

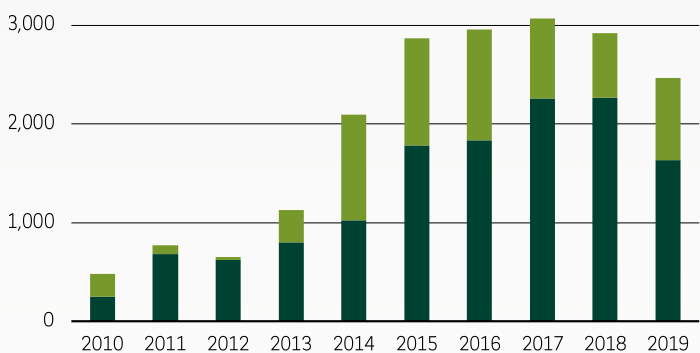


At a Glance **Q3 2019**

HOTEL INVESTMENT MARKET GERMANY

Hotel investments in Germany Q1-3

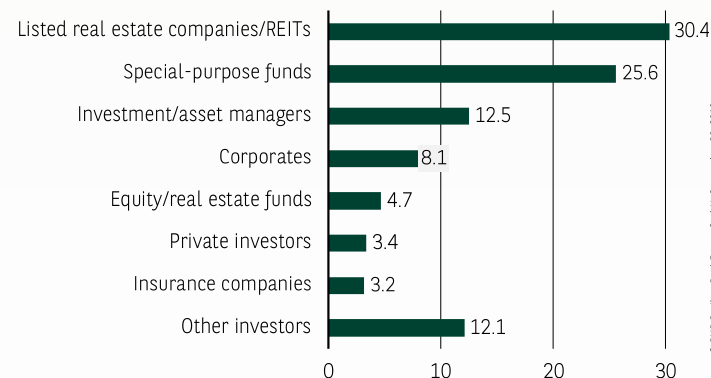
€m ■ Single investments ■ Portfolios



© BNP Paribas Real Estate GmbH, September 30, 2019

Hotel investments by buyer group Q1-3 2019

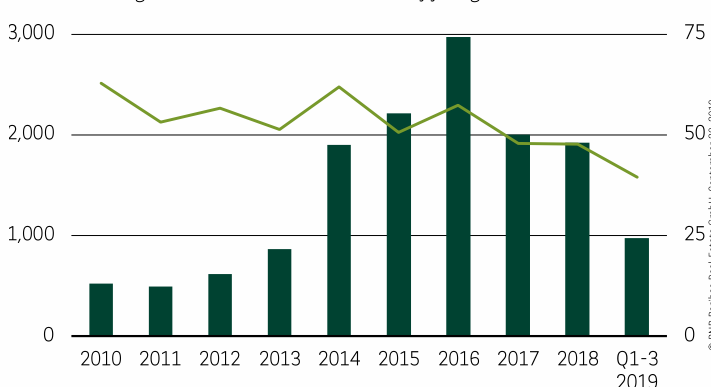
in %



© BNP Paribas Real Estate GmbH, September 30, 2019

Share of foreign investors

€m ■ Foreign investment volume ■ Share of foreign investors



© BNP Paribas Real Estate GmbH, September 30, 2019

➤ LACK OF PRODUCTS ON THE INVESTMENT MARKET

Whereas at the end of the second quarter the hotel investment volume was still roughly at the high level of previous years, the picture deteriorated somewhat as the year progressed: at the end of the third quarter of 2019, the hotel transaction volume totals €2.46 billion, almost 16% lower than in the same period of the previous year. While portfolio deals record the best result since 2016 at around €830 million, the decline in individual deals was particularly drastic: A transaction volume of €1.65 billion was registered here, which corresponds to a decline of just under 28% compared with the same period of the previous year. The main reason for this is that not a single deal exceeding €25 million was concluded in the third quarter. However, this does not mean that there is a general lack of demand, but that the bottleneck is on the supply side. This is also supported by the fact that project developments account for almost half of the individual deal volume in the first three quarters, compared with less than one third in the same period of the previous year.

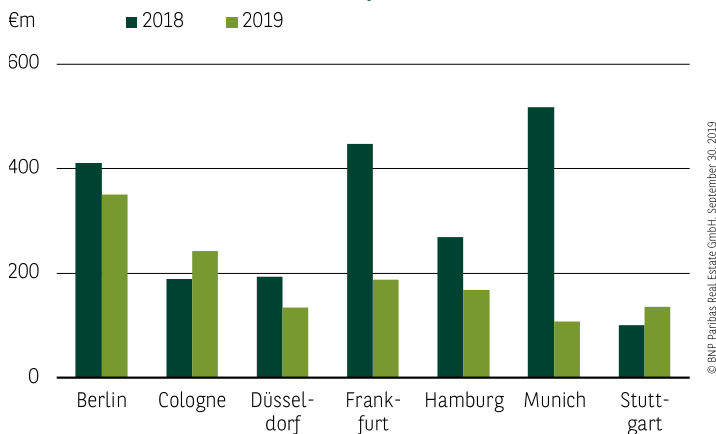
➤ INSTITUTIONAL INVESTORS DOMINANT

With numerous deals across all size classes, listed real estate companies/REITs are particularly willing to buy and achieve a market share of a good 30% in the first three quarters of the year. Special-purpose funds are also frequently found on the buyer side and secure almost 26% of the investment volume. Investment/asset managers, which account for just under 13% of the volume and are on the buyer's side for two of the three largest single deals of the year, follow at a slight distance. These include the purchase 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. In addition to corporates, which account for a good 8% of the result, equity/real estate funds should also be mentioned, which can land another top deal with the purchase of the Steigenberger Hotel in Berlin.

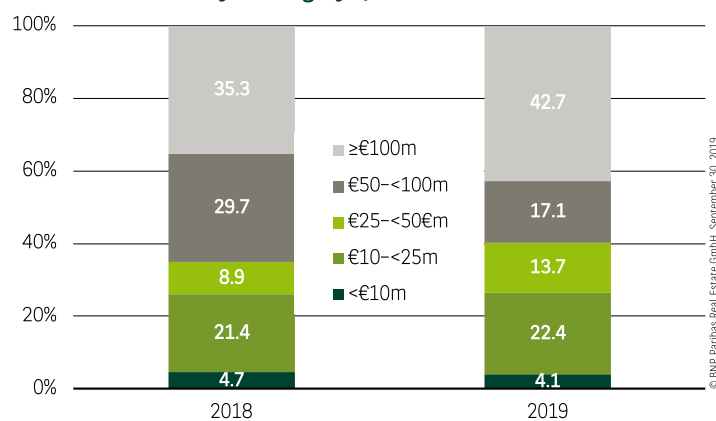
➤ SHARE OF FOREIGN INVESTORS DECLINING

After foreign investors accounted for 48% of the total in 2018, the first three quarters of 2019 saw a decline to only 40%. The proportion of foreign investors thus continued the slight downward trend that began in 2014. This is due to the fact that many large individual and portfolio deals were made by domestic investors this year, whereas this size segment had been dominated by foreign buyers in the past.

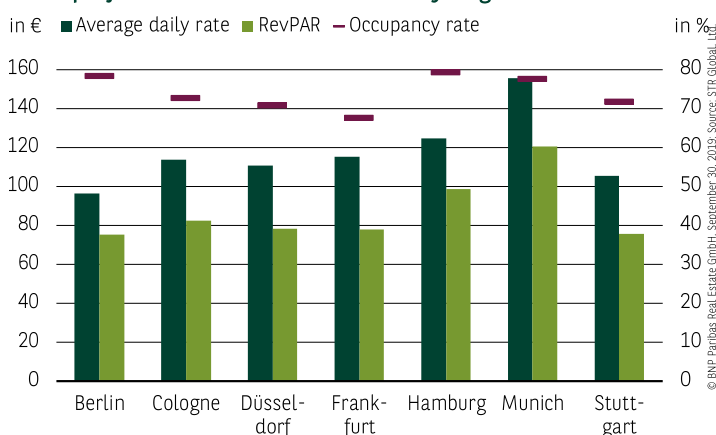
Hotel investments in A-locations Q1-3



Hotel investments by € category Q1-3



Hotel performance in A-locations January-August 2019



B- AND C-LOCATIONS CONTINUE TO GROW

The decline in the volume of hotel investments compared with the same period of the previous year is largely attributable to the scarcity of products in the country's established hotel and tourism metropolises. A particularly drastic slump was observed in Munich, where the transaction volume now stands at only €107 million (-79%) after €517 million in the previous year. Frankfurt also had to cope with heavy losses. In the banking metropolis, investment turnover fell by 58% to only €188 million at the end of the third quarter. By contrast, Cologne (+28%) and Stuttgart (+35%) recorded growth. Overall, hotel investments in the A-cities (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart) amounts to €1.33 billion, which corresponds to a decline of almost 38%. In the B- and C- cities, on the other hand, the investment volume increased not only in percentage but also in absolute terms. After €796 million in the same period of the previous year, the hotel locations beyond the A-cities reached a total volume of €1.14 billion in the first three quarters of 2019. This means that 46% of the investment turnover was generated in the smaller and medium-sized hotel locations, which is attributable on the one hand to the lack of supply in the A-cities, but on the other hand can also be understood as an appreciation of the smaller hotel markets from the investor's point of view.

NUMEROUS DEALS IN THE MID-SIZED SEGMENT

The small number of large transactions is also reflected in the distribution of the investment volume by size class: the two largest classes from €50 million upwards together account for just under 60% of the total, compared with around 65% in the same period of the previous year. In absolute terms, the difference is even greater. While in the first three quarters of 2018 a total turnover of €1.90 billion was achieved with deals starting at €50 million, in 2019 it was only €1.47 billion. The size classes below €50 million, on the other hand, account for a good 40% of the result in the current year, which indicates a good absorption capacity of the hotel investment market across the board.

PERSPECTIVES

The worsening product shortage at the large, established hotel locations does not remain without consequences for the investment result, which cannot quite maintain the high level of previous years. At the same time, investors are rewarding the fact that the local hotel markets of many B- and C-cities have become significantly more professional and have developed into worthwhile investment locations thanks to constantly rising numbers of overnight stays. In view of the brisk construction activity, the supply side is also expected to ease somewhat in the future, so that an annual volume in the range of €3.5 billion does not appear unrealistic.

All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate GmbH.

The statements, notifications and forecasts provided here correspond to our estimations at the time when this report was prepared and can change without notice. The data come from various sources which we consider reliable but whose validity, correctness or exactness we cannot guarantee. Explicitly, this report does not represent a recommendation of any kind, nor should it be regarded as forming a basis for making any decisions regarding investment or letting or renting property or premises. BNP Paribas Real Estate can accept no liability whatsoever for any information contained or statements made herein.

Imprint Publisher and copyright: BNP Paribas Real Estate GmbH | Prepared by: BNP Paribas Real Estate Consult GmbH | Status: 30.09.2019

Further Information BNP Paribas Real Estate GmbH | Alexander Trobitz, Head of Hotel Services | Phone +49 (0)69-298 99-0 | alexander.trobitz@bnpparibas.com | www.realestate.bnpparibas.de