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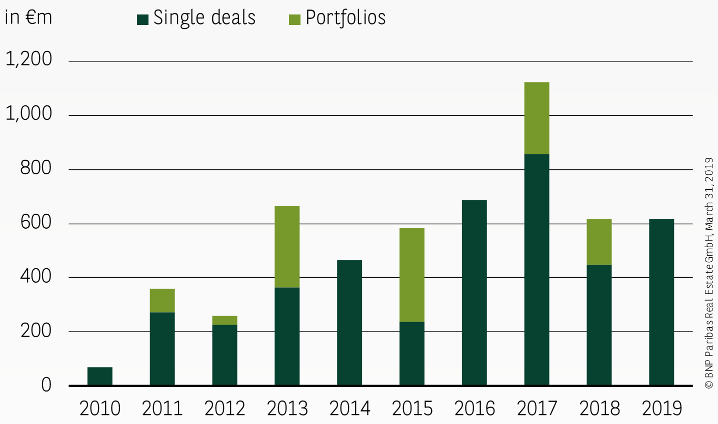
RESEARCH

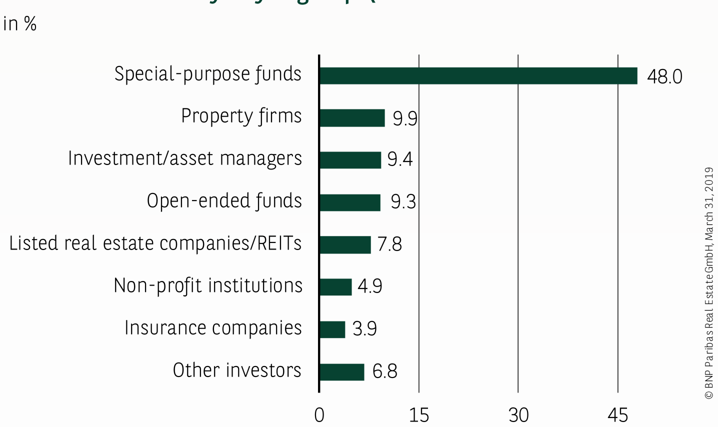
At a Glance Q1 2019

HOTEL INVESTMENT MARKET GERMANY

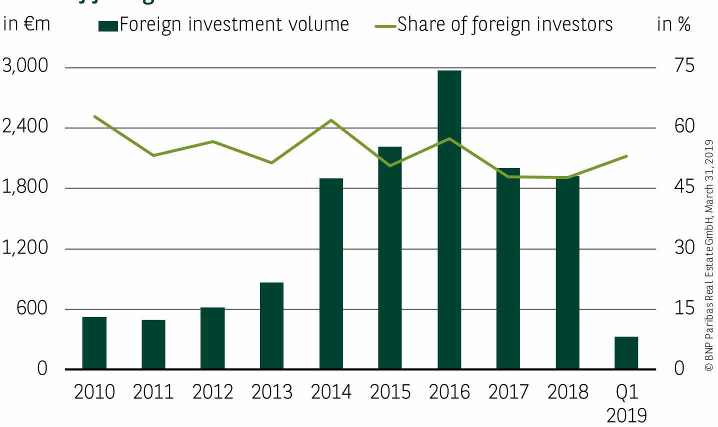
Hotel investments in Germany Q1



Hotel investments by buyer group Q1 2018



Share of foreign investors



START OF THE YEAR AT PREVIOUS YEAR'S LEVEL

With an investment turnover of 617 million €, the hotel investment market has started the year off strongly once again. Compared to the long-term average, the result is again above average (+13 %). In contrast to the first quarter of 2018, however, the volume is generated exclusively from individual transactions; portfolio sales, on the other hand, have not yet been registered. The strong transactions in the three-digit million range of the previous year are also still missing. This makes the current result all the more pleasing. The average volume per case of sale, at just under 24 million €, was nevertheless slightly above the previous year's figure (+8 %). The extraordinarily good result is primarily due to the brisk market activity in the medium size classes. Among the largest transactions to date are the sale of the Marriott World Conference Hotel in Bonn, which Art-Invest has secured, and The Westin Bellevue Dresden, which went to First Sponsor Group, a company listed on the Singapore Exchange.

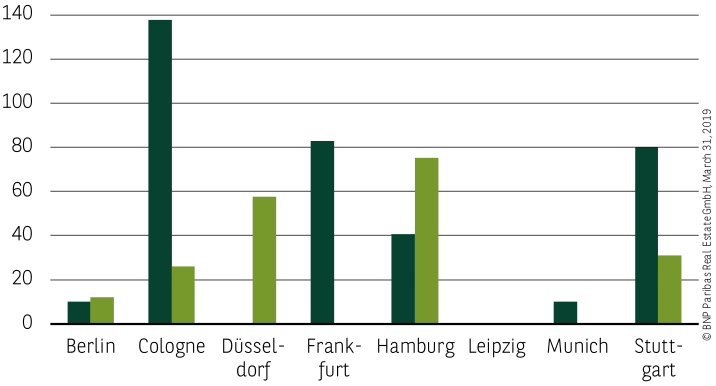
SPECIAL-PURPOSE FUNDS WITH AROUND HALF OF THE TOTAL

In the first three months of the year, the hotel investment market was dominated to an unusually large extent by special-purpose funds. They are responsible not only for some of the largest, but also for by far the most transactions, accounting for around 48 % of the result. With shares of between 9 % and 10 %, property firms, investment/asset managers and open-ended funds are all very close together. Listed real estate companies/REITs also account for a similar share of just under 8 %. The ranking is completed by non-profit institutions (5 %) and insurance companies (4 %). The traditionally strong corporates in this segment, on the other hand, did not yet make a significant appearance in the first quarter. Nevertheless, the large number of buyer types involved at the beginning of the year shows the broad spectrum of investors that hold out prospects for investment opportunities in this asset class.

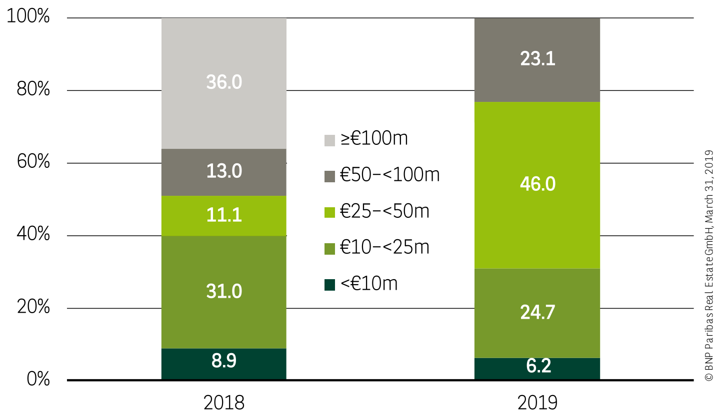
DOMESTIC AND FOREIGN INVESTORS BALANCED

With a foreign investor share of around 53 %, the ratio of domestic and foreign investors remains balanced. In comparison to the commercial investment market (36 %), foreign participation in this segment is still somewhat higher. So far, the exposure of European, Asian and North American buyers as well as Middle Eastern investors has been quite balanced.

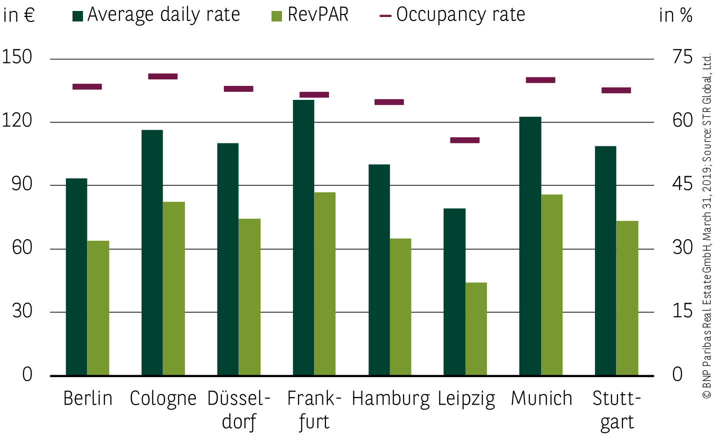
Hotel investments in important markets Q1



Hotel investments by € category



Hotel performance in important markets January-February 2019



44 % LOWER TURNOVER IN MAJOR CITIES

Although the overall hotel investment volume is at the previous year's level, the distribution across Germany deviates considerably from the first quarter of 2018. In the major markets (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Leipzig, Munich and Stuttgart), hotel investments totalled just under 202 million €, a decline of around 44 %. However, this is not due to a decrease in investor interest, but rather, as in other asset classes, to an insufficient supply, especially in the large-volume segment. This makes it all the more pleasing that the investment volume outside these locations increased by a proud 62 %. Accordingly, demand is not only focused on A-locations, but also on B- or C-cities with a high volume of business travellers and tourists, which are of interest to hotel investors. Within the major cities, the ranking has also shifted considerably. Hamburg currently ranks first with around 75 million €, ahead of Düsseldorf (58 million €), Stuttgart (31 million €), Cologne (26 million €) and Berlin (12 million €). In Frankfurt, Leipzig and Munich, no significant sales were recorded at the beginning of the year.

DOUBLE-DIGIT MILLION EURO RANGE STRONG

The distribution of the volume among the various size classes also bears little resemblance to that of the previous year. The first things that catch the eye are no contracts worth more than 100 million € - which may in part be due to the portfolio segment not yet occupied - and an extraordinarily strong segment between 25 and 50 million €, which alone generated almost half of the hotel volume (around 46 %). Again strongly involved, even if with approximately one quarter somewhat less than in the previous year, are transactions between 10 and 25 million € (-6 percentage points), while larger transactions between 50 and 100 million € increased their share by more than 10 percentage points to 23 %. Smaller hotels under 10 million € contributed a good 6 % to the result.

PERSPECTIVES

In many respects the figures of the first quarter may be a snapshot, but one thing should not change in the further course of the year: the high demand for hotel properties. In the coming months, the under-represented portfolio segment in particular is likely to pick up momentum. The fact that construction activity is also comparatively brisk outside the major locations is likely to continue to play into the hands of the supply side in the coming months. It cannot therefore be ruled out that the 4 billion € mark may be exceeded again by the end of 2019.

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