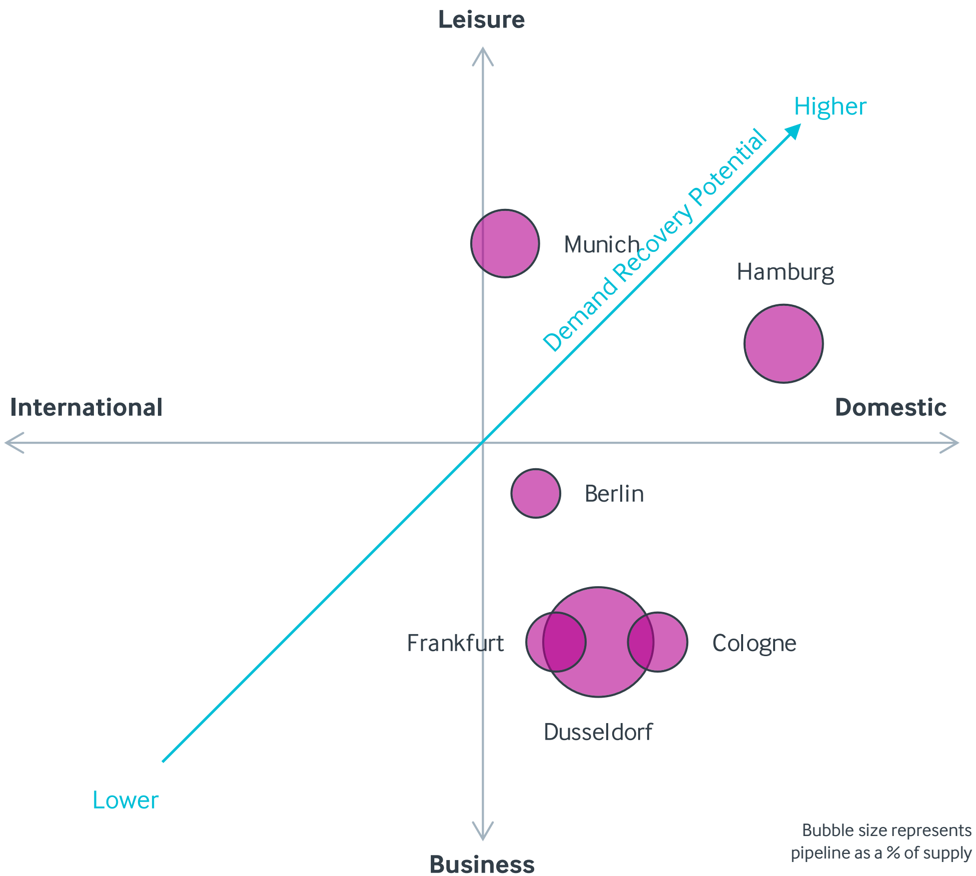
Factors Influencing Recovery Potential



Source: Christie & Co

HOTEL DEMAND PROFILE – KEY FACTOR IN FORECASTING RECOVERY POTENTIAL

Demand Composition & Recovery Potential



Sources: Local Statistical Office, Christie & Co

In the adjacent graph, we have highlighted the demand profile for the Top 6 cities in Germany as well as their active pipeline (as a % share of current rooms supply). We consider the composition of the demand profile together with the anticipated supply growth to be the key drivers for recovery for each individual market:

- As seen during the summer of 2020, **leisure demand** is likely to return quickly during 2021, assuming restrictions are lifted in time.
- **Business demand**, on the other hand, is expected to recover at a slower pace than leisure travel, as companies have reduced travel needs, cut back on travel budgets and the ongoing meeting restrictions and safety concerns will impact MICE demand.
- Continued restrictions on international (air) travel, including flight availabilities, price increases and safety concerns are likely to further support a **faster recovery of domestic and intraregional demand**.
- Since several projects having been delayed due to the pandemic, the Top 6 cities are **expected to see strong supply growth in 2021.** However, it is not yet known how many projects will actually materialise as investors reassess their viability.

Germany's Top 6 cities display strong market fundamentals through a balanced mix of domestic and international demand, with Hamburg standing out with around 75% domestic demand.

The picture is more differentiated with regards to business and leisure demand. Frankfurt, Cologne and Dusseldorf display the highest share of business demand with around 70% while Munich and Hamburg show the highest share of leisure demand with over 60% and are therefore in a more favourable position for a speedier recover.

From the Top 6 cities, we expect Hamburg and Munich to recover ahead of the curve – despite the threat of new supply – given their favourable demand composition. Dusseldorf, on the other hand, is expected to recover much slower, given its high share of business demand and strong active pipeline.

HOTEL MARKET BERLIN

Berlin is Germany's largest city, capital, political centre and home to the headquarters of several multinational companies as well as to the German start up scene. It is the 4th most popular convention destination in the world, the 3rd most visited city in Europe and an important hub for fashion, culture and media. Among the Top 6 cities in Germany, Berlin has the highest share of leisure travellers, which is indicative of its wide range of historical sites and sightseeing opportunities. The currently confirmed pipeline includes approximately 6,800 rooms in about 39 projects. The largest project is the expansion of the conference hotel Estrel, which is already the largest hotel in Germany and is now building another 800 rooms.

Overview

Key highlights
- Population: 3.8m
- Unemployment rate: 9.7%
- GDP per capita: c. EUR 42,200

Key companies
- Deutsche Bahn
- Charité
- Vivantes Clinics
- BVG
- Siemens

Key attractions
- Brandenburg Gate
- TV Tower and Alexanderplatz
- Reichstag
- Kurfürstendamm
- Kaiser Wilhelm Memorial Church

Key transactions
- Leonardo Royal Berlin Alexanderplatz, 346 keys,
- nhow Berlin, 304 keys,
- Aroundtown portfolio: Novum Winters Hotel, H2 Alexanderplatz, Ramada Alexanderplatz, 795 keys, EUR 79.5m

Supply

Hotels		Rooms
+1.4%	CAGR	+2.4%
597	2020	66,580
584	2018	64,753
565	2016	60,659

Selected 2021 hotel openings

- The niu Pax, 168 keys
- NinetyNine Hotel Airport, 200 keys
- Lindemann's Parkhotel, 162 keys

Demand

Overnights

2018	2019	2020
27.0m	28.0m	12.3m

Performance

2019		2020
99 €	ADR	84 €
79%	Occ	29%
78 €	RevPAR	24 €

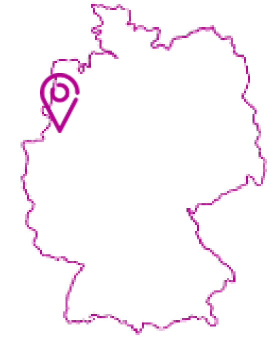
Source: STR [1]

Recovery Potential

The lack of events, festivals, as well as trade fairs in 2020 caused a significant decline in the arrivals and overnight stays. Similarly, Berlin is a popular destination for international leisure and business tourists and, depending on regulations, will probably have to forgo such international demand for longer. However, a relatively high percentage of domestic tourists will be a key driving factor during the recovery process. Due to its highly heterogeneous demand, a fairly speedy recovery is to be expected. The opening of the new airport is also expected to drive international demand as soon as possible, a necessary factor for the full recovery of Germany's capital.

Notes: [1] Republication or other re-use of this data without the express written permission by STR is strictly prohibited.
Sources: Statistical Office of each State; Trade fairs of each city; Statista; RCA; STR; Christie & Co

HOTEL MARKET COLOGNE



Cologne is Germany's media and communications city and renowned for the world's 3rd largest carnival. The city is a leading hub and an important transhipment point for logistics via rail, air, road and river. Its economic strength is based both on the Rhine ports, which are among the most significant inland ports in Europe, and on its geographical proximity to the Ruhr region. Although the hotel stock has only grown by 4% since 2016, the supply of beds has increased simultaneously by 11%, which is due to the opening of mainly larger hotels. The confirmed pipeline currently consists of approximately 16 projects.

Overview

Key highlights
- Population: 1.1m
- Unemployment rate: 9.2%
- GDP per capita[1]: c. EUR 59,700

Key companies
- Deutsche Bahn
- REWE Group
- Ford
- AXA
- Lanxess

Key attractions
- Cologne Cathedral
- Hohenzollern Bridge
- Old Town Hall
- Rhine River Cruises
- Chocolate Museum

Key transactions
- Ruby Ella Cologne (development), 186 keys

Supply

Hotels		Rooms
+1.1%	CAGR	+2.7%
203	2020	16,557
198	2018	15,875
194	2016	14,901

Selected 2021 hotel openings

- Adina Apartment Hotel, 171 keys
- Ruby Ella, 186 keys
- Moxy Cologne Bonn Airport, 250 keys
- Motel One Cologne Messe, 308 keys

Demand

Overnights

2018	2019	2020
4.9m	6.0m	2.3m

Performance

2019		2020
117 €	ADR	94 €
74%	Occ	29%
86 €	RevPAR	27 €

Source: STR[3]

Recovery Potential

Cologne's excellent location along the Rhine represents a unique opportunity to attract a large number of leisure travellers on their way to other highly sought-after destinations in the Rhine Valley. Among the Top 6 cities in Germany, Cologne has historically shown the most sustainable development of the hotel market, as demand has increased significantly more than supply in the past. The overall high demand stability over the past years indicates a rather rapid recovery.

Notes: [1]Latest available data 2019; [2]Republication or other re-use of this data without the express written permission by STR is strictly prohibited.
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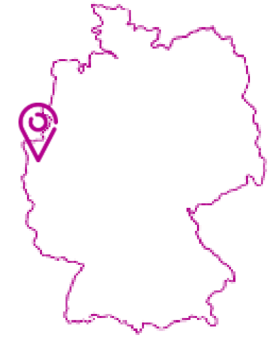

HOTEL MARKET DUSSELDORF

Dusseldorf is the capital of North Rhine-Westphalia, the heart of the economic metropolis of the Rhine-Ruhr area and at the same time the 2nd largest banking and finance city in Germany. In addition, Dusseldorf is an important trade fair destination, thus demand is strongly MICE/business oriented with lower levels of demand at weekends. Leisure demand is generated, among others, by the Königsallee, one of Germany's prime high streets. Since 2016, the hotel supply has been by 7% and a further 22 confirmed hotels remain in the pipeline. This, together with a favourable trade fair cycle in the past few years, has led to an increase in performance. However, the bulging pipeline makes future performance losses seem likely.

Overview

Key highlights
- Population: 0.6m
- Unemployment rate: 7.8%
- GDP per capita[1]: c. EUR 79,200

Key companies
- Rheinmetall
- Daimler
- Henkel
- Vodafone
- Metro Group

Key attractions
- Old Town
- Königsallee
- Media Harbour
- Rhine Embankment
- Hofgarten

Key transactions
- Renaissance Hotel Dusseldorf, 244 keys
- Ruby Luna Hotel, 206 keys, c. EUR 75.2m

Supply

Hotels		Rooms
+1.8%	CAGR	+3.1%
116	2020	10,128
114	2018	9,778
108	2016	8,957

Selected 2021 hotel openings
- The niu Tab, 438 keys
- prizeotel Dusseldorf City, 250 keys
- Hampton by Hilton Dusseldorf City Centre, 219 keys
- Ruby Luna, 206 keys

Demand

Overnights

2018	2019	2020
4.8m	4.9m	1.8m

Performance

2019		2020
118 €	ADR	108 €
71%	Occ	25%
83 €	RevPAR	27 €

Source: STR[3]

Recovery Potential

Dusseldorf has been comparatively severely affected by the impact of the Covid-19-pandemic on tourism. This is due to the fact that the city is heavily dependent on the trade fair cycle, which happened to effect the city very positively in 2019. The high number of rooms in the pipeline, combined with the dependency on corporate demand indicate a rather slow recovery for the hotel market.

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HOTEL MARKET FRANKFURT AM MAIN

Frankfurt is one of the world's most important financial markets and a leading business destination. The city benefits from the largest airport in Germany, the 3rd biggest exhibition centre worldwide and the presence of numerous major companies and corporations. Insofar, Frankfurt's tourism is mainly characterised by business travellers during weekdays. With 23 new hotels opened in the last 5 years, the number of hotels available has grown by 13% and the number of beds simultaneously by almost 21%. With approx. 5,400 rooms in around 26 confirmed projects, the supply pressure is likely to remain high in the near future.

Overview

Key highlights
- Population: 0.8m
- Unemployment rate: 6.7%
- GDP per capita[1]: c. EUR 93,100

Key companies
- Fraport
- Bilfinger
- Commerzbank
- DZ Bank
- ING DiBa

Key attractions
- Römerberg
- Museum District
- Old Opera House
- St. Bartholomew's Cathedral
- Goethe House and Museum

Key transactions
- Leonardo Hotel Frankfurt, 350 keys

Supply

Hotels		Rooms
+3.2%	CAGR	+4.9%
196	2020	27,826
186	2018	25,951
173	2016	23,013

Selected 2021 hotel openings
- Ruby Louise, 215 keys
- Scandic Frankfurt Hafenpark, 506 keys
- NH Collection Spin Tower, 416 keys
- b'mine Hotel Frankfurt, 241 keys

Demand

Overnights

2018	2019	2020
9.7m	10.3m	3.8m

Performance

2019		2020
106 €	ADR	94 €
67%	Occ	23%
71 €	RevPAR	21 €

Source: STR[2]

Recovery Potential

Frankfurt has seen a steady increase in arrivals and overnight stays over the last several years, a trend which unfortunately stopped in 2020. With the pandemic, corporate demand came to a grinding halt, reducing the number of overnight stays by 61% and arrivals by 65%. Frankfurt Messe, one of the world's largest trade fairs, relies on roughly 5 million yearly visitors. It is unlikely that the city's key demand drivers such as the Buchmesse, IMEX and ACHEMA will take place in the next year, thus negatively impacting Frankfurt's rate of recovery. Ultimately, the return of international business demand, which has fallen by 70% in the last year, will be crucial for the hotel market recovery.

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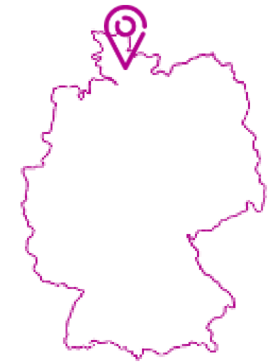

HOTEL MARKET HAMBURG

Hamburg is Germany's 2nd largest city and the gateway to the world with its major container harbour and cruise ship port. As one of the country's most important economic centres, it hosts a variety of multinational companies particularly in the logistics sector. Furthermore, Hamburg is a renowned congress and fair as well as musical destination. Since 2016, hotel supply has grown by 14% and the number of beds by as much as 21%. While supply continues to grow (almost 50 hotels with 8,000 rooms in the pipeline), performance KPIs are likely to remain under pressure in the medium term.

Overview

Key highlights

– Population: 1.8m
– Unemployment rate: 7.6%
– GDP per capita: c. EUR 64,000

Key companies

– Beiersdorf
– Airbus Deutschland
– Asklepios clinics
– Edeka
– Otto Group

Key attractions

– Port incl. Elbphilharmonie
– Miniatur Wunderland
– City Hall and Mönckebergstraße
– St. Michaelis Church
– St. Pauli and the Reeperbahn

Key transactions

– Niu Yen Hamburg, 347 keys, c. EUR 53m
– B&B Hamburg-Harburg, 100 keys
– IntercityHotel Hamburg-Barmbek, 221 keys

Supply

Hotels		Rooms
+3.4%	CAGR	+5.1%
258	2020	31,046
243	2018	28,087
226	2016	25,477

Selected 2021 hotel openings

– Motel One Fleetinsel, 441 keys
– NYX Hamburg, 236 keys
– Moxy Hamburg Altona, 220 keys
– Fleming's Selection City, 192 keys

Demand

Overnights

2018	2019	2020
13.0m	13.9m	6.0m

Performance

2019		2020
114 €	ADR	93 €
76%	Occ	32%
88 €	RevPAR	30 €

Source: STR [1]

Recovery Potential

Hamburg is expected to recover ahead of the other Top 6 cities due to its high percentage of domestic tourists, even in pre-Covid-19 times. In the last five years, three quarters of overnight stays were generated by German travellers, a trend which will hopefully remain and/or pick up, thus stimulating the hotel market recovery. In addition, the relatively dense pipeline within the leisure segment indicates that the leisure demand is expected to recover quickly over the next year. Hamburg is a common stop on the way to other leisure destinations at or around the North Sea and Baltic Sea.

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Sources: Statistical Office of each State; Trade fairs of each city; Statista; RCA; STR; Christie & Co

HOTEL MARKET MUNICH

Munich is a popular city destination and the most important business hub in southern Germany, profiting from the country's 2nd largest airport, one of the top-selling trade fairs worldwide as well as national and international enterprises, 6 of which are listed in Germany's blue-chip index DAX. In the last 5 years, the supply growth in Munich was remarkable with a 12% increase in new hotels since 2016 and 14% more beds. The pipeline is also strongly filled. In the next few years, 36 hotels with more than 6,000 rooms are expected to open, which will further intensify the competitive situation.

Overview

Key highlights
- Population: 1.6m
- Unemployment rate: 4.8%
- GDP per capita[1]: c. EUR 79,690

Key companies
- Allianz
- BMW
- Linde
- Munich Re
- Siemens

Key attractions
- Marienplatz and New Town Hall
- BMW World
- Cathedral Church of Our Lady
- Nymphenburg Palace
- Olympic Park

Key transactions
- Fattal Portfolio: Leonardo Munich City West, Leonardo Hotel & Residence Munich, 368 keys,
- BOLD Hotel Munich Giesing, 142 keys,
- Perlach Plaza Hotel, 172 keys, c. EUR 33.8m

Supply

Hotels		Rooms
+2.8%	CAGR	+4.9%
371	2020	34,644
352	2018	38,045
332	2016	34,644

Selected 2021 hotel openings
- Ameron Hotel Motorworld, 153 keys
- Scandic Munich Macherei, 234 keys
- FC Bayern Welt Hotel, 30 keys

Demand

Overnights

2018	2019	2020
16.1m	17.2m	6.4m

Performance

2019		2020
126 €	ADR	92 €
75%	Occ	26%
94 €	RevPAR	24 €

Source: STR [2]

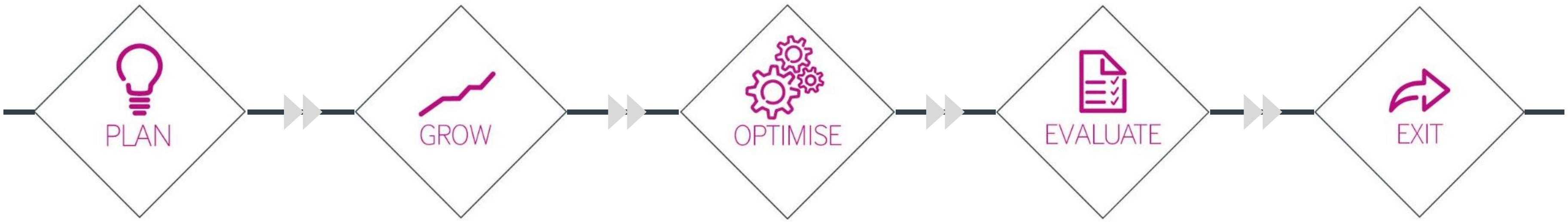
Recovery Potential

The Munich hotel market is dependent on some of the world's leading trade fairs (BAU, bauma, ISPO, EXPO REAL) as well as on strong business tourism and event business. Without this demand, occupancy and RevPAR are likely to recover more slowly than in other cities that have a stronger focus on leisure travellers than Munich. Particularly in suburban locations in proximity to the airport as well as to the Munich Trade Fair, several recently opened new hotels will be slower to recover than the ones located in more attraction-driven areas in the city centre. However, the recovery potential remains optimistic due to an increase in domestic tourism. In 2020, Munich witnessed an increase of 30% in domestic overnight stays. Additionally, once restrictions are loosened, more leisure long-stays from abroad will be expected, stimulating the market recovery.

Notes: [1]Latest available data 2019; [2]Republication or other re-use of this data without the express written permission by STR is strictly prohibited.
Sources: Statistical Office of each State; Trade fairs of each city; Statista; RCA; STR; Christie & Co

CHRISTIE & CO

Range of consulting and brokerage services



PLAN

- Understanding challenges and strategic planning
- Market entrance studies and business plan reviews
- Industry analysis and market intelligence studies
- Development advice and feasibility studies

GROW

- Acquisition support
- Acquisition target search and site identification
- Buyer due diligence and pricing advice

OPTIMISE

- Strategic repositioning
- Identifying performance improvements
- Independent business reviews
- KPI development and benchmarking
- Rent and contract advice
- Operator search & selection

EVALUATE

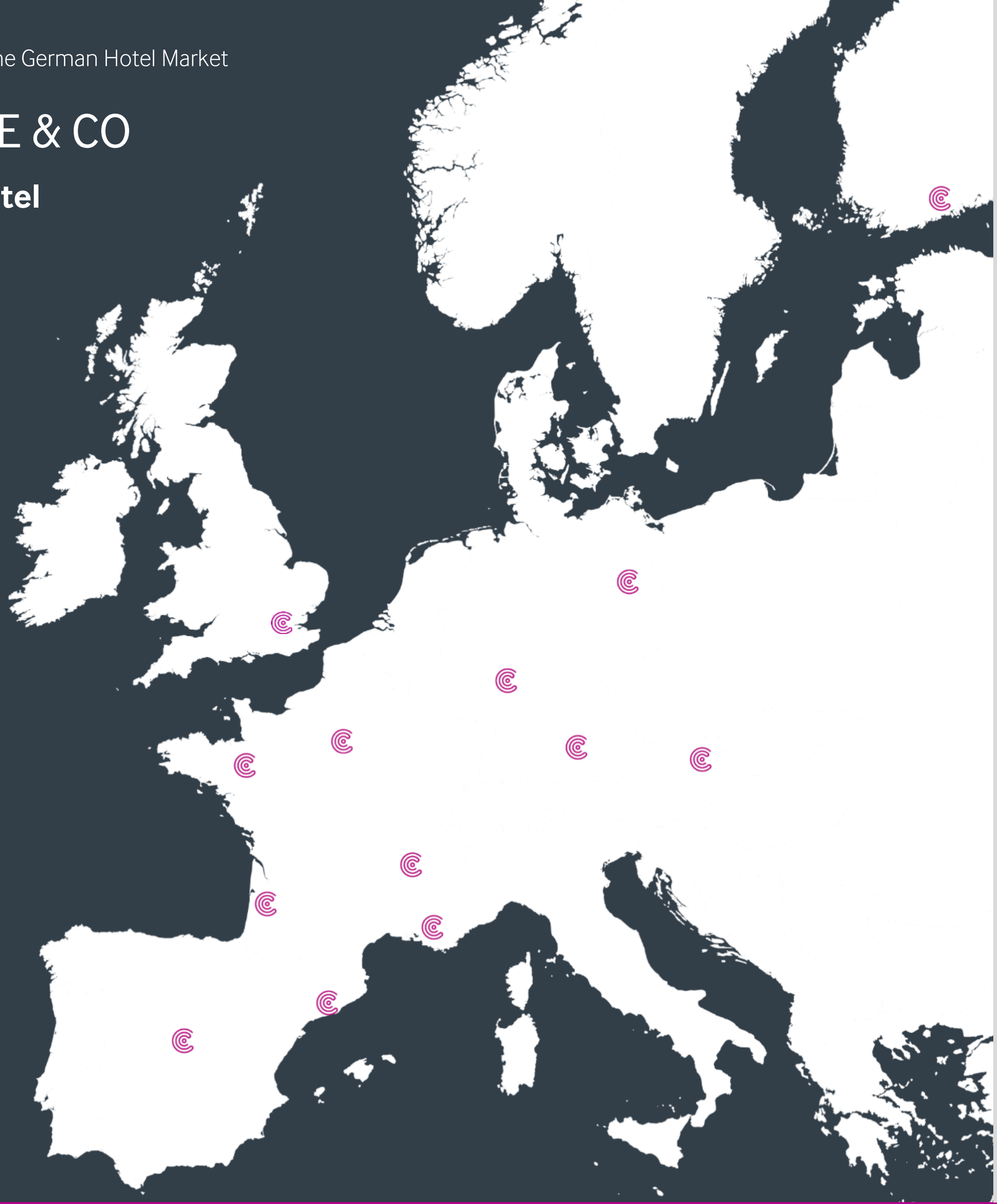
- Owner and operator advice
- Fully RICS „Red Book" and IVSC compliant valuations
- Rent review negotiation
- Expert witness and litigation support
- Identifying market trends & value curves
- Strategic disposals

EXIT

- Achieving a successful exit at the best possible price
- Vendor due diligence
- Marketing, sales and PR strategy
- Route-to-value planning

CHRISTIE & CO

Leading hotel and leisure advisers in Europe



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We have more than 250 professionals across 25 offices.

We act on behalf of:

- International developers & investors
- Major, regional and multiple operators
- UK and European lending banks
- International lending & investment banks

We currently have more than 2,100 sale instructions across Europe and carried out over 500 hospitality valuations in 2020 worth over € 1bn.

The latest figures released by RCA in March 2021 revealed that Christie & Co sold the largest number of hotels across Europe in 2020.

Christie & Co was founded 85 years ago, and as part of Christie Group is publicly listed on the London Stock Exchange Alternative Investment Market (AIM).

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