

The German Hotel Market

Overview of 6 key cities

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Hotel Market Overview Germany

A year in review

The flourishing German hotel market has shown growth for the eighth consecutive year with more overnights being registered in 2017 than in previous years. RevPAR, which increased by 3%, was fuelled by both occupancy and ARR growth. At the same time inflation returned and reached 1.8%, which is almost on the European Central Bank's 2% target. It remains to be seen whether increasing inflation will slowly take the pressure off the German hotel investment market. To date, both national and international investors' and brands' interest in the market remains strong. This has resulted in record-low yields and large supply waves.

The top German cities have become expensive terrain. In the hunt for larger margins and bigger yields, both operators and investors have started to feel comfortable with secondary and even tertiary locations. A prime example has been Novum Hospitality with its "niu" brand, which it announced a year ago. With 40 properties signed one year later, the chain was not shy with signing contracts in secondary cities and suburbs, such as Aschheim near Munich or Fürth and Forchheim near Nuremberg. Obviously, the opening of the brand's firstling, the "niu Cobbles Essen," gained a lot of attention. Other brands, especially international hotel groups, have acted less boldly. One reason for this is the incongruity of their strategy and the market. The large hotel chains have been consistent in following their asset-light strategy which is incompatible with the prevalent contract type in Germany. Lease agreements inherit deposits, which pose a liability. Franchisors thus require a white label operator to take on the lease, which slows the development process. However, some chains have already informally reported that they would consider leases in primary locations.

So, besides niu, there is a plethora of brands entering the German market in 2018. Guldsmeden (in Berlin), Jaz in the city (in Stuttgart), and Hyatt Place (in Frankfurt) have each already opened their first German property earlier this year. 7 Days Premium (in Leipzig/Halle), Andaz (in Munich), NYX (in Munich), and Ascend Hotel Collection (in Cologne) will follow. New concepts have also been announced. The founders of Meininger will launch Schulz Hostel later this year in Berlin, and Dorint announced Hommage, to group its upper upscale properties. On an international level, while Marriott tries to streamline its brand portfolio, others, such as Jumeirah (Zabeel), IHG (Avid) and Rosewood (Khos) launched new brands.

So last year at this point, we left off with the question of what the future might bring. Last year's answer was digitalisation. Hilton recently announced its Connected Hotel Room and with Accor continuing its shopping spree in platforms and digital companies, change will certainly progress in this and in the years to come. See for yourself how the top German cities are developing. We hope you enjoy reading our update on Germany's six key hotel markets.



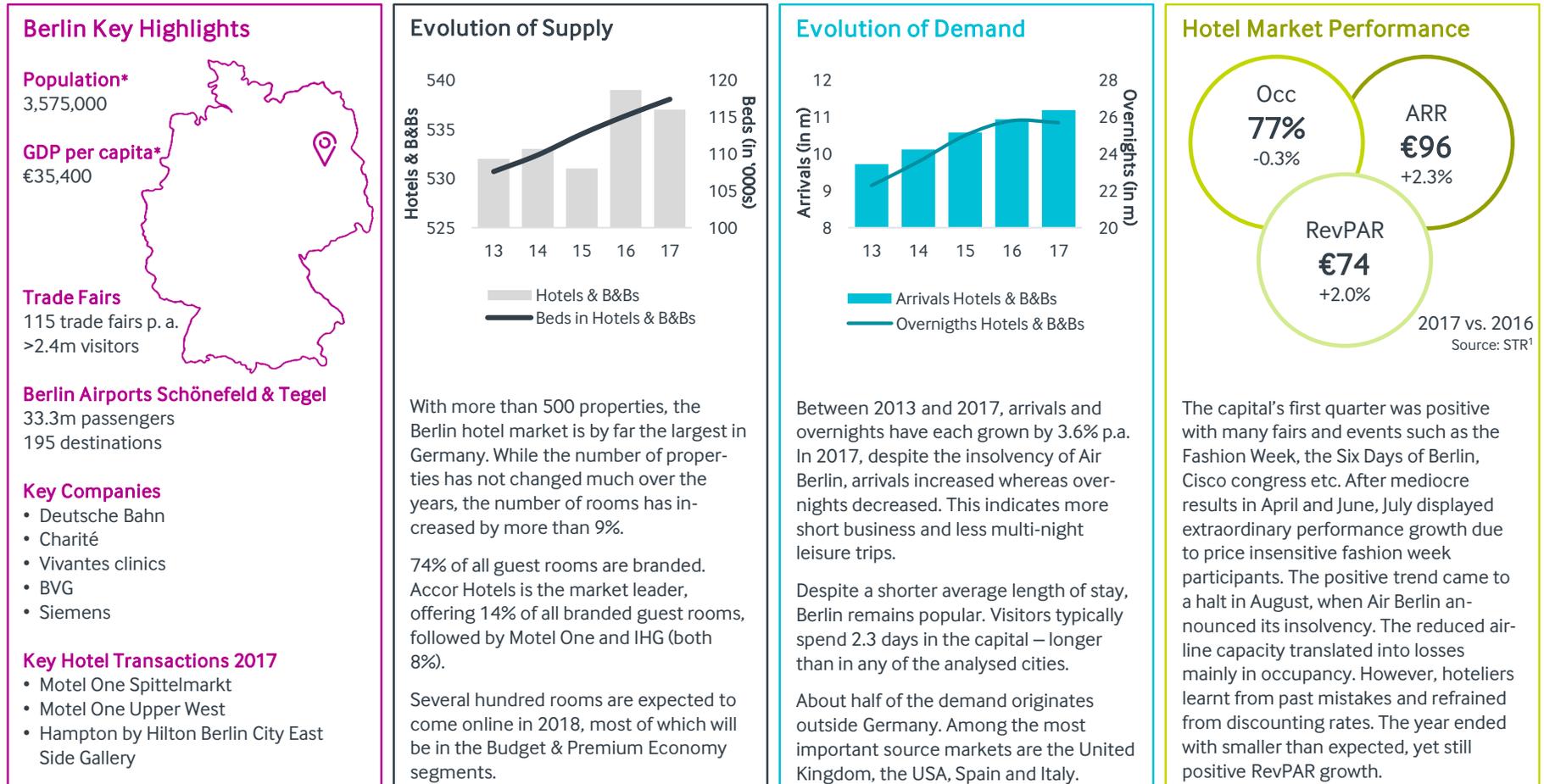
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Hotel Market Berlin

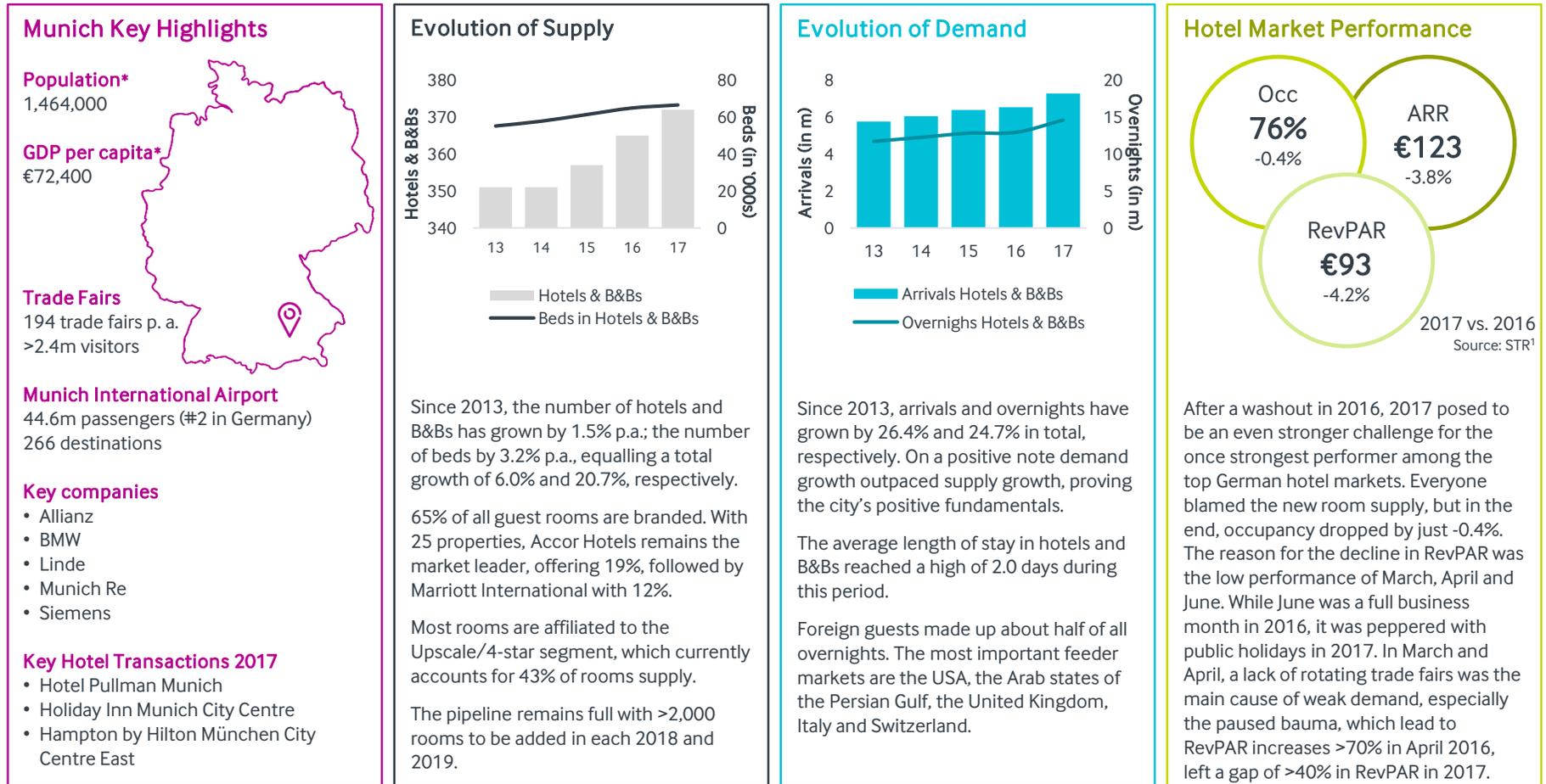
BER delay and Air Berlin insolvency tamed Berlin's growth in 2017



*Note: 2016 data (latest available); Sources: Statistical Offices of each state; STR; Christie & Co Reserach & Analysis
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Hotel Market Munich

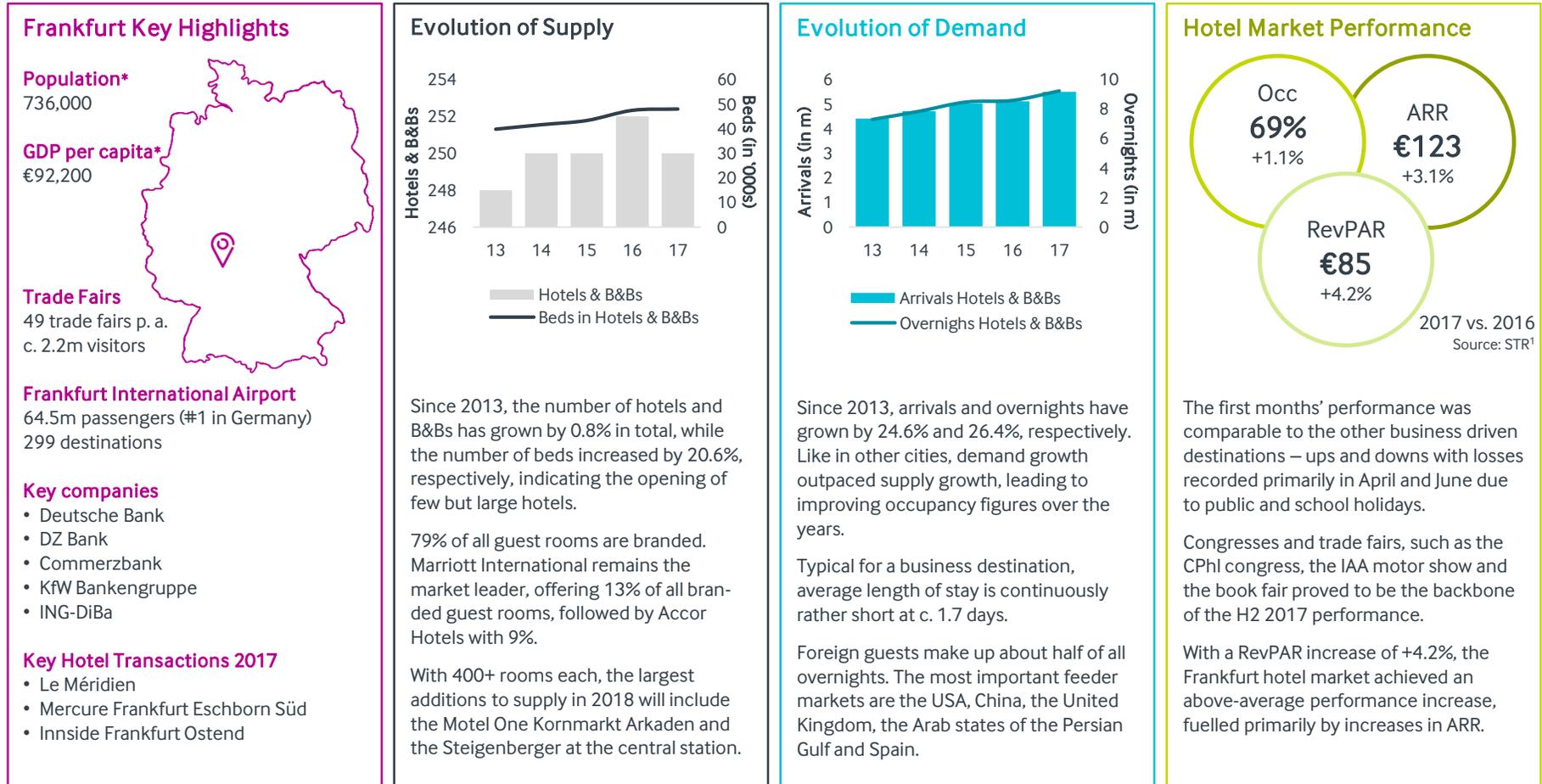
New supply not responsible for negative performance



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Hotel Market Frankfurt am Main

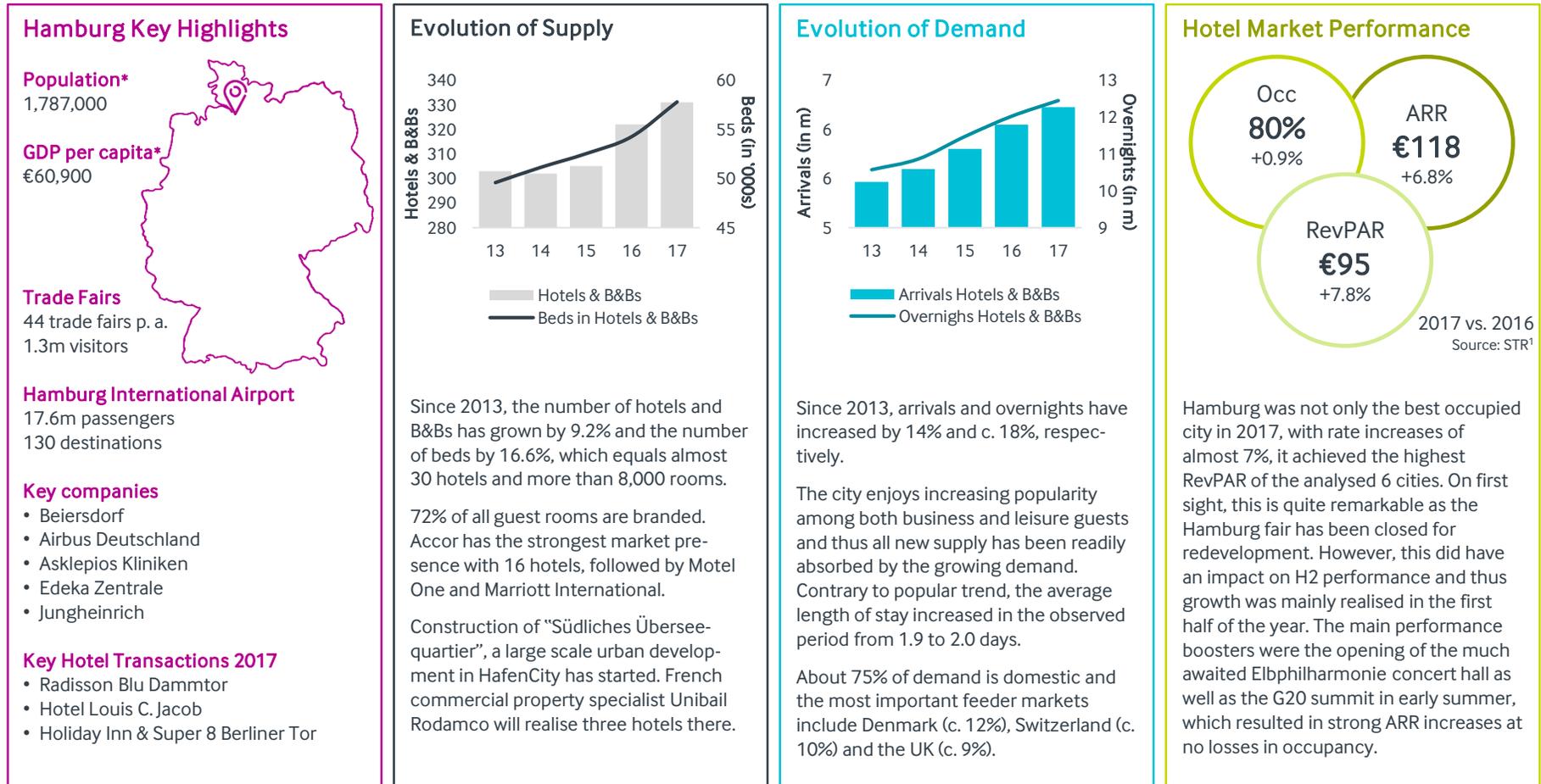
Above-average growth backed by congresses and fairs



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Hotel Market Hamburg

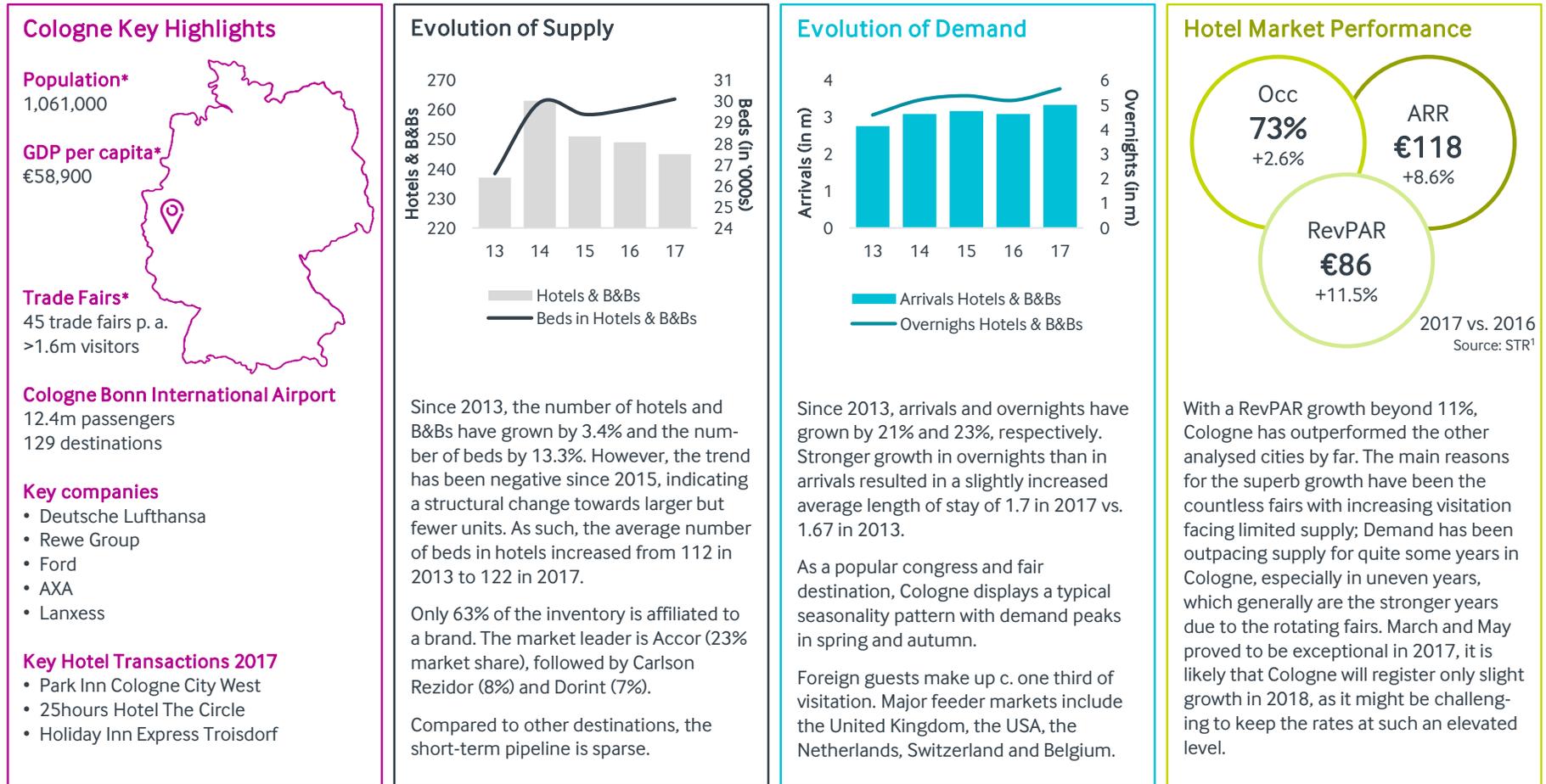
A continuing success story – highest RevPAR among the analysed markets



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Hotel Market Cologne

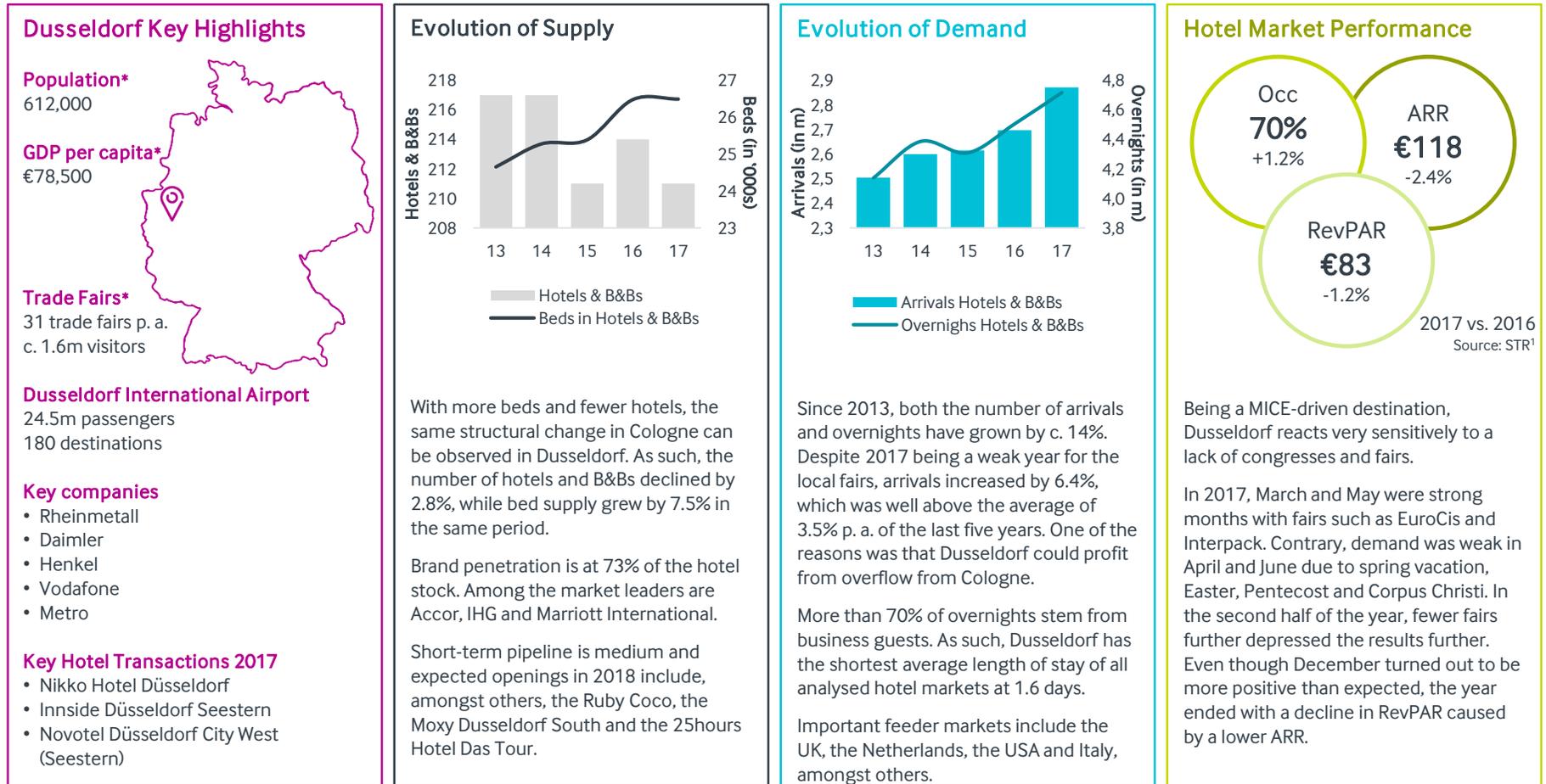
Tremendous RevPAR increase – trade fair management fears losses due to limited hotel supply



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Hotel Market Dusseldorf

Weaker performance despite increased demand due to fewer trade fairs



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