

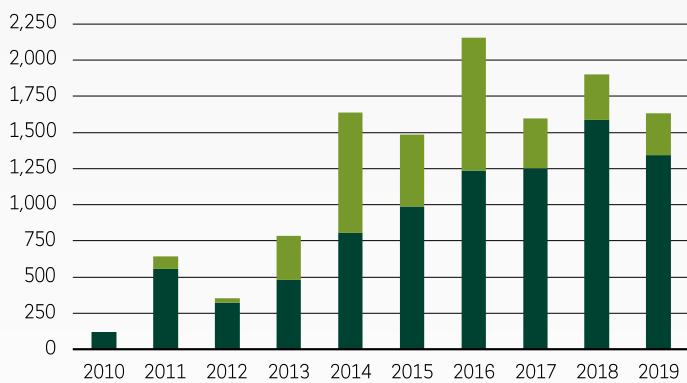


At a Glance **Q2 2019**

HOTEL INVESTMENT MARKET GERMANY

Hotel investments in Germany H1

in €m ■ Single investments ■ Portfolios



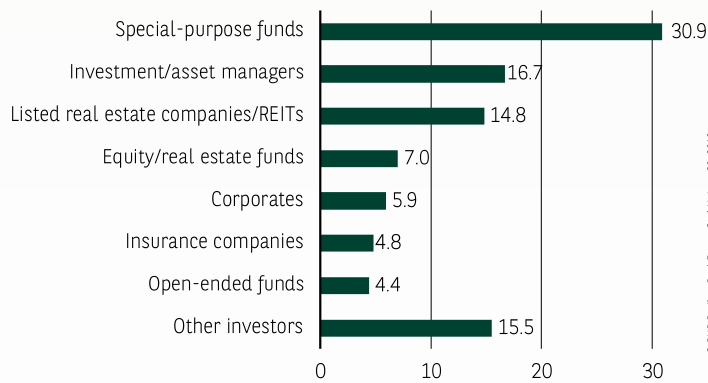
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▶ START OF THE YEAR AT PREVIOUS YEAR'S LEVEL

The hotel investment market was basically able to maintain the level of the successful previous years in the first half of 2019. With an investment turnover of €1.63 billion it achieved a very satisfactory result. Although the previous year's result was undercut by 14% due to the slightly lower number of registered hotel sales, the average transaction volume per sale is even 13% higher at just under €33 million. This is all the more astonishing as, in contrast to the previous year, there is a lack of major transactions such as the sale of the Hilton Hotel in Berlin. At the same time, significantly more deals were recorded in the mid-size segment between €25 and 100 million, indicating that the market is very receptive across the board. With the sale of the future Kimpton Hotel in Frankfurt's "Four" high-rise ensemble and the Tafelhof Palais in Nuremberg, which will house a Motel One and Leonardo Royal Hotel, two projects are among the top 3 deals.

Hotel investments by buyer group H1 2019

in %



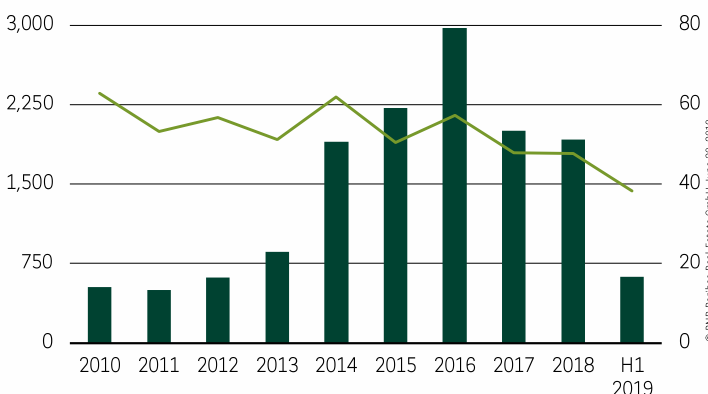
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▶ SPECIAL-PURPOSE FUNDS LEAD THE FIELD

Even though special-purpose funds left their mark on the hotel investment market in the first half of 2019 with a turnover share of just under 31%, a broad diversification across many different buyer groups is once again evident. In addition to special-purpose funds, only investment/asset managers (17%) and listed real estate companies/REITs (15%) achieve double-digit shares. Basically, the market is strongly influenced by institutional investors, which can be seen as a further indication that hotel properties have finally left their niche status. In this context, the very low proportion of corporates (just under 6%) is of particular importance. This means that the importance of hotel owner-operators for the investment market has declined to the extent that institutional investors have discovered hotel investments as an investment alternative.

Share of foreign investors

in €m ■ Foreign investment volume ■ Share of foreign investors

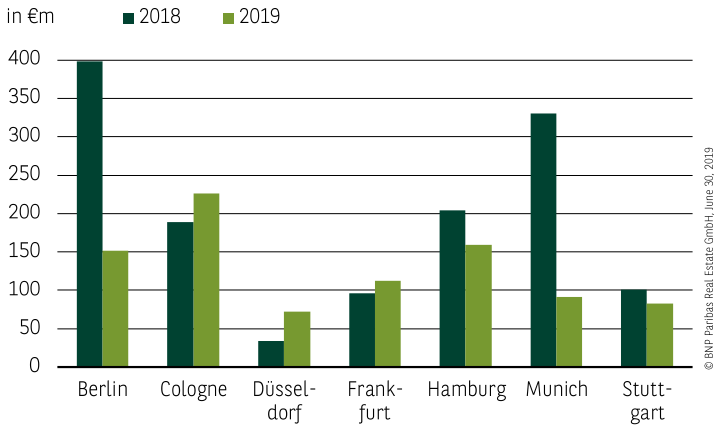


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▶ SHARE OF FOREIGN INVESTORS DECLINING

After the share of foreign investors remained at 48% in 2018, it fell to only 38% in the first half of 2019. The proportion of foreigners thus resumed the slight downward trend that began in 2014. The main reason for this may be that the hotel market is currently less marked by portfolio deals than in 2014 or 2016. This is relevant because large portfolio transactions are often the preferred instrument for international investors to invest large volumes.

Hotel investments in important markets H1

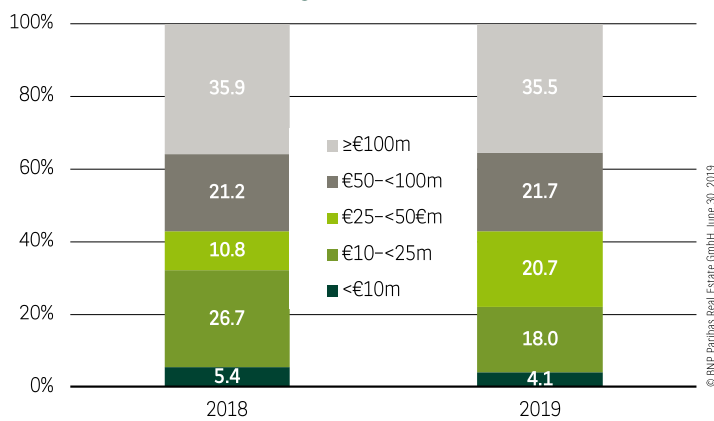


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B AND C LOCATIONS CONTINUE TO CATCH UP

The slight decline in the volume of hotel investments compared with the previous year is largely attributable to the country's major hotel and tourism centres. The transaction volume in Berlin fell drastically from €398 million to only €152 million (-62%). In Munich, the volume even slumped by 72% at the end of the first half of the year, reaching only €92 million after €330 million in the previous year. Overall, hotel investments in the top 7 cities (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) total €897 million, a decline of almost 34%. However, this is not due to a decreasing investor interest but, as in other asset classes, to the inadequate product supply, especially in the large-volume segment. In the B and C cities, the investment volume fortunately increased significantly not only in percentage terms but also in absolute terms. After €549 million in the same period of the previous year, hotel locations outside the top 7 achieve a total volume of €735 million (+34%) in the first half of 2019. This means that 45% of the hotel investment turnover was generated in the smaller and medium-sized hotel locations. This is attributable on the one hand to the lack of supply in the A-cities and on the other hand to a higher estimation of the smaller hotel markets from the investor's point of view.

Hotel investments by € category H1

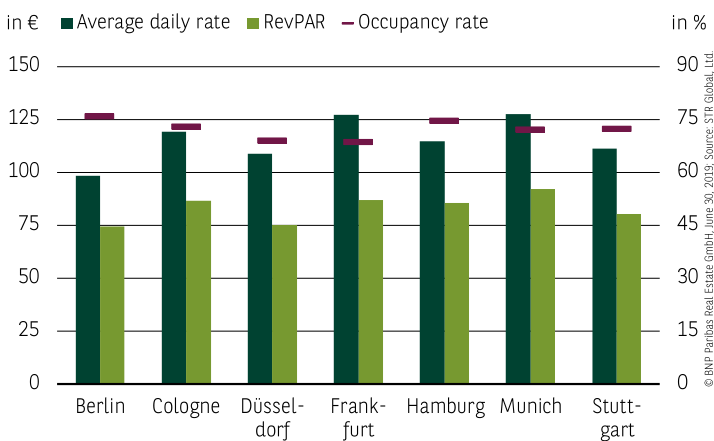


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NUMEROUS DEALS IN THE MEDIUM SIZE SEGMENT

In the distribution of the investment volume among the various size classes, surprisingly few differences can be discerned compared with the same period of the previous year. As in the year before, the two largest classes from €50 million upwards account for a good 57%, while the three smaller size classes have a market share of just under 43%. Thanks to 10 registered sales, just under 21% of the volume was generated in the medium size class between €25 and 50 million, while in the previous year transactions had piled up in the size class between €10 and 25 million (27%).

Hotel performance in important markets January-May 2019



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OUTLOOK

Hotel investments have left their niche status in recent years and are a popular form of investment for both private and institutional investors. Thanks to convincing tourism concepts and the progressive professionalisation of local hotel markets by the brand hotel industry, B and C cities are also increasingly coming into focus. Nonetheless, the tightening supply bottlenecks at the large, established hotel locations cannot be fully compensated, which is affecting the overall hotel investment volume. However, thanks to brisk construction activity, the supply side is expected to rebound in the further course of the year, so that an annual investment volume in the region of €4 billion does not appear unrealistic.

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