

Hotel Market Overview Germany

New Supply resulting in fewer peak demand days leading to performance pressure

On a European level, Germany's top 6 city destinations are still perceived as safe havens with sustained interest from global hotel investors. This appetite, partially fuelled by the record low interest rates, has led to an unparalleled construction boom. Demand absorbed this new supply in all cities except Hamburg and Frankfurt, where supply growth surpassed that of demand in the 2015-2019 period. This resulted in a lower overnight-to-bed ratio (O2B) for these 2 cities, with each hotel bed in Frankfurt occupied an average of 186 nights in 2019 vs 195 in 2015 and likewise Hamburg's O2B ratio dropped from 218 to 213, caused by a strong supply increase especially in 2019.

An increasing O2B ratio, which is typically caused by demand increasing faster than supply does not necessarily lead to a higher RevPAR performance in the short term, as average rates may still decrease despite a positive supply/demand evolution. A likely reason for this is a shrinking number of peak demand days caused by an expanding supply at stable demand during fairs and events. Fewer peak demand days result in fewer yielding opportunities and thus impacts ADR potential. It seems that peak demand days are among the main drivers of performance growth, oftentimes fuelled by each of the top cities' strong reliance on demand drivers including for example the Oktoberfest (Munich), the Hafengeburtstag (Hamburg) and leading trade fairs.

The dependency of performance on trade fairs is even more obvious in cities with lower levels of leisure demand, resulting in strongly fluctuating performance levels as most trade fairs take place on a bi- or tri-annual basis. For example, Dusseldorf gained 10.3% in RevPAR in 2019 – the highest of all 6 cities

analysed – after an 8.1% decline in the previous year. This is quite unique on an international level and underpins Germany's number 1 position as venue for international trade fairs worldwide. In 2018, trade fairs were able to attract almost 10m visitors, a number which has remained quite stable on average during the last decade.

What does this mean for the future? A static trade fair industry in terms of visitors vs. a growing pool of hotels, competing for the same guest seems like an equation that will not even out in the long term. It is sensible to analyse each hotel's dependency on demand generators and with increasing supply, one of the key challenges will be to drive performance even with peak demand days decreasing. It will be interesting to see how the market evolves and whether the hotel real estate market will start to consolidate or grow further.

Whilst we can only speculate about the future, the results of 2019 are set in stone. Some cities' performance increased, others declined. See for yourself how Germany's key hotel markets are developing. We hope you enjoy reading our update on Germany's 6 key hotel markets.

Benjamin Ploppa Head of Hotels Germany

Associate Director Advisory & Valuation Services





Hotel Market Berlin

Berlin is Germany's largest city, capital, political centre and home to the headquarters of several multinational companies. 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. In the last 5 years, demand growth slightly outpaced additions to supply, indicating a healthy market development. As such, overnights increased by c. 12% whereas bed supply grew by c. 11%. The currently confirmed pipeline comprises c. 8,000 rooms in over 40 projects. The largest project is the extension of the Estrel conference hotel, which will enter the market with more than 800 additional rooms at the beginning of 2021.

Overview

Key highlights

- Population: 3.7m
- Unemployment rate: 7.8%
- GDP per capita¹: c. EUR 38,900
- Airport passengers: 35.6m
- Trade fairs & event visitors: 2.1m

Key companies

- Deutsche Bahn
- Charité
- Vivantes clinics
- BVG
- Siemens

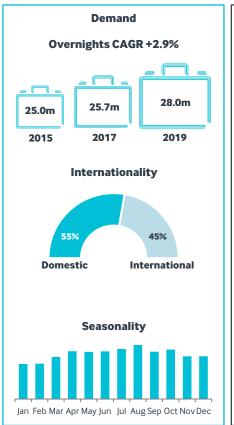
Key attractions

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

Key transactions

- Rocco Forte Hotel de Rome, 145 keys, EUR 126m
- Ibis Berlin Treptow, 126 keys, confidential
- Best Western Hotel Spittelmarkt,
 244 keys, EUR 32m







In 2019, the capital performed slightly above the previous year, driven by an increased average occupancy reaching c. 79%, owed to 2.2% more overnights. ADR was the main determinant of the monthly results, except for January and May, when occupancy levels were clearly above the previous year's results. In February, peak demand and thus high rates were caused by a positive Fruit Logistica (fresh produce trade show) and Berlinale (film festival). March profited from ITB. The 2nd half of the year was a challenge with most months ending with inferior results compared to 2018 monthly result except November due to lower ADR levels caused by pausing events.

Notes: 1 Latest available data 2018; 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; RCA; STR; Christie & Co





2019

(YoY Change)

Source: STR 2

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, demand evolved the most dynamic of all top 6 cities analysed with overnights increasing by an average 7.6% p. a. The supply growth, however, kept pace and since 2015, bed supply grew by more than 31%. The fiercer competitive environment is unlikely to extenuate considering both pausing fairs and a pipeline, which remains considerable with more than 6,400 rooms.

Overview

Key highlights

- Population: 1.6m
- Unemployment rate: 2.9%
- GDP per capita¹: c. EUR 78,800
- Airport passengers: 47.9m
- Trade fairs & event visitors: 2.5m

Key companies

- Allianz
- BMW
- Linde
- Munich Re
- Siemens

Kev attractions

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

Key transactions

- Hotel Hilton Munich Park (Sale of Tucherpark), 484 keys, c. EUR 193m
- K+K Hotel am Harras (K+K Portfolio). 102 keys, c. EUR 25m
- Park Inn by Radisson, 81 keys, confidential







finished with a stale aftertaste.

Performance

ADR

Hampton by Hilton Munich City Centre

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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. Until 2018, demand outpaced supply growth, a trend which was reversed in 2019 with supply growing by 6.2% p. a. and overnights by 4.9% p. a. With c. 6,500 rooms in almost 30 confirmed projects, supply pressure is likely to remain high in the near future.

Overview

Key highlights

- Population: 0.8m
- Unemployment rate: 5.0%
- GDP per capita¹: c. EUR 93,100
- Airport passengers: 70.5m
- Trade fairs & event visitors: 2.5m

Key companies

- Deutsche Bank
- DZ Bank
- Commerzbank
- KfW Bankengruppe
- ING

Key attractions

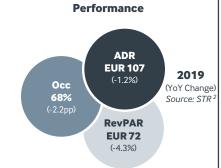
- Römerberg
- Museum District
- Old Opera House
- St. Bartholomew's Cathedral
- Goethe House and Museum.

Key transactions

- Hilton & Hilton Garden Inn Frankfurt
 Airport, 249 and 334 keys, c. EUR 259m
- Lindley Lindenberg, 100 keys,
 c. EUR 21m
- Motel One Frankfurt Messe, 401 keys, confidential







Since 2015, only 2017 was positive in terms of performance growth then fuelled by ADR increases. The negative trend in 2018 continued in 2019 with only 2 months performing better than in 2018. The culprits are quickly found: Demand increased, yet at a lower pace than supply. Further, fewer trade fair visitors in the first quarter, lacking fairs in April and June and a disappointing auto show IAA accompanied by climate protesters were some of the performance spoilers. The IFFA, texprocess and techtextil in May and the CPhl in November were the only real performance drivers, yet they were unable to push the market into the profit zone.

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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 2014, demand for hotels and B&Bs has shown a strong growth of c. 21%, remaining just below the c. 22% increase in bed supply, indicating that new supply has not yet been completely absorbed by the market. While supply continues to grow (almost 10,000 rooms in the pipeline), performance KPIs are likely to stay under pressure in the medium term.

Overview

Key highlights

- Population: 1.8m
- Unemployment rate: 6.1%
- GDP per capita¹: c. EUR 63,000
- Airport passengers: 17.3m
- Trade fairs & event visitors: 0.7m

Key companies

- Beiersdorf
- Airbus Deutschland
- Asklepios clinics
- Edeka Zentrale
- Jungheinrich

Key attractions

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

Key transactions

- Holiday Inn Hamburg Elbbrücken, 385 keys, confidential
- Ambassador Hotel, 119 kevs. confidential
- The niu Bricks, 192 keys, EUR 30m



- Moxy Hamburg City Mitte, 290 keys





In 2019, overnights increased every month, nevertheless, RevPAR was negative in all but 3 months resulting in a loss at the bottom line. With a 2nd year of contracting performance, Hamburg joins Frankfurt and similar to the city in Hesse, the Hansa city has been facing the same challenges – a wave of new hotels entering the market spoiling the performance. Among the positive months were May thanks to e.g. the Hafengeburtstag (annual port anniversary), June (Rotary Convention) and November (Gamevention, BioEurope). Hoteliers are surely looking forward to the congress centre's reopening due in August 2020, which will bring back some peak demand days.

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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 important transshipment centre for logistics via rail, air, road and river. Its economic strength is based on both its Rhine ports, which are amongst the most significant inland ports in Europe, as well as its geographical proximity to the Ruhr region. In the last 5 years, Cologne's hotel market has experienced further consolidation with an overall declining hotel stock. Due to the opening of larger hotels, however, bed supply increased at a lower pace than demand, which has increased by 2.8% p. a. At the moment, the confirmed pipeline consists of c. 20 projects.

Overview

Key highlights

- Population: 1.1m
- Unemployment rate: 7.8%
- GDP per capita¹: c. EUR 59,700
- Airport passengers: 12.4m
- Trade fairs & event visitors¹: 1.7m

Key companies

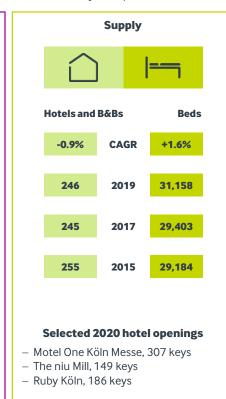
- Deutsche Bahn
- REWE Group
- Ford
- AXA
- Lanxess

Key attractions

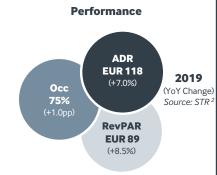
- Cologne Cathedral
- Hohenzollern Bridge
- Old Town Hall
- Rhine River Cruises
- Chocolate Museum

Key transactions

- Motel One & Adina "Southern Cross"
 308 and 171 keys, EUR 111m
- Hotel im Wasserturm, 88 keys, confidential
- MGallery Mondial am Dom (Principal Portfolio), 207 keys, confidential







Cologne's hotels had reason to celebrate as the city recorded the 2nd highest performance growth after Dusseldorf. 1st star of the year was March, where the international dentist's fair pushed performance. April was lower compared to 2018 due to Easter break, however returned to growth quickly after in May thanks to the interzum (furniture and interior fittings fair). Thanks to a plethora of both business and leisure events (e.g. concerts of P!NK), all summer months ended positively. Highlight of the year was certainly October, when the ANUGA food fair celebrated its 100th birthday and thrilled with a record number of visitors.

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Hotel Market Dusseldorf

Dusseldorf is the heart of the economic powerhouse of the Rhine-Ruhr area and the 2nd largest banking and financial city in Germany. Besides, Dusseldorf is a key trade fair destination, thus demand is highly MICE/business oriented with lower demand during weekends. Leisure demand is generated by, amongst others, the Königsallee, one of Germany's prime high streets. Since 2015, hotel supply has remained quite stable with bed supply increasing by c. 11%, remaining below the positive demand trend. This has lead, together with a favourable trade fair cycle, to rich performance increases. The pipeline, however, remains hefty with 6.500 rooms in almost 30 projects and future performance losses seem likely.

Overview

Key highlights

- Population: 0.6m
- Unemployment rate: 6.6%
- GDP per capita¹: c. EUR 79,200
- Airport passengers: 25.5m
- Trade fairs & event visitors: 1.3m

Key companies

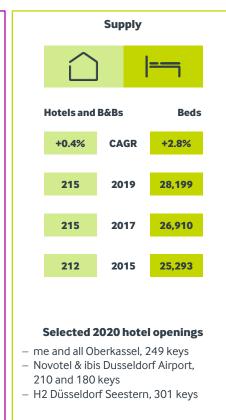
- Rheinmetall
- Daimler
- Henkel
- Vodafone
- Metro Group

Key attractions

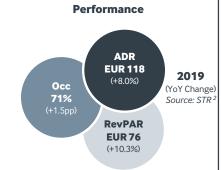
- Old Town
- Königsallee
- Media Harbour
- Rhine Embankment
- Hofgarten

Key transactions

- Maritim Hotel Dusseldorf, 533 keys, EUR 162m
- Moxy Dusseldorf South, 159 keys, EUR 20m
- The niu Seven (development),
 127 keys, EUR 15m







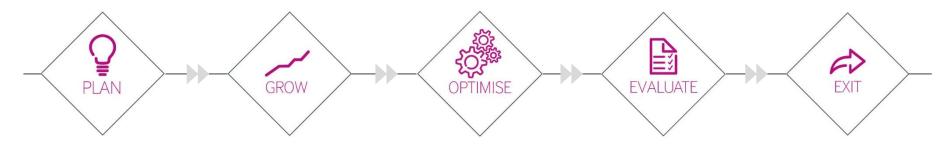
In terms of performance growth, none of the analysed cities performed better in 2019. This was clearly caused by the trade fair calendar, which was in favour of the North Rhine-Westphalian capital. Generally, the 1st quarter performed on par with the previous year, followed by April, the city's clearly most sore month due to a pausing Wire & Tube. May shined with a >20% RevPAR increase, which rooted in an occupancy increase caused by more domestic guests. The summer months were stable yet underwhelming with growth returning in September, which marked the start of a golden trade fair autumn boosting ADR until the end of November.

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Christie & Co Germany

Berlin

Kurfürstendamm 182 10707 Berlin T +49 (0) 30 2 00 09 60 E berlin@christie.com

Frankfurt

Schillerstrasse 12 60313 Frankfurt am Main T+49 (0) 69 90 74 570 E frankfurt@christie.com

Munich

Pfisterstrasse 6 80331 Munich T+49 (0) 89 2 00 00 070 E munich@christie.com

