Rivalry on the Rhine

Cologne vs Dusseldorf

CHRISTIE & CO

Introduction

Dear Readers,

We are happy to present our latest report on the hotel markets of Cologne and Dusseldorf – a comparison of two cities, whose notorious rivalry, however, seems to act as a catalyst for each city's development.
Only 40 kilometres apart, the rivalry of the two cities is apparent when it comes to football (FC Köln vs Fortuna Düsseldorf) or carnival (Alaaf vs Helau), but is actually based on historic and economic facts leading much further back in history. While the cathedral city Cologne (UNESCO world heritage) has been flourishing since Roman times, Dusseldorf, the somewhat younger industrial and banking city, was elected the state capital of North Rhine-Westphalia. Dusseldorf holds Germany's third largest international airport with approx. 22.5 million passengers in 2015, while the Cologne Bonn Airport has established itself as a low-cost carrier hub. The "KÖ" stands for exclusive high street retail with the fashion week in Dusseldorf, while Cologne positioned itself as the media city with VIVA, soon to spur on a new competition between the Cologne MediaPark and the Dusseldorf MediaHarbour.
Nowadays, as established economic regions, both cities offer numerous events, fairs and congresses as well as a wide range of shopping facilities, a renown nightlife and other attractions. Hence, the number of arrivals and overnights has been steadily increasing in both metropolises.
This hotel market review gives you an insight into the fundamentals and trends of both markets. We hope you will enjoy reading our report.

Best regards,

Kay Constanze Strobl
Head of Advisory & Valuation
Services Germany

Alexandra Markhof
Consultant Advisory & Valuation
Services Germany

Cologne vs Dusseldorf

Socio-demographic & economic framework

2011	Cologne		2014		2011	Dusseldorf		2014
€ 50,514		+12.7%	€ 56,915	GDP in million	€ 42,504		+9.8%	€ 46,658
€ 20,217		+1.9%	€ 20,606*	Disposable Income**	€ 23,450		+2.2%	€ 23,970*

*Sources: Information und Technik Nordrhein-Westfalen; *in 2013,** of private households per inhabitant*

Mutually Beneficial Rivalry

Strong fundamentals

In line with the overall demographic evolution of North Rhine-Westphalia, Cologne and Dusseldorf recorded a continuous increase in inhabitants throughout the last decade. The state capital's population amounted to 590,000 inhabitants in 2011, growing to 612,000 by 2015. Cologne has always registered a larger population than Dusseldorf with1.06 million inhabitants in 2015.

Both cities showed a steady decline in unemployment figures. Since 2011 the rate has dropped to 8.5 per cent in Dusseldorf and to 9.4 per cent in Cologne .

With a GDP of circa €632.9 billion the federal state of North Rhine-Westphalia ranked first in 2014, even before Bavaria and Baden-Wuerttemberg. Cologne achieved a GDP of €56,915 million, while Dusseldorf remained slightly below these figures with €46,658 million.

The level of disposable income grew to €20,606 in Cologne and €23,970 in Dusseldorf by 2013.

"Cologne has a longer stretch of Rhine River than Dusseldorf: the river flows through the cathedral city for approx. 2 km more than the state capital."

"According to Google search, there are 134m hits for 'Köln' and only 104m hits for 'Düsseldorf'."

Overview Accommodation Supply 2011-2015

Accommodation supply

In terms of supply Cologne leads the way with 289 accommodation establishments registered in 2015, corresponding to a growth of 6.3 per cent since 2011. The number of beds grew even faster by 10.6 per cent to 32,154.

Dusseldorf, on the other hand recorded a reduction of -2.2 per cent in the number of establishments since 2011, but paired with an increasing number of beds (+ 8.2 per cent), signifying that the average capacity of establishments has grown over the past five years.

Hotel supply

Cologne's hotel segment also showed a positive development over the past five years with a growth rate of 1.2 per cent in the number of hotels and B&Bs, as well as respective 8.4 per cent in available beds. In 2015, 251 hotels and B&Bs with a total of 29,381 beds were listed. On average Cologne's hotels offer 117 beds per establishment.

As in the overall accommodation market, Dusseldorf also registered decreasing figures in the number of hotels and B&Bs (-1.4 per cent since 2011) combined with a strong positive development in bed supply (+8.7 per cent since 2011), resulting in an average hotel size of 120 rooms. This is primarily due to the structural change on the hotel market.

Supply	Cologne	Dusseldorf
Accommodation establishments	CAGR 1.5% 272 → 289 Growth 6.3%	CAGR -0.6% 225 → 220 Growth -2.2%
	CAGR 2.6% 29,073 → 32,154 Growth 10.6%	CAGR 2.0% 23,914 → 25,882 Growth 8.2 %
Hotels and B&Bs	CAGR 0.3% 248 → 251 Growth 1.2%	CAGR -0.4% 214 → 211 Growth -1.4%
	CAGR 2.0% 27,102 → 29,381 Growth 8.4%	CAGR 2.1% 23,346 → 25,383 Growth 8.7%

Sources: Information und Technik Nordrhein-Westfalen; www.hotelsterne.de

Overview Hotel Market Supply 2011-2015

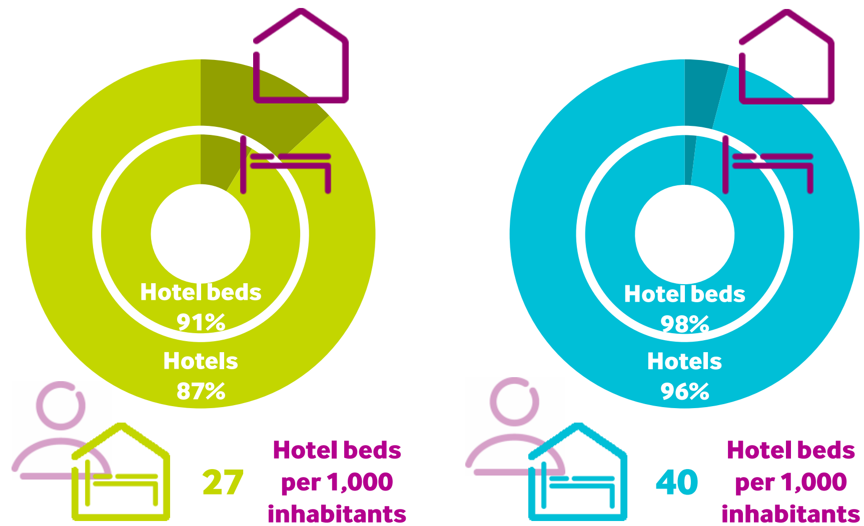
Hotel segmentation

2	☆☆☆☆☆	2
36	☆☆☆☆	45
47	☆☆☆	41
8	☆☆	9
2	☆	0
95	Stars	**97**

According to DEHOGA 38 per cent of Cologne's hotels and 46 per cent of Dusseldorf's hotels are classified, i. e. in absolute numbers 95 and 97 hotels respectively. The 3- and 4-star segments represent the majority of hotel market supply in both cities with around 87 per cent in Cologne and 89 per cent in Dusseldorf. The number of officially classified 5-star hotels is identical.

Hotel market share

The share of hotels and hotel beds compared to the entire accommodation market is similar in Cologne and Dusseldorf. In both cities the hotel segment represents the lion's share of the accommodation market. In Cologne 87 per cent of establishments and 91 per cent of all beds are provided by hotels and B&Bs, while in Dusseldorf the share even amounts to 96 per cent and 98 per cent respectively. Putting into relation the number of inhabitants of each city and the supply of hotel beds Dusseldorf records a higher density of hotel beds per 1,000 inhabitants.



Sources: Information und Technik Nordrhein-Westfalen; www.hotelsterne.de

Competitive Brand Landscape

Hotels with highest turnover

Cologne 10/200	Dusseldorf 13/200
Motel One	Meliá Düsseldorf
Radisson Blu Hotel, Cologne	Leonardo Royal Hotel Düsseldorf Königsallee
Dorint Hotel am Heumarkt Köln	NH Hotels
Hilton Cologne	InterContinental Düsseldorf
Hyatt Regency Cologne	Hyatt Regency Düsseldorf
Lindner Hotel City Plaza Köln	Hilton Dusseldorf
Marriott Köln	Breidenbacher Hof A Capella Hotel Düsseldorf, Germany
Dorint An der Messe Köln	hotel nikko düsseldorf
Excelsior Hotel Ernst Köln	Maritim Hotel Düsseldorf
Maritim Hotel Köln	Parkhotel Düsseldorf Steigenberger
	Lindner Congress Hotel Düsseldorf
	Radisson Blu Scandinavia Hotel Düsseldorf

Source: AHGZ

Market share of branded hotel chains

Ranking	Cologne		Dusseldorf	
1.	Accor Hotels	23%	AccorHotels	12%
2.	Motel One	8%	Marriott&Starwood	8%
3.	Carlson Rezidor	8%	NH	7%
4.	Dorint	7%	IHG	7%
5.	Marriott	6%	Meliá	6%
6.	Leonardo	5%	Carlson Rezidor	5%
7.	Maritim	4%	Maritim	5%
8.	NH	4%	Lindner	5%
9.	Lindner	3%	Leonardo	4%
10.	Hyatt	3%	Nikko	4%
Total Share	62% branded hotels		77% branded hotels	

Source: Christie & Co Research

23 hotels out of Germany's 200 hotels with the highest turnover are located in Cologne and Dusseldorf, including hotel chains such as Hilton, InterContinental and Nikko but also a privately owned luxury hotel namely the Excelsior Hotel Ernst. In both cities AccorHotels makes up the largest hotel chain share with 23 per cent in Cologne and 12 per cent in Dusseldorf. As expected the majority of hotels are affiliated to bigger hotel brands. In Dusseldorf more than three quarters of hotel supply are operated under an international brand or franchise – a trend that will continue rising over the following years.

Overview Hotel Market Demand 2011-2015

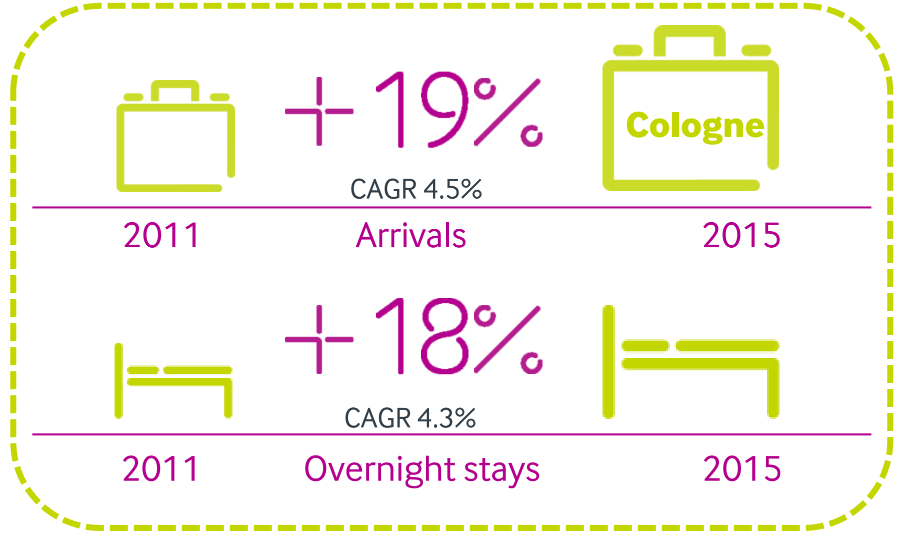
Hotel demand

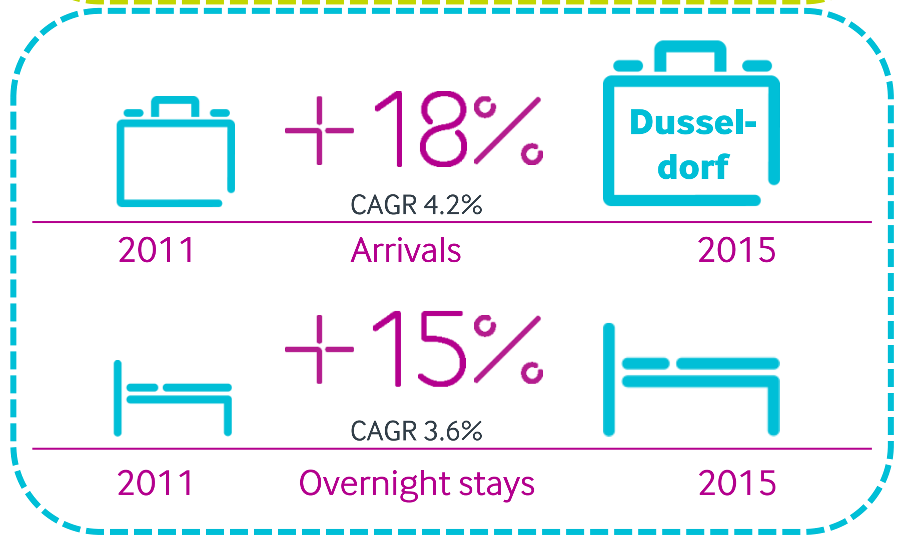
Cologne as well as Dusseldorf benefit from growing demand in the past five years. Arrivals in hotels and B&Bs showed a stronger increase than overnight stays in both Rhine metropolises reflecting the general trend of shorter trips. The average length of stay was quite similar with 1.7 nights in Cologne and 1.6 nights in Dusseldorf. Both cities are more popular business than leisure destinations and demand depends on the respective trade fair cycle.

From 2011 to 2015 the number of arrivals in Cologne increased by 4.5 per cent on average per year leading to around 3.2 million arrivals in 2015. Overnight stays recorded notable growth of 4.3 per cent on average p. a. amounting to c. 5.4 million overnights in the last year.

Arrivals in Dusseldorf's hotels and B&Bs grew by 18 per cent or 4.2 on average per year in the period under review. Overnight stays also developed positively and recorded a plus of 15 per cent in total or on average 3.6 per cent per year. In 2015 2.6 million guests generated more than 4.3 million overnight stays in hotels and B&Bs.

With regard to inhabitants, Dusseldorf again takes the lead with around 6,854 overnight stays per 1,000 inhabitants compared to 5,025 in Cologne.

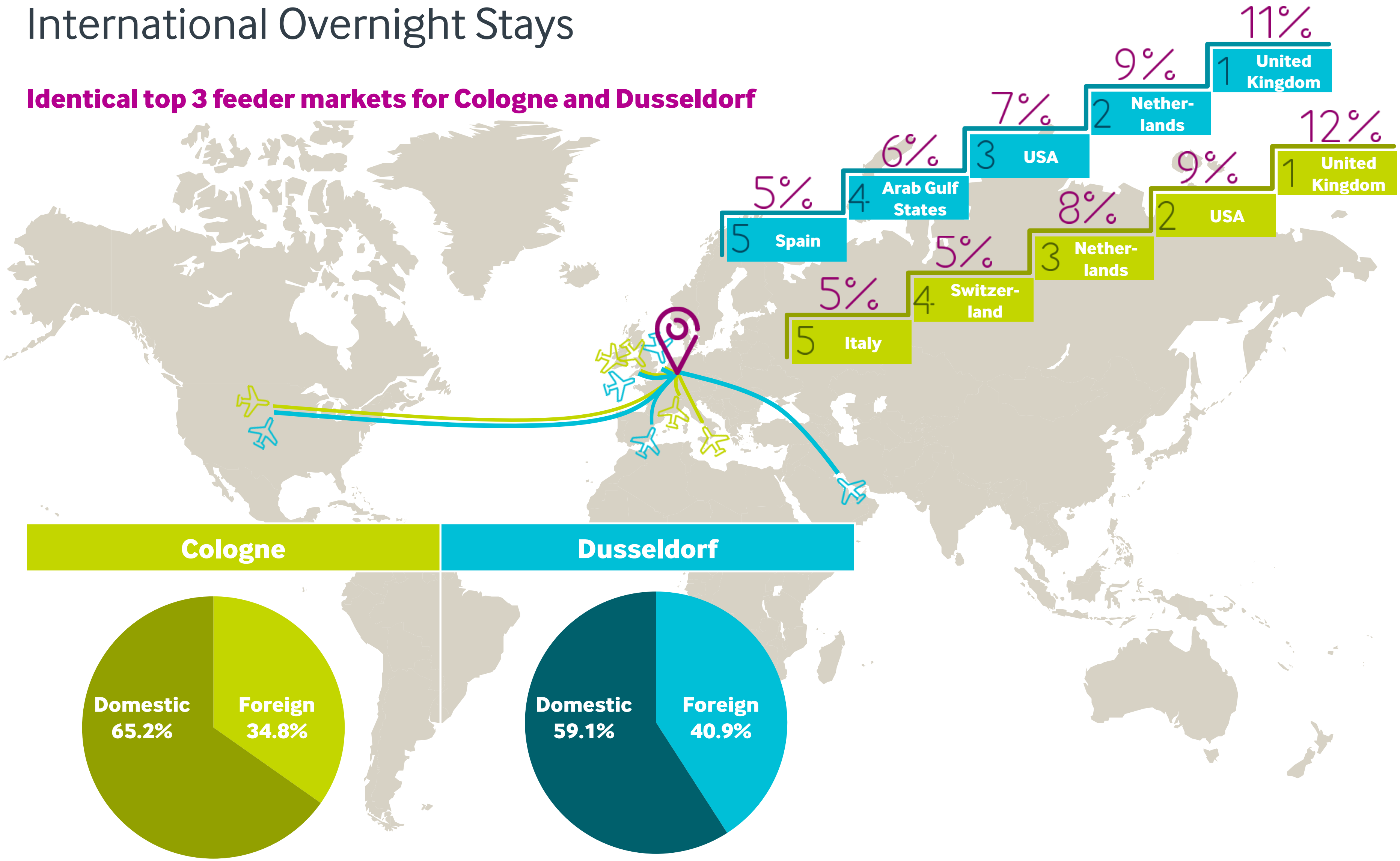




Source: Information und Technik Nordrhein-Westfalen

International Overnight Stays

Identical top 3 feeder markets for Cologne and Dusseldorf



Source: Information und Technik Nordrhein-Westfalen

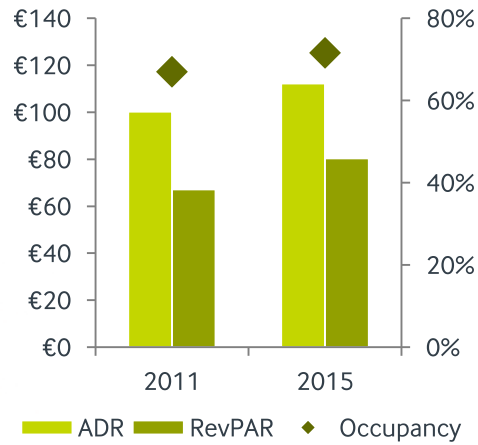
Hotel Market Performance

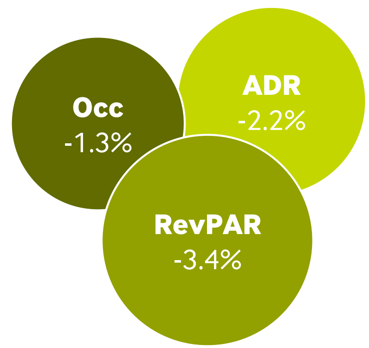
Who is leading the game?

Due to the increase of arrivals and overnight stays in Cologne occupancy, ADR and hence RevPAR considerably improved over the last five years. In 2015 occupancy reached 71.6 per cent (CAGR +1.7 per cent), ADR amounted to €112 (CAGR + 2.8 per cent) and RevPAR to €80 (CAGR +4.6 per cent). 2015 was the record year in the period under review which is in line with the outstanding annual results of the trade fair Koelnmesse and the event location Lanxess Arena. However, YTD July figures lead to the assumption that 2016's results will remain below the 2015 performance.

Dusseldorf showed fluctuating KPIs between 2011 and 2015 due to the trade fair cycle. 2015 was a weak year in terms of trade fairs which is also reflected in the market performance. Nevertheless, occupancy grew by 2.2 per cent on average per year, ADR by 0.8 per cent and, finally, RevPAR by 3.0 per cent. YTD figures for Dusseldorf raise expectations for outstanding 2016 results which are positively influenced especially by the trade fairs METAV, drupa, wire&tube and K.

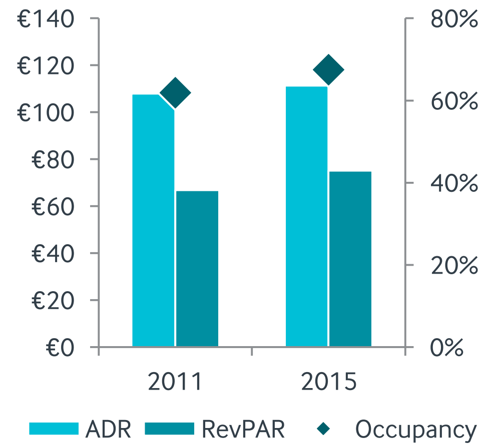
Cologne

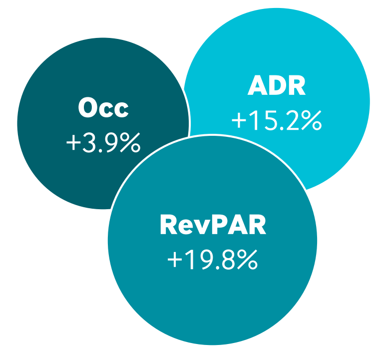




Change YTD July 2016 to YTD July 2015

Dusseldorf





Change YTD July 2016 to YTD July 2015

Source: STR Global, Ltd. Republication or other re-use of this data without express written permission is strictly prohibited.

Hotel Market Pipeline

Hotel projects predominantly in the 3- and 4-star category

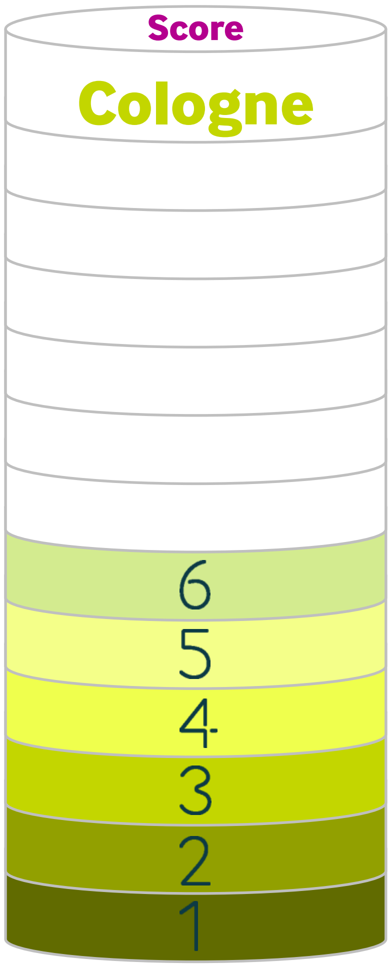
In Cologne, around 443 new rooms are under construction and over 1,000 in the planning phase. In total seven new hotels will enter the market. General restoration works of the Althoff Hotel have finally started and the hotel is supposed to open in late 2018. Furthermore, Althoff is about to introduce its new budget brand Urban Loft Accommodations. In 2017 the openings of Holiday Inn Express, H'Otello and Hotel Motorworld are expected. Hochtief is currently developing a Motel One which will offer 424 rooms by 2018. 25hours is supposed to start its operations in that year as well. Further hotel projects such as the two hotels in the MesseCity, of which the number of keys has not yet been officially announced, have to be added to the pipeline.

In Dusseldorf the total pipeline consists of 1,262 hotel rooms already under construction and further 641 in the planning phase. Four hotels will open their doors this year: The Fritz, SmartStay Hostel, Me and all and Holiday Inn. In the direct vicinity of the IHG hotel operated by Arcadia an H2-hotel with 250 rooms will be constructed. In 2017 Carat Hotel, CarLoft and Hyatt House, the first of its kind in Europe, will enter the market. By March 2018, the 25hours Hotel in the new district Le Quartier Central is supposed to be completed. Those hotels and many further will bring a breath of fresh air to the market. And another huge project is taking shape: At the former car terminal GBI plans to develop a quarter with serviced apartments, student living, parking and a hotel. Construction works are planned to start in 2018.

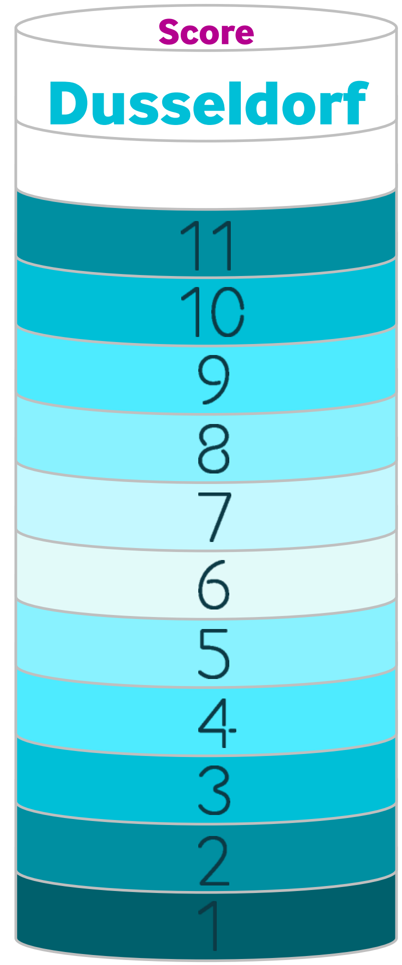
Pipeline Hotel rooms	Cologne	Dusseldorf
Under construction	**443**	**1,262**
★	0	100
★★	323	0
★★★	0	568
★★★★	0	563
★★★★★	120	31
In planning	**1,014**	**641**
★	0	0
★★	0	250
★★★	624	221
★★★★	390	170
★★★★★	0	0
Total	**1,457**	**1,903**

Cologne vs Dusseldorf

The winner is...



Cologne		Dusseldorf
✓	Population	
	Unemployment rate	✓
✓	GDP	
	Disposable income	✓
✓	Accommodation/hotel supply	
	Average size of hotels	✓
	Number of classified hotels	✓
	Hotel share of all accommodation facilities	✓
	Hotel beds per 1,000 inhabitants	✓
	Number of hotels with highest turnover	✓
	Market share of branded hotels	✓
✓	Length of stay	
✓	Numbers of arrivals and overnight stays	
	Share international overnight stays	✓
✓	Occupancy, ADR and RevPAR 2015	
	Occupancy, ADR and RevPAR July YTD 2016	✓
	Hotel pipeline	✓



Christie & Co's Germany Team for Advisory & Valuation Services

Considerable Experience in Hotel Advisory & Valuation Services throughout Germany, Austria and CEE

Lukas Hochedlinger has been responsible for the successful expansion of the company in Austria and CEE since 2010. In 2015 he was also appointed Managing Director for Germany with the aim of strengthening and growing the brand in this European core market with regard to hotel transactions. Previously, Lukas worked amongst others at KPMG Real Estate, Leisure & Tourism CEE. He successfully completed more than 100 advisory mandates including valuations across Europe, feasibility studies, market and product analysis as well as operator searches and hotel transactions. Lukas is a Member of the Royal Institution of Chartered Surveyors (RICS) and a RICS Registered Valuer.

Kay Strobl joined the team as Head of Advisory & Valuation Services in January 2016 from Deloitte und Touche GmbH Wirtschaftsprüfungsgesellschaft where she spent nine years, most recently supervising the department Real Estate & Hospitality in her role as Manager, focusing largely on hotel feasibility and profitability studies, hotel valuation, operator and investor search as well as transaction support. Previously, Kay worked for gato ag, where she contributed to the conception and realisation of large-scale tourist projects. She is certified by PMI as a Project Management Professional and a certified instructor by the Chamber of Commerce. Kay also acts as lecturer at the University of Applied Sciences in Munich, Department of Tourism.

Constanze Maas joined Christie & Co in Munich as a Consultant Advisory & Valuation in July 2012 and progressed to be an Associate Director and Location Manager in Frankfurt. Her consultancy experience includes market assessments, feasibility studies, corporate due diligence, valuations and strategic advice projects throughout Europe. Previously with Horwath HTL in Budapest and CBRE Hotels Germany & CEE in Munich, Constanze gained experience in real estate consultancy and benefited from exposure to hotel markets in Germany and Central Eastern Europe. She has worked in the hotel industry both in Germany and internationally.

Alexandra Markhof joined Christie & Co's Advisory & Valuation team in Munich in February 2014. Her area of responsibility encompasses, amongst others, market research, feasibility studies, due diligence and valuation reports. Prior to this, Alexandra worked at a national hostel and hotel chain as Assistant Manager, where she was responsible for managing operational processes as well as administrative and strategic tasks. During her university studies she acquired operational experience, amongst others in the 4-star Seaside Hotel Los Jameos Playa in Lanzarote.

Patrik Hug joined Christie & Co in September 2016 as a Consultant Advisory & Valuation. Previously, he worked for Union Investment Real Estate GmbH in Hamburg and Frankfurt, where he supported the hotel investment team primarily with the due diligence for acquisitions throughout Europe and the United States, as well as with national and international market studies and strategy papers. He gained operational experience in Switzerland, amongst others, in the 5-star-hotel Grand Resort Bad Ragaz and the boutique hotel 7132 in Vals.

Special thanks to Claudia Jöchl , Intern

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