

# The German Hotel Market Revealed

Overview of 6 Key Cities

# Hotel Market Overview Germany

## A year in review

Germany had an incredibly successful year in terms of the nation's hotel industry. RevPAR increased by 6.5%, far in excess of the overall 1.7% GDP growth last year.

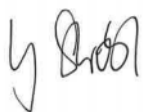
This positive trend has not gone unnoticed by hotel investors who no longer consider hotels mere risky operator-run businesses, but rather a serious asset class in the property segment. The image of hotels as an attractive investment vehicle has significantly improved in recent years, not least due to the availability of leasehold assets.

Christie & Co's research suggests investors focus strongly on business hotels due to Germany's status as the key economic powerhouse within Europe and a particularly strong trade fair and conference market. Notably, investors and developers are most interested in hotels in the budget and 4 star segments with a selective smaller percentage of overall activity taking place in the five star and luxury segments. Resort properties are solely of interest in either established leisure destinations or within economically strong micro locations.

Furthermore, transaction and development activity in recent months suggests both investors and developers increasingly target not only "A-cities", but also opportunistically "B-cities". This does not come as a surprise given the overall

positive market sentiment of hotel owners in 2015, leading to demand for hotel property exceeding supply and as a consequence, a significant compression in hotel yields. Hotels in need of refurbishment, rebranding and/or repositioning are highly sought after and as a consequence development activity is at its highest level since the financial crisis in 2008/09. This is especially the case in the nation's capital Berlin, where hotel groups like Motel One alone plan on opening hotels with in excess of 1,200 new hotel bedrooms. Given Germany's status as a key commercial centre within Europe and overall rising demand from hotel guests, we expect this positive trend to continue in 2016.

According to STR Global, market performance has improved for most major cities with the exception of Dusseldorf, Essen and Nuremberg which either saw a significant increase in new supply and/or suffered from an unfavourable year for conferences and trade fairs. The following pages summarise recent hotel market performance for six of Germany's largest hotel markets, all of which are expected to show further strong growth in 2016 both in terms of trading performance and transaction activity.



**Kay Strobl**, Head of Advisory & Valuation Germany



**Ingo Gürges**, Head of Transactions Germany

# Hotel Market Berlin

Germany's capital is growing at an impressive rate

## Berlin Key Highlights

**Population** 3.5m

**GDP per capita** €31.5k

**Berlin Airport Statistics**  
**Airport passengers:** 29.5m  
**Destinations:** 170 (48 countries)

**Berlin Trade Fairs**  
 Over 100 trade fairs p.a.  
 c. 2m visitors

**Key Companies**

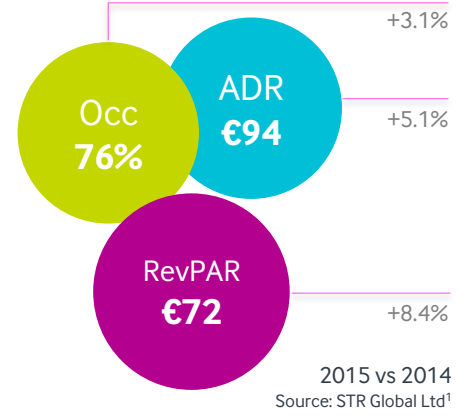
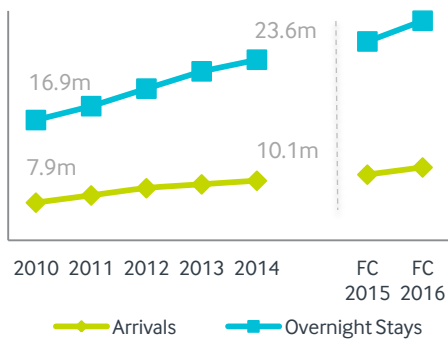
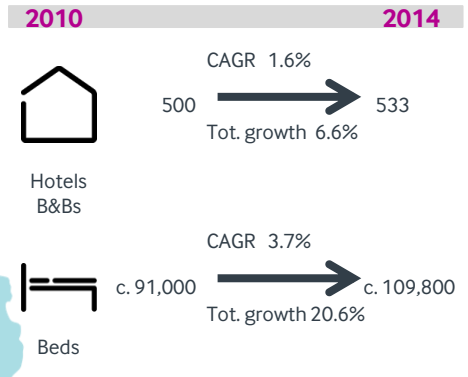
- Deutsche Bahn
- Charité
- Vivantes clinics
- BVG
- Siemens

**Tourist Attractions**

- Brandenburg Gate
- Reichstag building
- Berlin Wall
- Checkpoint Charlie

**Hotel Transactions**

- Motel One Berlin Mitte, €34m, 2015
- Motel One Dreilinden, €49m, 2015
- Andel's Berlin, €105m, 2015



**Evolution of Supply**

Since 2010 the number of hotels and B&Bs grew by 1.6% p.a. and the number of beds by 3.7% p.a. which corresponds to a total growth of 6.6% and 20.6% respectively.

The majority of bedrooms are branded.

A vast majority of hotels operate in the budget segment which explains the lower than average RevPAR.

2015 saw 12 new hotels and a further strong supply growth into 2017 is expected with Motel One opening over 1,200 rooms alone.

**Evolution of Demand**

Since 2010 the number of arrivals has increased significantly. Arrivals grew by 39.6% and overnights by 27.9% respectively.

The average length of stay in hotels and B&Bs remained stable at 2.3 nights in this period.

As the capital of Germany, Berlin attracts a healthy mix of corporate, leisure and government-related demand.

Foreign visitors account for around half of all overnight stays, especially tourists from the UK, Italy, the USA, the Netherlands, Denmark and Spain.

**Hotel Market Performance**

Over the last five years the Berlin hotel market has shown significant growth despite the strong increase in supply. Occupancy grew on average by 2.1% p.a. and ADR by 1.5% p.a. resulting in a CAGR in RevPAR of 3.6%.

2015 performance figures suggest growth has exceeded the yearly average over the past five years, with RevPAR growing by c. 8.4%.

The addition of a new airport amongst other demand generating initiatives will ensure this trend will carry forward into 2016/17.

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# Hotel Market Munich

Germany's southern capital is one of the country's most stable hotel markets

## Munich Key Highlights

**Population** 1.5m  
**GDP per capita** €56.3k

**Munich Airport Statistics**  
**Airport passengers:** 39.7m  
**Destinations:** 240 (68 countries)

**Munich Trade Fairs**  
215 trade fairs p.a.  
c. 1.8m visitors

**Key Companies**

- Allianz
- BMW
- Linde
- Munich Re
- Siemens

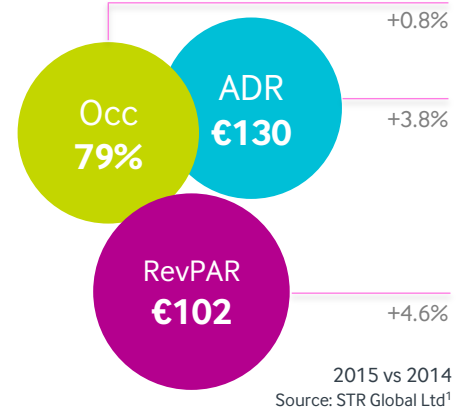
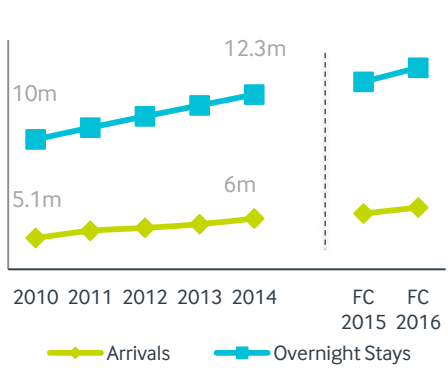
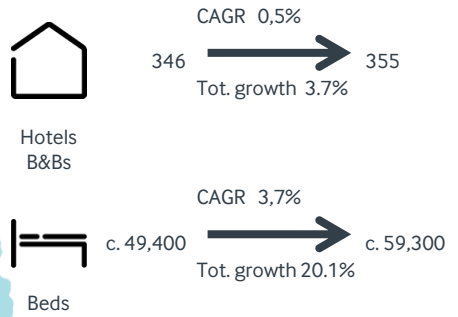
**Tourist Attractions**

- Oktoberfest (5.9m visitors in 2015)
- Allianz Arena
- Marienplatz
- Nymphenburg Castle
- BMW World

**Hotel Transactions**

- Sofitel Hotel Bayerpost, €180m, 2015
- Le Méridien, €158m, 2015
- Best Western ApartHotel, €19m, 2014

## 2010 2015



### Evolution of Supply

Since 2010 the number of hotels and B&Bs grew by 0.5% p.a. and the number of beds by 3.7% p.a. which corresponds to a total growth of 2.6% and 20.1% respectively.

Around 65% of all hotels in Munich are branded hotels.

With c. 50% half of all rooms consist of upper midscale and upscale supply.

Until 2017 c. 30 hotels/expansions will add approximately 7,700 beds to local supply.

### Evolution of Demand

Since 2010 the number of arrivals and overnight stays are developing positively. Arrivals grew by 4.5% and overnights by 5.2% respectively.

The average length of stay in hotels and B&Bs remained stable at 2 nights in this period.

With year round demand Munich attracts both business and leisure travellers and therefore positive growth is expected.

50% of overnights in 2015 were generated by foreign visitors, especially tourists from the USA, the Arab Gulf States, the UK and Italy.

### Hotel Market Performance

Over the last five years Munich's hotel market developed positively. Occupancy grew on average by 1.7% p.a. and ADR by 2.9% p.a. resulting in a CAGR in RevPAR of 4.6%.

2015 figures confirm the ongoing positive development of the Munich hotel market. Trade fairs IBA, transport logistic and BAU ensured continuous high occupancy and room rates.

Supply growth to 2017 will likely decrease growth rates going forward, however, we expect Munich's hotel market to remain one of Germany's strongest hotel markets.

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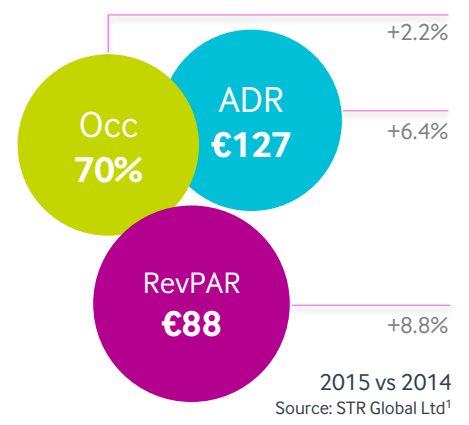
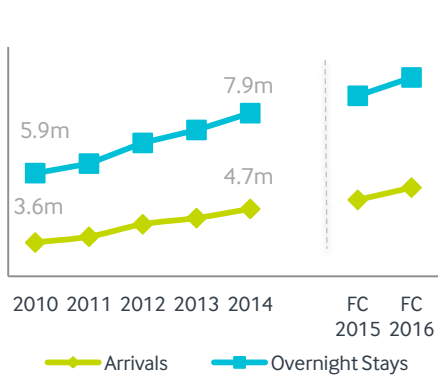
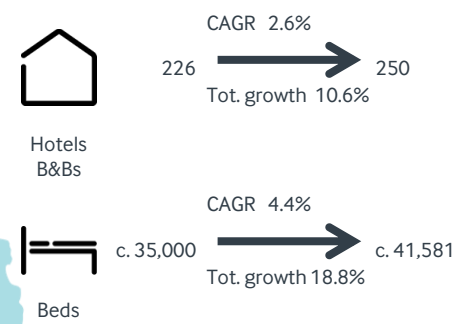
# Hotel Market Frankfurt/Main

## Germany's financial capital

### Frankfurt Key Highlights



### 2010 2014



#### Evolution of Supply

Since 2010 the number of hotels and B&Bs grew by 2.6% p.a. and the number of beds by even 4.4% p.a. which corresponds to a total growth of 10.6% and 18.8% respectively.

The majority of the bedroom supply consists of branded hotels.

83% of hotels operate in the budget and midscale sector.

Until 2017/18, an additional 5,000 bedrooms are expected to enter the market. In 2016 for example, Accor will expand its presence with the Sofitel Alte Oper.

#### Evolution of Demand

Since 2010 arrivals grew by 30.6% and overnights by 33.9% respectively.

The average length of stay in hotels and B&Bs remained stable at 1.7 nights in this period.

Over 70% of visitors fall into the corporate and MICE segment, however, Frankfurt is increasingly promoting leisure tourism.

45% of overnights in 2015 were generated by foreign visitors, especially tourists from the USA, UK, China & Hong Kong, Arab Gulf States, Japan, Italy and Spain.

#### Hotel Market Performance

Over the last five years Frankfurt's hotel market has shown steady growth. Occupancy grew on average by 1.3% p.a. and ADR by 2.3% p.a. resulting in a CAGR in RevPAR of 3.6%.

2015 figures highlight growth has accelerated in 2015 and we expect this trend to continue due to Frankfurt, the current headquarters of the ECB, being a key financial centre in Europe and a strong MICE destination.

The major expansion of the fair grounds will further support growth going forward.

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# Hotel Market Hamburg

## Germany's harbour city is booming

### Hamburg Key Highlights

**Population** 1.5m  
**GDP per capita** €49.6k

**Hamburg Airport Statistics**  
**Airport passengers:** 15.6m  
**Destinations:** 80

**Hamburg Trade Fairs**  
41 trade fairs p.a.  
c. 1.2m visitors

**Key Companies**

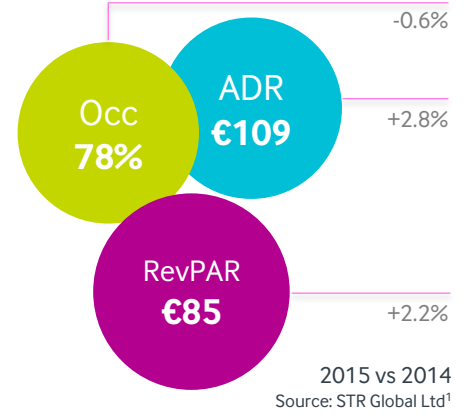
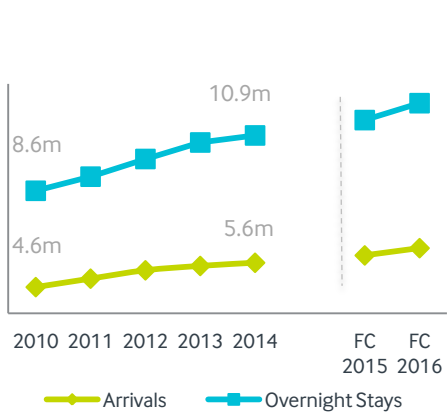
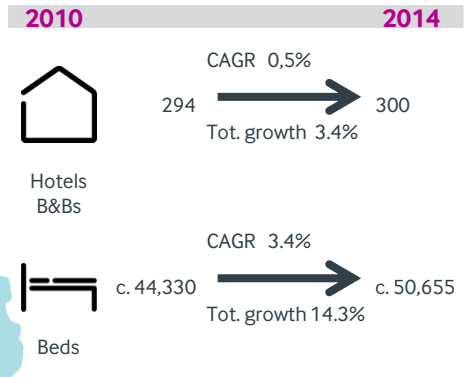
- Airbus Deutschland GmbH
- Asklepios Kliniken
- Deutsche Lufthansa GmbH
- Deutsche Bahn AG

**Tourist Attractions**

- Reeperbahn
- Miniatur Wunderland
- Port of Hamburg
- International Maritime Museum
- Alster Lakes

**Hotel Transactions**

- Adina Apartment Hotel, €50m, 2015
- Radisson Blu Hamburg, €150m, 2015
- Marriott Hamburg, €65m, 2015



### Evolution of Supply

Since 2010 the number of hotels and B&Bs grew by 0.5% p.a. and the number of beds by 3.4% p.a. which corresponds to a total growth of 3.4% and 14.3% respectively.

The majority of hotel beds in Hamburg are branded.

The budget and midscale segments dominate the local hotel market.

Until 2017 an additional 4,000 bedrooms are expected to enter the market including The Fontaney and Westin Elbphilharmonie.

### Evolution of Demand

Since 2010 arrivals and overnight stays have grown exponentially. Arrivals grew by 26.7% and overnights by 24.4% respectively.

The average length of stay in hotels and B&Bs remained stable at 1.9 nights in this period.

Being a centre of commerce as well as offering numerous leisure attractions, the share of leisure and corporate guests is even.

Two thirds of overnight stays are generated by domestic demand. Denmark, France, Italy and the Netherlands are key foreign source markets.

### Hotel Market Performance

Over the last five years Hamburg's Hotel Market Performance beat average GDP growth. Occupancy grew on average by 2.0% p.a. and ADR by 1.6% p.a. resulting in a CAGR in RevPAR of 3.6%.

2015 figures suggest RevPAR growth has continued throughout the year, albeit at a slower pace due to an increase in supply and the conference schedule.

Growing MICE demand and the city's status as a centre for commerce, logistics and leisure will ensure continued growth.

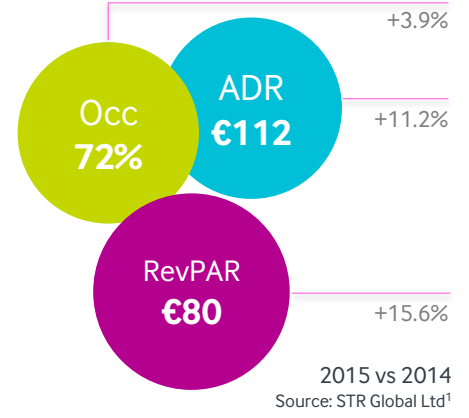
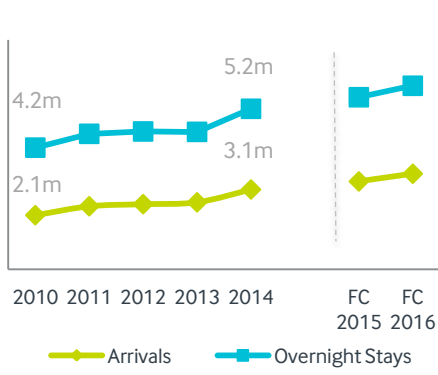
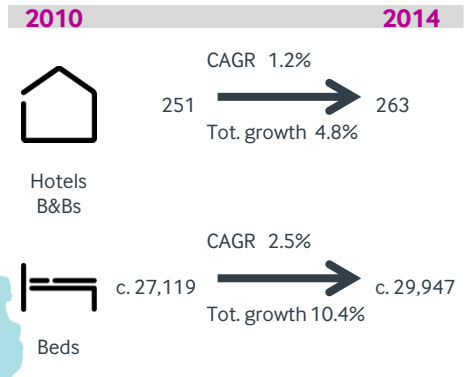
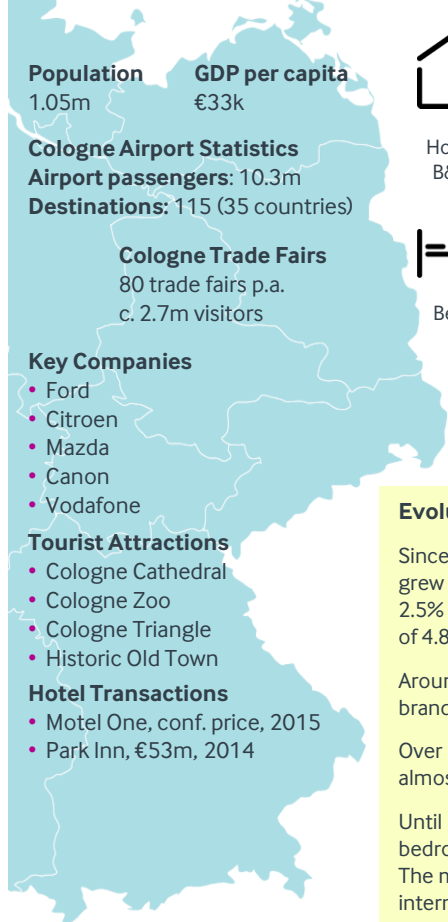
In 2015, Hamburg voted against the Olympics 2024.

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# Hotel Market Cologne

## A historic centre for commerce and culture

### Cologne Key Highlights



**Evolution of Supply**

Since 2010 the number of hotels and B&Bs grew by 1.2% p.a. and the number of beds by 2.5% p.a. which corresponds to a total growth of 4.8% and 10.4% respectively.

Around 65% of all hotels in Cologne are branded hotels.

Over 50% of hotels operate in the budget and almost 30% in the midscale sector.

Until 2017/18, an additional 1,000-1,200 bedrooms are expected to enter the market. The majority of new hotels will be internationally branded.

**Evolution of Demand**

Demand has steadily increased over the last five years. Arrivals grew by 47.6% and overnights by 23.8% respectively.

The average length of stay in hotels and B&Bs remained stable at 1.6 nights in this period.

Despite a strong leisure tourism market, over 70% of demand is generated by corporate guests.

One third of visitors consists of foreign visitors (with significant growth potential) from key source markets like the UK, USA, Netherlands, Belgium, France and Italy.

**Hotel Market Performance**

Cologne witnessed extraordinary growth last year. In the last five years, occupancy grew on average by 1.7% p.a. and ADR by 3.1% p.a. resulting in a CAGR in RevPAR of 4.9%.

2015 performance figures suggest Cologne had a record year with average RevPAR improving by 15.6%.

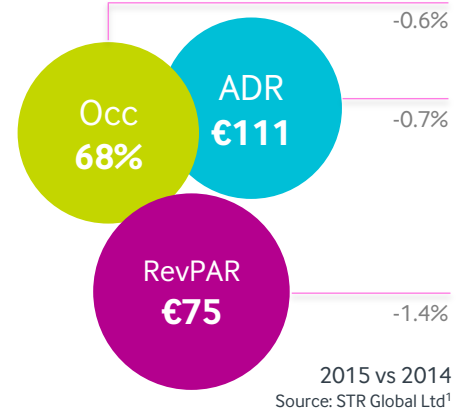
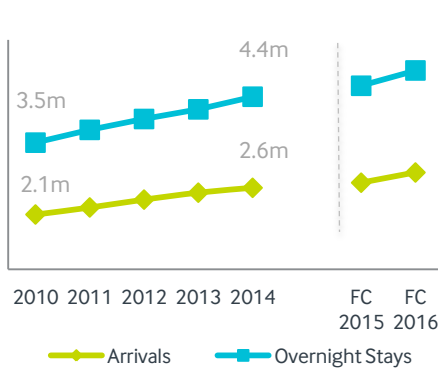
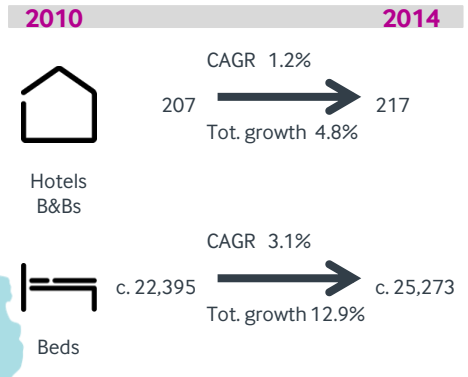
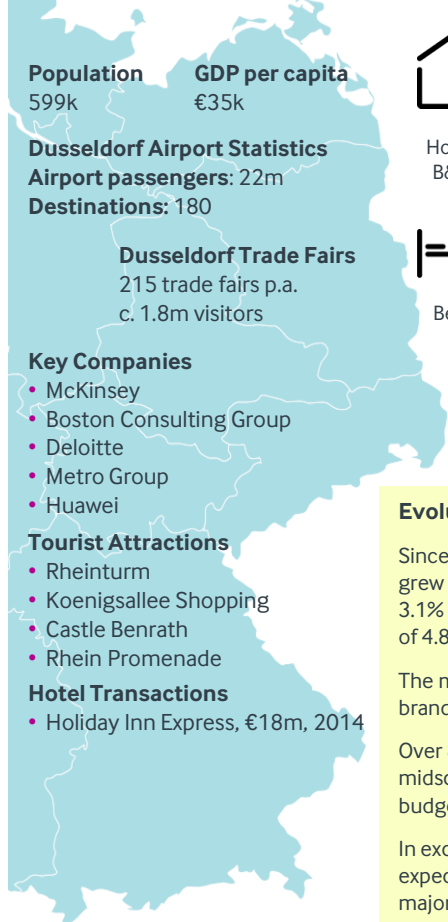
Given Cologne's status as a key leisure destination in Germany and Europe, coupled with its strong industrial backing (automotive, engineering and biotech sectors), will ensure strong growth going forward.

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# Hotel Market Dusseldorf

One of Germany's most important economic hubs

## Dusseldorf Key Highlights



**Evolution of Supply**

Since 2010 the number of hotels and B&Bs grew by 1.2% p.a. and the number of beds by 3.1% p.a. which corresponds to a total growth of 4.8% and 12.9% respectively.

The majority of bedrooms in Dusseldorf are branded.

Over 80% of hotels operate in the budget and midscale sector, with the majority being budget hotels.

In excess of 1,000 additional bedrooms are expected to enter the market until 2018, the majority internationally branded.

**Evolution of Demand**

Since 2010 the number of arrivals and overnight stays are showing consistent growth. Arrivals grew by 23.8% and overnights by 25.7% respectively.

The average length of stay in hotels and B&Bs remained stable at 1.7 nights in this period.

Due to being the 2nd largest financial centre in Germany, over 70% demand is corporate.

C. 40% of overnight stays were generated by foreign visitors, especially tourists from the Netherlands, UK, Russia, the USA and Italy

**Hotel Market Performance**

Over the last five years the Dusseldorf hotel market has grown steadily. Occupancy grew on average by 2.2% p.a. and ADR by 1.3% p.a. resulting in a CAGR in RevPAR of 3.6%.

2015 performance suggests this growth has slowed, with RevPAR decreasing by 1.4% year on year. This is largely the result of market volatility due to the conference and trade fair schedule and a number of bi-annual conferences not having taken place in 2015.

We expect RevPAR to grow in 2016 due to various major trade fairs.

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# Christie & Co Company Overview



# Brief Introduction to Christie & Co

We are the leading hotel and leisure advisers in Europe

**80 years** of progressive growth and development

- Established by three partners in London in 1935
- German presence since 1999
- Unrivalled expertise in the local hotel market
- Regulated by RICS
- Wide network of national offices



## Christie & Co today

More than **250 professionals**

**Leading** valuers, consultants and advisers

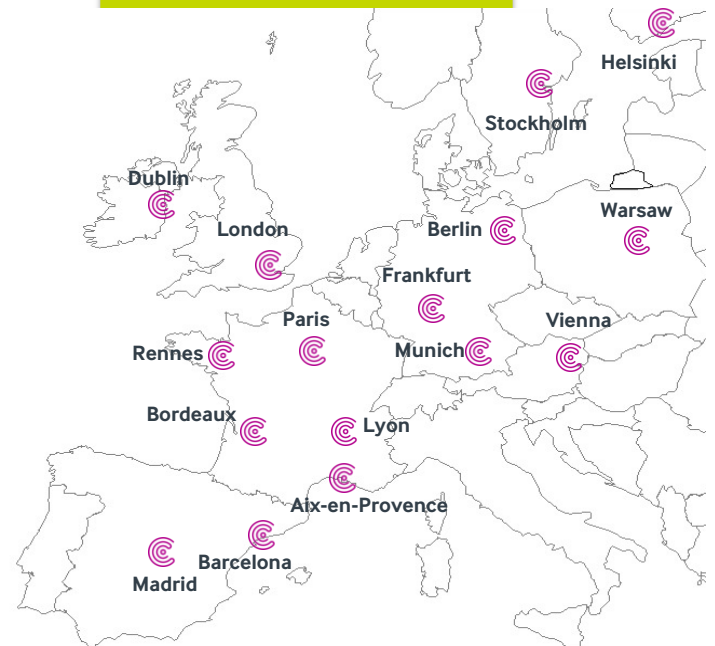
Pan-European **multi-language** team

**450 hotel valuations** completed yearly

More than **400 current hotel sale instructions**

Launch of the **Asia Desk** in 2015

16 offices across the UK and  
16 international offices across  
Europe today



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