

May 2017



Hotel Market Hamburg Up in the North



Introduction

Dear Readers,

In the course of this year's series of hotel market publications, we dedicate our latest report to Germany's second largest city, Hamburg – officially named Freie und Hansestadt Hamburg.

Situated in Northern Germany on the river Elbe, the Hanseatic city counts more than 1.8 million inhabitants and represents one of Germany's 16 federal states – being the smallest but wealthiest among them.

Hamburg is home to a UNESCO world heritage site consisting of the old warehouse district Speicherstadt and the Kontorhausviertel. The newly opened cultural and urban landmark Elbphilharmonie is located in Europe's largest city centre development project HafenCity – a city in itself, setting benchmarks by combining office and residential uses, culture and leisure, tourism and retail facilities. Europe's second largest container port, the famous 300-year-old fish market, the entertainment district St. Pauli and the Reeperbahn, numerous museums, galleries and theatres staging world famous musicals, as well as the Staatsoper attract both domestic and overseas visitors, generating more than 13.3 million overnights in 2016. The increasing demand is also owed to Hamburg's strong MICE segment, hosting 60,000 events and more than two million participants annually.

This publication gives you an insight into the dynamics of Hamburg's hotel market.

Best regards,



Kay Constanze Strobl
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Dynamic Economic Region

Located in the very north of Germany, Hamburg boasts high economic potential along with a high standard of living, making it one of the most dynamic regions in Europe.

From 2012 to 2015, Hamburg's population rose by 2.6% to 1.78 million inhabitants and is supposed to reach 1.84 to 1.89 million until 2035.

The economic structure is characterised by the large trade and logistics industries. Hamburg represents a main trading centre in northern Europe and a gateway for overseas trade. Other important business sectors include the aviation and shipbuilding industry, the creative and media industry, the finance sector and – last but not least – the tourism industry.

Underlining its positive economic performance, the Hanseatic city recorded a decrease of its unemployment rate of 16.7% since 2012. However, the rate is still slightly higher than it is in its neighbouring states Schleswig-Holstein and Niedersachsen as well as above German average.

From 2011 to 2016, the GDP of Hamburg rose from €97.8bn to €110.7bn (+13.1%), whereas Germany's GDP saw an even higher increase of 21.4%.



Population

2012	1,734,272
2015*	1,779,013

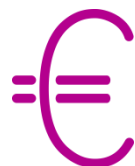
+2.6%



Unemployment rate

2012	8.4%
April 17	7.0%

-16,7%



GDP in €m**

2012	97,831
2016	110,674

+13,1%



Purchasing power per capita

2012	21,985
2016	24,024

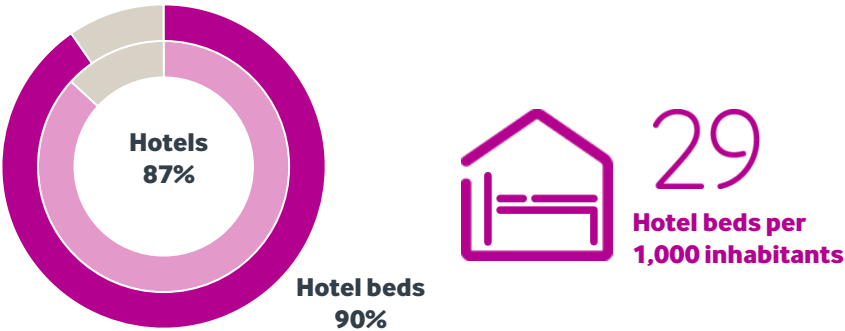
+9,3%

Note: *Last available data;**at current prices

Sources: Statistical Office for Hamburg and Schleswig-Holstein; GfK

Accommodation Supply 2012-2016

	Accomodation establishments	Hotels and B&Bs
Properties	CAGR 2.8% 326 → 364 Growth 11.7%	CAGR 1.6% 297 → 316 Growth 6.4%
Beds	CAGR 3.2% 52,590 → 59,670 Growth 13.5%	CAGR 2.5% 48,904 → 53,911 Growth 10.2%



Source: Statistical Office for Hamburg and Schleswig-Holstein

Accommodation supply

With 38 openings representing an 11.7% increase, Hamburg’s accommodation supply showed a positive development over the last five years. Similarly, the number of beds augmented by 7,080 (+13.5%) reaching almost 60,000, resulting in an average accommodation size of 164 beds per property.

Hotel supply

The number of hotels also increased, however at a slower pace compared to the entire accommodation market. The number of hotels grew by 6.4% to 316, while at the same time, the number of beds increased almost twice as much (+10.2%). This development confirms the ongoing nationwide structural change with larger hotels opening and smaller ones discontinuing their operations. Since 2012, the average size grew by 3.6% to 171 beds per hotel.

Hotel market share

Hotels make up the vast majority of the accommodation sector with 87% of all properties. In terms of bed share, they dominate the sector even stronger with more than 90%.

Taking population into account, Hamburg has a bed density of 29 hotel beds or 33 accommodation beds, respectively, per 1,000 inhabitants, i.e. less than in other major German cities such as Berlin (38 accommodation beds) or Munich (44 accommodation beds).

Hotel Supply 2016



Source: hotelsterne.de

N°	Hotel Company	
1	AccorHotels	14%
2	Motel One	7%
3	Marriott/Starwood	6%
4	Carlson Rezidor	5%
5	Novum	5%
6	Steigenberger	5%
7	IHG	5%
8	A&O	4%
9	Best Western	4%
10	NH	3%

Sources: booking.com; Christie & Co Research

Hamburg 12/200



Hotel segmentation

According to the German hotel and restaurant association DEHOGA, 149 of 316 Hotels are officially classified. The market is dominated by the 3- and 4-star segment, representing 76.5% of all classified hotels. The budget segment accounts for 16.8%, while the luxury segment is represented by a relatively small number of 10 classified hotels (6.7%). Nevertheless, with the opening of the privately owned grand hotel The Fontenay, Hamburg's luxury segment is set to grow by 131 rooms in 2017.

Market share of branded hotel chains

According to our research, more than three quarters of all hotel rooms in Hamburg are brand affiliated. The table shows the room market share of the top ten hotel chains relative to the total number of branded hotel rooms in Hamburg. Among them, Accor has the highest share with 14%, followed by Motel One with 7%. About 50 chains and c. 70 brands provide a multifaceted brand landscape, appealing to every possible traveller segment.

Hotels with highest turnover

According to the 2016 annual ranking by the industry newspaper AHGZ, 12 hotels in Hamburg currently belong to Germany's top 200 hotels in terms of revenue. Among them, five are privately owned. The Grand Elysée Hotel Hamburg has been the top-performing hotel in Hamburg and ranked 12th nationwide. The hotel reported a net revenue of €35.8m. The city's high occupancy rates can be identified as one main reason for the strong presence of Hamburg-based hotels in the list.

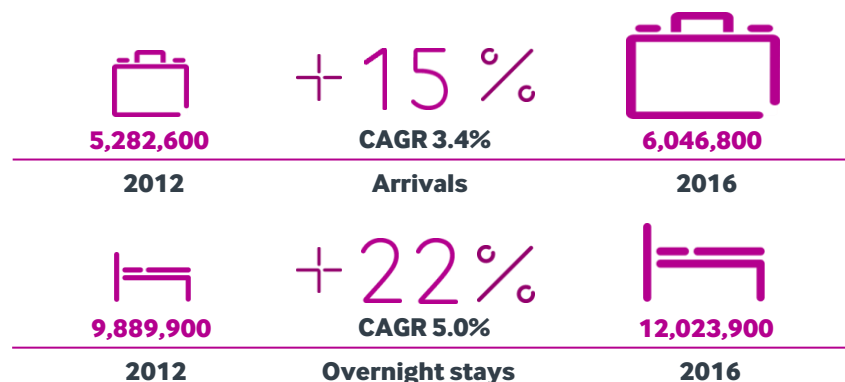
Hotel Demand 2012-2016

Since the turn of the millennium, Hamburg's overnight stays increased more strongly than in any other of Europe's top 20 cities. In the last five years, hotels saw an average growth of 3.4% p.a. in arrivals and 5.0% p.a. in overnight stays.

The overall accommodation market recorded an even higher growth in demand with 4.0% p.a. in arrivals and 5.8% p.a. in overnight stays, suggesting an increasing demand for accommodation facilities other than hotels and B&Bs.

The growth in overnight stays outpaced the increase in arrivals. Consequently, a longer average length of stay from 1.9 to 2.0 days between 2012 and 2016 could be observed, underlining the growing interest for Hamburg. In addition, the number of international overnights doubled from 1.5 million to 3.3 million during the last decade, accounting for 25% of all overnight stays in 2016.

The city's top 10 foreign source markets make up for about two thirds of the overall foreign demand. Among them are Denmark (12.1%), Switzerland (10.4%), the UK (9.2%), Austria (7.7%), the United States (6.3%), the Netherlands (5.6%), Spain (4.6%), France (4.0%), Italy (3.2%) and Sweden (3.1%). Nevertheless, Germany remains the city's most important source market.



Source Markets – Winners 2016					
Increase in overnights					
relative			absolute*		
1	64%	Croatia	1	520	Germany
2	40%	Slovenia	2	31	Switzerland
3	39%	Cyprus	3	29	Denmark
4	38%	Romania	4	24	UK
5	33%	South Korea	5	22	China**

Source Markets – Losers 2016					
Decrease in overnights					
relative			absolute*		
1	-16%	UAE	1	-15	UAE
2	-14%	Portugal	2	-5	Austria
3	-14%	Latvia	3	-5	Russia
4	-11%	Estonia	4	-4	Portugal
5	-9%	Brazil	5	-2	Brazil

Note: *in thousands; **incl. Hong Kong

Source: Statistical Office for Hamburg and Schleswig-Holstein

Hotel Performance

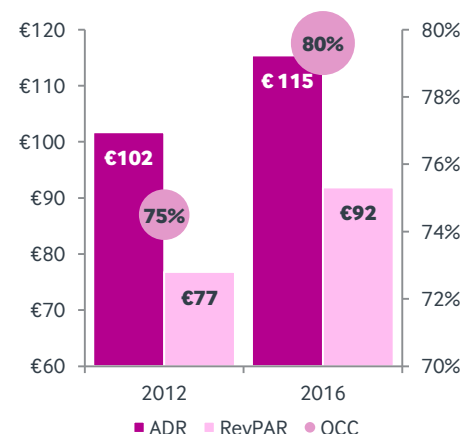
Hamburg recorded an upward trend in all KPIs from 2012 to 2016. The occupancy peaked at 80% in 2016, as well as the ADR which reached an all-time high of €115. The significant occupancy and ADR growth (+5.1% and 13.5%, respectively) led to an even sharper rise of RevPAR from €77 to €92 (+19.7%), making the Hanseatic city the third most profitable German city after Munich and Heidelberg.

Compared to the first quarter of 2016, Q1 2017 performance has been very positive. RevPAR skyrocketed by 10.1% from €77 to €92 caused by both occupancy and ADR increase.

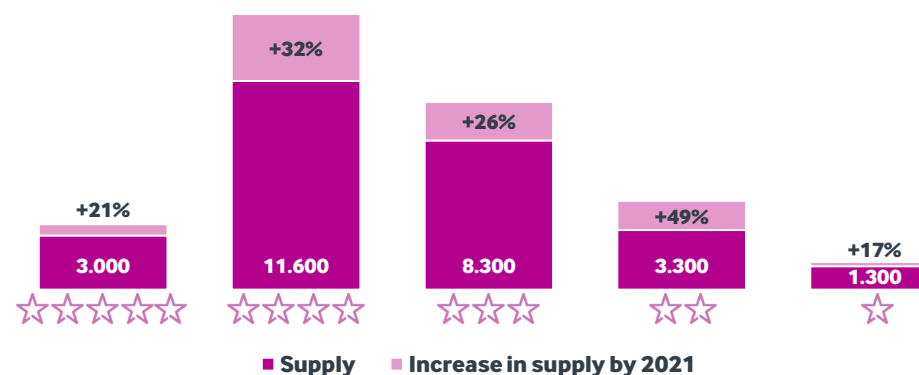
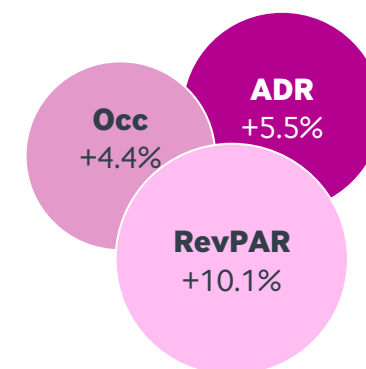
Going forward, we expect growth rates to level out for 2017. Traditionally, uneven years show weaker trade fair demand in Hamburg. The interim shutdown of the congress centre might also affect the city's performance in 2017 and 2018. At the same time, 14 hotels with more than 2,000 rooms are set to enter the market this year, applying pressure on the city's KPIs.

Looking at the whole pipeline until 2021, Hamburg anticipates a growth of almost 8,800 rooms in 48 hotels, of which about half are already under construction.

In terms of bedroom numbers, the already best represented 4-star segment will see an additional increase of 32% (c. 3,700 rooms) compared to its current supply, followed by the 3-star segment (+26%; c. 2,100 rooms).



YTD March 2017 vs YTD March 2016



Sources: STR; Christie & Co Research

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

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