

THE GERMAN HOTEL MARKET

Overview of 6 key cities

March 2019



christie.com

20 YEARS
1999 2019
IN GERMANY

Hotel Market Overview Germany

Two decades in review

20 years ago, Christie & Co expanded its hotel brokerage and consulting business into Germany – a hotel market that has been and continues to be very exciting, stable and impressive. What has happened in Germany and its 6 key cities in the last 2 decades? Analysis of nationwide demand since 1999 shows decline was only recorded in 2001/2002, where Germany suffered from a market downturn fuelled by global events such as 9/11 and in 2009 following the global financial crisis. In 2009, overnights declined by less than 1 percentage point only to rebound to record levels in 2010. The predominantly MICE/ business destinations such as Frankfurt and Dusseldorf have shown to be especially prone to economic fluctuations, whereas cities with a well-balanced guest mix such as Berlin, Munich and Hamburg have proven to be very resilient. These cities were completely unaffected during the global financial crisis and continue to welcome more guests and registering more overnights every single year since 2001/2002. While overnights in Germany have increased by circa 90% since 1999, they more than doubled in Munich, Frankfurt, Cologne, Dusseldorf and almost tripled in Hamburg and more than tripled in Berlin. Supply increased as well although lagging behind demand growth, which ultimately resulted in increasing occupancy rates in all markets, recording increases between 2 and 9 percentage points, except Frankfurt, which displayed roughly the same occupancy in 2018 than it did 2 decades ago. Frankfurt's stagnating occupancy is likely due to the largest increase in number of hotels compared to the other key cities. Although Berlin and Hamburg saw higher growth rates in terms of bed supply, demand growth was more dynamic.

Although supply evolved more slowly than demand and occupancy increased in most markets, the competitive environment prevented hoteliers from increasing prices beyond inflationary levels, except for Munich. The weakest markets have been Cologne, Dusseldorf and Berlin, where hotel prices have increased by less than 1% each year. Growth could have been even worse had it not been fuelled by the reduction of the VAT rate in 2010.

What will the future bring for Germany's prime hotel markets? Pipelines remain full and investments are still highly sought after. It remains to be seen whether the pork cycle will result in an oversupply in hotel stock should the economic cycle come to an end. History has shown that even if the pipelines are filled, supply will likely be absorbed at the cost of lower prices. The markets will continue to see consolidation, become more efficient and see a higher degree of digitalisation in order to remain competitive in an environment of increasing labour cost.

Although some cities saw performance decline in 2018, 2019 promises to be a smooth ride with continued growth, given no external shock hits the markets. 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.



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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 outpaced additions to supply, indicating a healthy market development. As such, overnights increased by 14.9% whereas bed supply grew by +10.7%. The pipeline currently comprises c. 12,000 rooms and remains one of the country's largest which will likely keep future ADR growth in check.

Overview

Key highlights

- Population: 3.6m
- Unemployment rate: 8.1%
- Airport passengers: 34.7m
- Trade fairs & events: 120
- Visitors trade fairs & events: 2.5m

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

- Hilton Berlin, 601 keys, €297m
- Dorint Adlershof Berlin, 111 keys, €15m
- Vienna House Easy, 152 keys, €15m

Supply



Hotels and B&Bs

+0.1%
CAGR
+2.6%

Beds

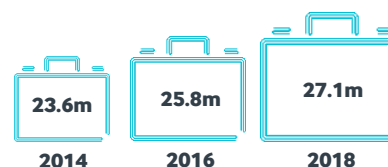
537
2018
120,609
535
2016
114,174
534
2014
108,934

Selected upcoming hotel openings

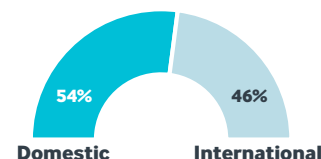
- Amo by Amano, 93 keys
- Barceló, 283 keys
- The Student Hotel, 456 keys

Demand

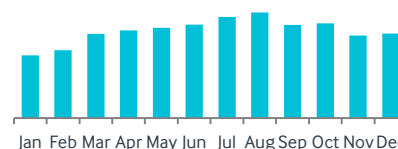
Overnights CAGR +3.5%



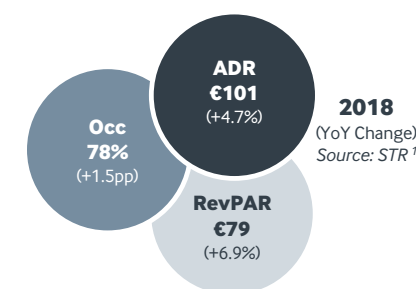
Internationality



Seasonality



Performance



In 2018, the capital performed above expectations, especially the 2nd half was very positive. Thanks to different fairs and events, the 1st quarter performed on par with the previous years. While April profited from many business days and the ILA, amongst others, many holidays spoiled the May performance. June performance was promising, in July leisure demand pressured ADR. From August onwards, every month's RevPAR was up between c. 9% and 20% year-on-year. The track and field European Championships, multiple trade shows, events and congresses (ILA, Marathon, ECTRIMS etc.) boosted performance.

Note: ¹ Republication or other re-use of this data without the express written permission by STR is strictly prohibited.
Sources: Statistical Offices of each state; Trade fairs of each city; ADV; 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. Since 2014 demand has developed very positively especially during the last 2 years showing each a double-digit overnight growth for hotels and B&Bs. Compared to 2014, the city's bed supply increased by almost a third, however demand kept up. With a pipeline of more than 9,000 rooms, performance is likely to deteriorate temporarily in 2020 after an expected performance spike in 2019 due to the BAU/Bauma fairs.

Overview

Key highlights

- Population: 1.5m
- Unemployment rate: 3.8%
- Airport passengers: 46.3m
- Trade fairs & events: 173
- Visitors trade fairs & events: 2.0m

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

- Leonardo Royal, 424 keys, €157m
- Hampton by Hilton, 143 keys, €43m
- Achat Premium Munich South, 147 keys, €22m

Supply



Hotels and B&Bs

+2.9%
CAGR
+6.8%

Beds

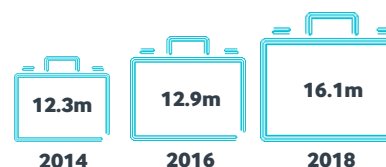
394
2018
73,591
363
2016
63,346
352
2014
56,470

Selected upcoming hotel openings

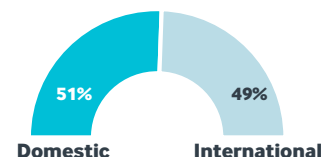
- Premier Inn Munich North, 216 keys
- H2 Hotel, 465 keys
- Moxy and Residence Inn Werksviertel, 150 and 72 keys

Demand

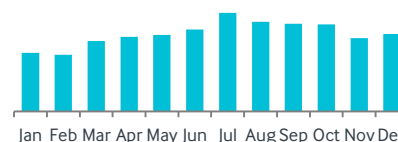
Overnights CAGR +7.1%



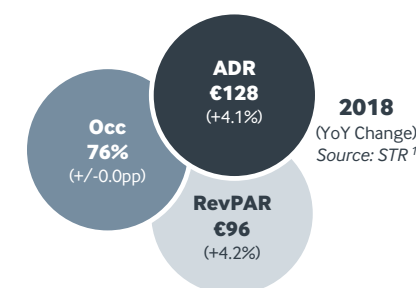
Internationality



Seasonality



Performance



The Bavarian capital was off to a slow start with performance decreases in the first quarter due to the pausing BAU, ICE, CEE and the lower than expected performance generated by the Munich Security Conference. Except May (public holidays) and September, all other months showed positive growth compared to their 2017 counterparts. Highlights were April (Analytica, ceramitec), June (Intersolar, automatica), August (ESC Congress) and last but not least October, where RevPAR grew by more than 30% compared to 2017, driven mostly by rate, caused by Expopharm, ESMO, Expo Real and Oktoberfest.

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Sources: Statistical Offices of each state; Trade fairs of each city; ADV; RCA; STR; Christie & Co



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. Since 2014 demand growth for hotels & B&Bs outpaced supply growth – overnights increased by +23.3% whereas bed supply grew by +21.1%. In the next years, more than 7,000 rooms are expected to be realised, the majority belonging to the upscale segment.

Overview

Key highlights

- Population: 0.7m
- Unemployment rate: 5.4%
- Airport passengers: 69.5m
- Trade fairs & events: 47
- Visitors trade fairs & events: 1.5m

Key companies

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

Key attractions

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

Key transactions

- Sheraton Frankfurt Hotel & Conference Centre, 1,008 keys, €122m
- IntercityHotel Frankfurt Airport, 360 keys, €41m
- Hyatt House Eschborn (development), 190 keys, confidential

Supply



Hotels and B&Bs

Beds

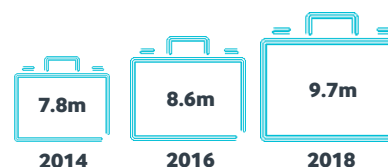
	+0.4%	CAGR	+4.9%
2018	254	2018	50,365
2016	252	2016	47,409
2014	250	2014	41,581

Selected upcoming hotel openings

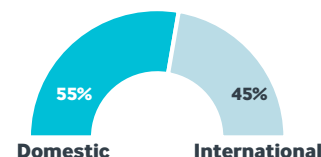
- Gekko House, 130 keys
- niu Air, 344 keys
- The Diaoyutai Mansion Frankfurt, 214 keys

Demand

Overnights CAGR +5.4%



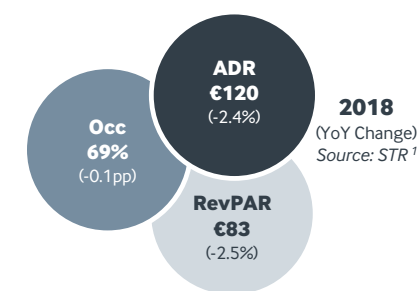
Internationality



Seasonality



Performance



The beginning of the year was positive with growing demand boosted by a favourable event calendar especially in March and April. With the end of the latter, however, the positive sentiment evaporated. The pausing Techtextil and, as in other destinations, the many holidays let the RevPAR slump. Thanks to the triannual ACHEMA, June ended on a high note compared to 2017. The last quarter was disappointing as smaller fairs and congresses could not compensate previous year's peak demand. For 2019, it remains to be seen whether Brexit will already positively impact the city's performance.

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Sources: Statistical Offices of each state; Trade fairs of each city; ADV; RCA; STR; Christie & Co



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 20.1%, which however, remained below the 21.4% increase in bed supply, indicating that new supply has not yet been completely absorbed by the market. While supply continues to grow (c. 12,000 rooms in the pipeline), performance KPIs are likely to come under pressure in the medium term.

Overview

Key highlights

- Population: 1.8m
- Unemployment rate: 6.3%
- Airport passengers: 17.2m
- Trade fairs & events: 62
- Visitors trade fairs & events: 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

- Reichshof Hamburg (Curio Collection by Hilton), 278 keys, €100m
- Renaissance Hamburg Hotel, 205 keys, confidential
- Courtyard by Marriott Hamburg City (development), 277 keys, confidential

Supply



Hotels and B&Bs

+3.4% CAGR **+5.0%**

340 **2018** **59,835**

311 **2016** **53,304**

297 **2014** **49,280**

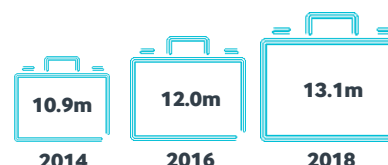
Beds

Selected upcoming hotel openings

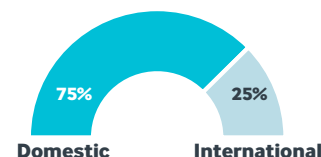
- Flemings Selection, 100 keys
- Holiday Inn and Super 8 Hamburg City, 316 and 276 keys
- stilwerk Hotel Heimhude, 24 keys

Demand

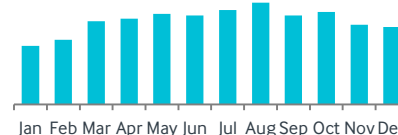
Overnights CAGR +4.7%



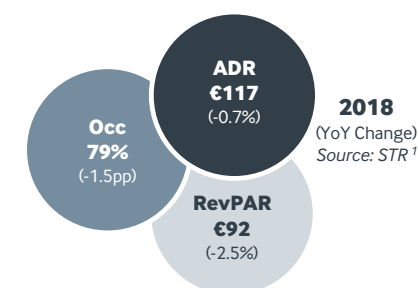
Internationality



Seasonality



Performance



Since 2009, Hamburg's occupancy increased every year – a trend that came to a halt in 2018. For the first time in almost a decade, room occupancy decreased by c. 1.5 percentage points. Only in January, due to the Nortec, and in August, due to multiple leisure events, positive occupancy growth could be recorded. Similarly, also the rate decreased, especially due to a low summer trimester. Low July performance was expected as the G20 led to extraordinary growth in 2018. Hopefully growth will return in 2019 – uneven years tend to be stronger due to the event calendar.

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Hotel Market Cologne

Cologne is Germany's media and communications city and renowned for the world's 3rd largest carnival. Cologne is a leading hub and important transshipment centre for logistics via rail, air and 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 a declining hotel stock, however more beds due to the opening of larger than average hotels. At the same time, demand saw a total increase of 10%. In the next years, only c. 1,700 new rooms are expected to enter the market.

Overview

Key highlights

- Population: 1.1m
- Unemployment rate: 7.9%
- Airport passengers: 13.0m
- Trade fairs & events: 49
- Visitors trade fairs & events: 1.6m

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

- Maritim, 454 keys, €120m
- Dorint An der Messe, 313 keys, confidential
- Urban Loft (development), 212 keys, confidential

Supply



Hotels and B&Bs

-1.9%

CAGR

+0.3%

Beds

245

2018

30,110

249

2016

28,892

265

2014

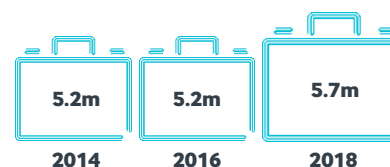
29,760

Selected upcoming hotel openings

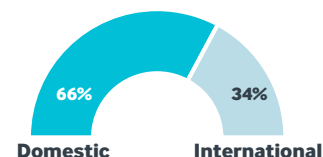
- V8 Hotel Köln (Q MOTORWORLD (Ascend Hotel Collection), 115 keys
- Motel One and Adina MesseCity, 308 and 171 keys
- Urban Loft by Althoff, 212 keys

Demand

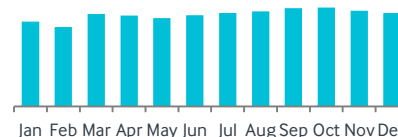
Overnights CAGR +2.4%



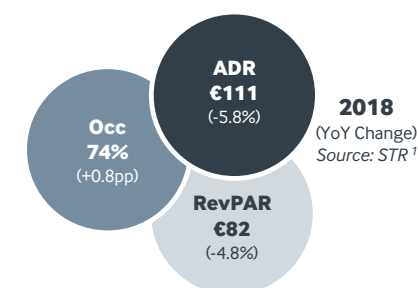
Internationality



Seasonality



Performance



2018 ended in a negative RevPAR for the carnival city on the Rhine – which was expected. The city is heavily dependent on fairs – more than 40% of overnights are generated by trade fairs according to Koelnmesse. Thus it is not surprising that October and November performance deteriorated. The 3rd month that performed worse than in 2018 was May (-38% RevPAR) – again due to holidays and lacking events. On the positive side, performance improved every month of the third quarter due to the successful Gamescom, the Photokina and the Business Travel Show.

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Sources: Statistical Offices of each state; Trade fairs of each city; ADV; RCA; STR; Christie & Co



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. Even if hotel supply has remained quite stable, bed supply has increased by 12% in the last 5 years – at a faster pace than demand, which only grew by 11.4% in the same period. Even though the pipeline seems manageable, performance KPI's are likely to keep reacting sensitively on both changes in supply as well as the trade fair calendar.

Overview

Key highlights

- Population: 0.6m
- Unemployment rate: 6.7%
- Airport passengers: 24.3m
- Trade fairs & events: 26
- Visitors trade fairs & events: 1.0m

Key companies

- Rheinmetall
- Daimler
- Henkel
- Vodafone
- Metro Group

Key attractions

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

Key transactions

- Novotel Dusseldorf (development), 210 keys, €36m
- Ibis Dusseldorf (development), 180 keys, €21m
- Ruby Leni (development), 166 keys, confidential

Supply



Hotels and B&Bs

+0.2%
CAGR
+2.9%

Beds

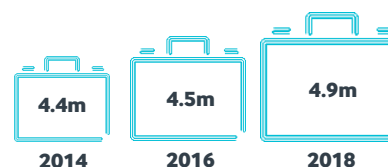
216
2018
27,317
208
2016
24,855
214
2014
24,381

Selected upcoming hotel openings

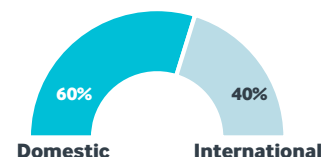
- B'Mine Hotel (CarLoft), 202 keys
- NYX Hotel, 262 keys
- Ruby Leni, 170 keys

Demand

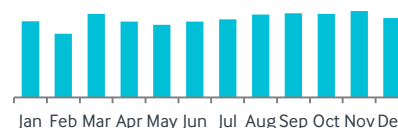
Overnights CAGR +2.7%



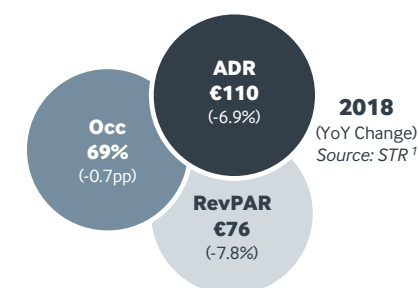
Internationality



Seasonality



Performance



The North Rhine-Westphalian capital was off to a good start with higher ADRs and occupancy rates in both January and February. March was slower due to the Easter holidays and the move of the EuroCIS to February. April displayed the strongest growth in RevPAR (>40%) due to the Wire and Tube trade fairs. The crash followed in May with a slump in RevPAR of more than 40% due to holidays and the paused Interpack fair. The remainder of the year was less affected by large swings, however declining performance in July, September and October contributed to the overall decreasing performance.

Note: ¹ Republication or other re-use of this data without the express written permission by STR is strictly prohibited.
Sources: Statistical Offices of each state; Trade fairs of each city; ADV; RCA; STR; Christie & Co

Christie & Co

Range of consulting and brokerage services



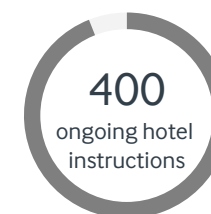
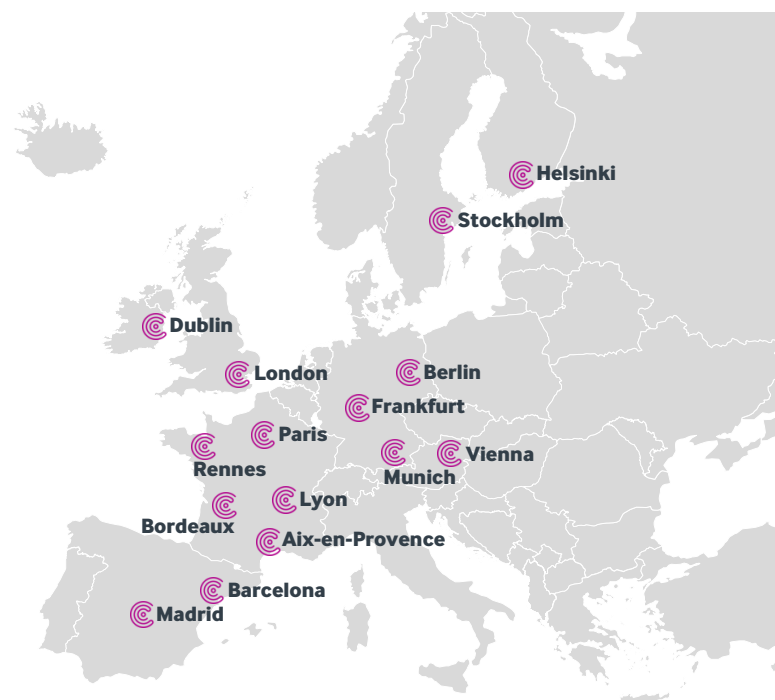
Christie & Co

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- **Leading** valuers, consultants and brokers
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- Launch of the **Asia Desk** in 2015
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Christie & Co – The German Hotel Market

Christie & Co

European Office Network

UK OFFICES

BIRMINGHAM
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GLASGOW
IPSWICH
LONDON
LEEDS
MAIDSTONE
MANCHESTER
NEWCASTLE
NOTTINGHAM
READING
WINCHESTER

EUROPEAN OFFICES

AIX EN PROVENCE
BARCELONA
BERLIN
BORDEAUX
DUBLIN
FRANKFURT
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LYON
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