

HOTEL MARKET FRANKFURT CITY REPORT 2019



RESEARCH



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FRANKFURT - HOTEL MARKET OVERVIEW

- ▶ OVERNIGHT STAYS MORE THAN DOUBLED SINCE 2005
- ▶ STRONG INCREASE IN BED CAPACITY
- ▶ INCREASINGLY ATTRACTIVE AS CITY BREAK DESTINATION

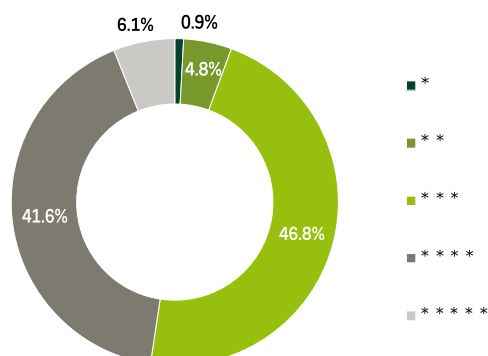
TOURISM IN THE FAST LANE

When people think of Frankfurt, they usually think first of banks, office towers and briefcases - and quite rightly so! After all, the city on the Main proudly reflects its long tradition as a trade fair destination and internationally renowned financial location. Also worth mentioning is the booming congress business, which attracted more than 5 million participants in 2018 alone, generating almost 2 million overnight stays. However, Frankfurt also has a lot to offer beyond banks and the stock exchange: In addition to top-class shopping, the Main metropolis is home to one of the country's finest art and culture scenes and boasts numerous celebrated museums, theatres and concert halls. Also, residents and city tourists are spoilt for choice when it comes to culinary delights: From star restaurants and rooftop bars, to sipping the local apple wine in cosy taverns, there is something for every taste.

Arrivals and overnight stays, share of international arrivals



Distribution by star category



Market environment Frankfurt 2018

		YOY
747,000	Population	↗
5.82 M	Guest arrivals	↗
9.66 M	Overnight stays	↗
42.1 %	Share of international tourism	→
254	Hotels	↗
50,500	Hotel beds	↗

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SUCCESSIVE ACCOMMODATION RECORDS

Tourism in Frankfurt is showing impressive growth and has been setting successive records for annual overnight stays for the past 15 years. In 2018 alone, a good 5.9 million hotel guests and just under 9.7 million overnight stays were counted in the Hessian city. Since 2010, overnight stays have risen by a good 64 % overall - more than in any other German city with more than 500,000 inhabitants. In addition, Frankfurt is currently the city with the highest tourism intensity among the major tourism magnets: With 13.6 overnight stays per inhabitant, the city on the Main puts Munich (11.8) and Berlin (9.1) in the shade.

It is not surprising that business travellers are clearly overrepresented in hotel market statistics, accounting for around two thirds of overnight stays, while private city travellers contribute one third to the overall result. 10 years ago, however, the share of the latter group was probably still below 25 %. It is expected that the opening of the DomRömer quarter in autumn 2018 will provide further impetus for city tourism. Integral to this much-discussed reconstruction project is the rebuilding of several landmark structures in the Old Town of Frankfurt, previously destroyed in the war.

However, the strong growth in the number of overnight stays would hardly have been possible without the simultaneous modernisation and expansion of hotel capacity: Since 2010 supply has grown by more than 15,000 hotel beds. As a result, even when demand peaks during the spring and autumn trade fair seasons, this can be increasingly absorbed within the city limits. This in turn has a negative impact on the hotel markets of surrounding cities such as Mainz and Wiesbaden.

PERFORMANCE AND HOTEL INVESTMENT

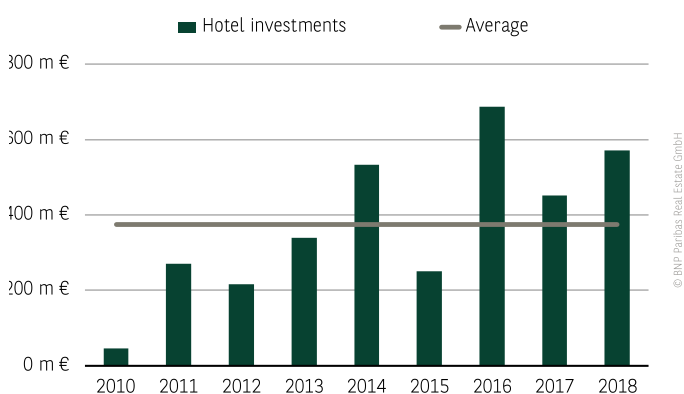
- ▶ DEMAND GROWS FASTER THAN SUPPLY
- ▶ INVESTMENT MARKET ON THE UPSWING
- ▶ INCREASING OCCUPANCY RATE DESPITE CAPACITY EXPANSION

HEALTHY PERFORMANCE DEVELOPMENT

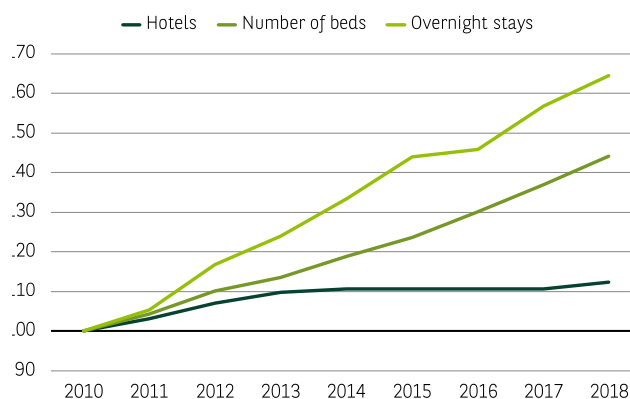
Between 2010 and 2018, the Frankfurt hotel industry showed impressive market momentum, with the increase in demand for overnight stays (+64 %) significantly outpacing the growth in the number of beds (+44 %). As a result, the occupancy rate also followed a stable upward trend, increasing by a total of 4 percentage points to 69.4 % over the same period. The average daily rate (ADR) developed in a much more volatile way: Starting from an already high price level (113 € in 2010), the ADR in Frankfurt hotels rose noticeably until 2013 and has since moved sideways in the range between 120 and 123 €. It can be seen that the strong additional demand is largely compensated by the simultaneous expansion of bed capacity, so that significant price increases across the board are not achievable. However, temporary price leaps such as in the record year 2015 are possible at any time and demonstrate the influence of the trade fair cycle on Frankfurt hotel market statistics.

Positive performance development in the Hessian metropolis has not remained unnoticed by real estate investors in the recent past: Over the last eight years, an average of € 374 million has been invested in Frankfurt's hotel real estate, putting the city in third place behind Berlin (€ 428 million) and Munich (€ 423 million) in a nationwide comparison. In 2018, transaction volume amounted to € 572 million, which corresponds to an increase of almost 27 % over the previous year and represents the second-best result ever achieved. The largest contribution to the strong investment seen in 2018 was made by the pro-rata sale of the "Westendgate" office and hotel property to RFR. But there were also a noticeably large number of hotel sales in the Frankfurt metropolitan area, which can be seen as evidence that investors are shifting to decentralised locations as a result of product shortages in core locations.

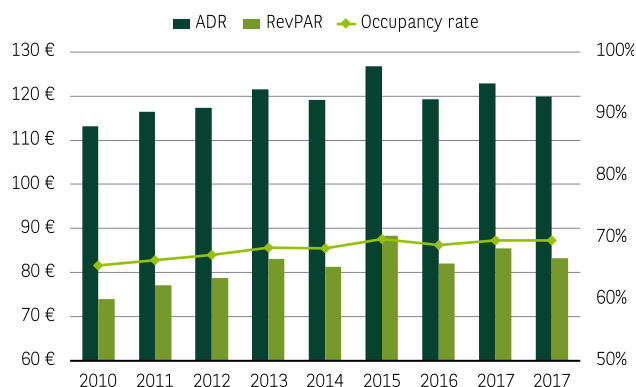
Hotel investment volume



Development of hotels and number of beds (2010 = 100)



Development of performance figures



Selected transactions

Year	Name	Rooms	Seller	Buyer
2017	Holiday Inn Express Frankfurt Messe ***	175	Apollo Global Management	Invesco Real Estate
2017	Le Méridien Frankfurt ****	300	Art-Invest	First Sponsor Group a.o.
2017	InterContinental FFM *****	473	Katara Hospitality	Aroundtown
2018	Moxy Hotel Frankfurt Airport Kelsterbach ***	188	Ten Brinke & BLI	Special-purpose vehicle
2018	Ruby Hotel at Junghof Plaza	218	FGI	Triuva
2018	Marriott & Adagio Aparthotel at WestendGate	588	StenProp	RFR
2018	Niu AIR ***	344	GBI	Select Group
2018	Inside by Meliá at Eurotheum ****	74	Commerz Real	GEG

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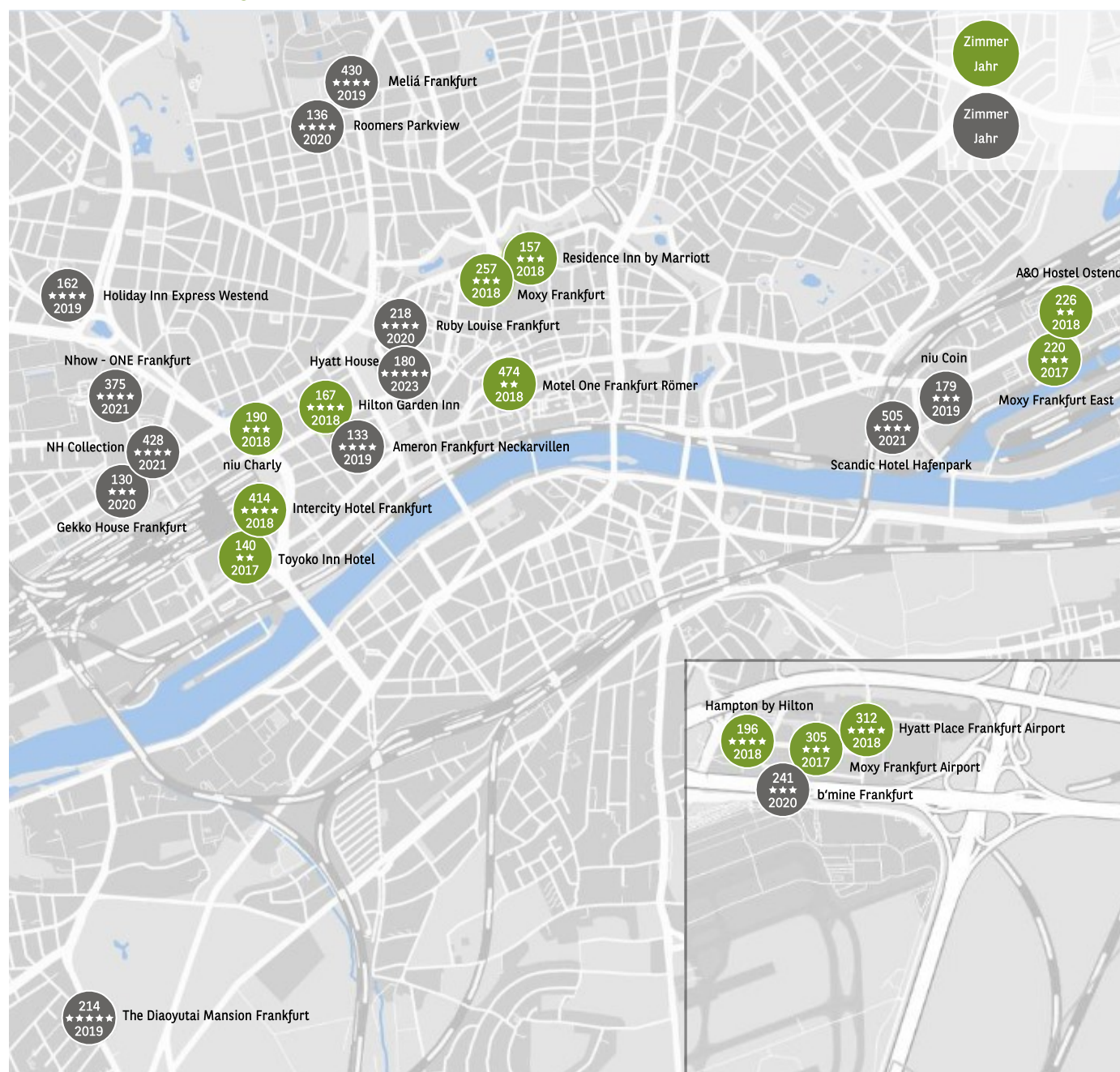
MARKET DEVELOPMENT AND PIPELINE

In order to meet the demand demonstrated in this stable upward trend, numerous new hotels in all categories are currently being opened or planned in Frankfurt. The focus of hotel development is on the western city centre including the adjacent Europaviertel and the area around the Frankfurt main station. Further development hotspots can be identified in the airport area and in the up-and-coming Ostend, where the planned opening of a large Scandic conference hotel in 2021 is of particular interest. The activities of the local hero Gekko Group are also attracting a lot of attention, as they intend to continue their growth with the opening of the Gekko House Frankfurt in the Europaviertel and the Roomers Parkview in the northern Westend. Another spectacular new addi-

tion to the Frankfurt hotel market is currently under construction at the former horse racecourse in Niederrad, where the Chinese Diaoyutai Group will operate a luxury hotel in Far Eastern style. The Toyoko Inn near the main station, which opened in 2017, is somewhat more modest. The business hotel is the Toyoko Group's first hotel outside Asia and promises Japanese hospitality at moderate prices.

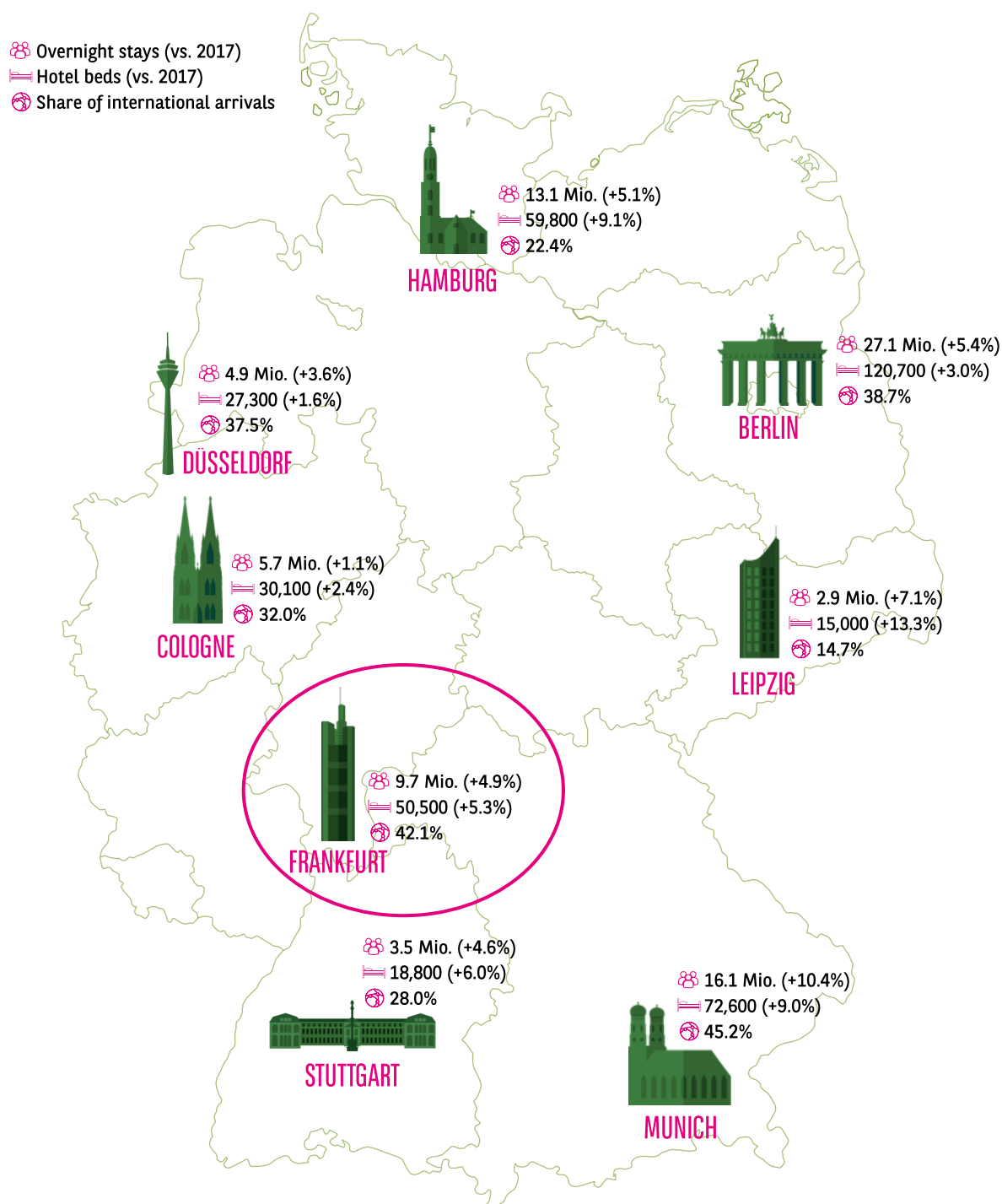
A total of around 10,000 - 11,000 additional hotel beds are being planned or built in the Frankfurt city area up to and including 2023, which corresponds to a good 20 % of the current bed capacity. This means that planned capacity expansion is in line with the average of the last eight years.

Location of selected openings and projects



SUPPLY AND DEMAND IN COMPARISON

- **FRANKFURT 2018 WITH THIRD-STRONGEST GROWTH IN OVERNIGHT STAYS (10.4 %)**
- **TOP POSITION IN LEAGUE TABLE IN MIDDLE-TERM DEMAND DEVELOPMENT (OVERNIGHT STAYS + 61 % VS. 2010)**
- **SECOND HIGHEST SHARE IN INTERNATIONAL TOURISM: 42.1 % INTERNATIONAL ARRIVALS**

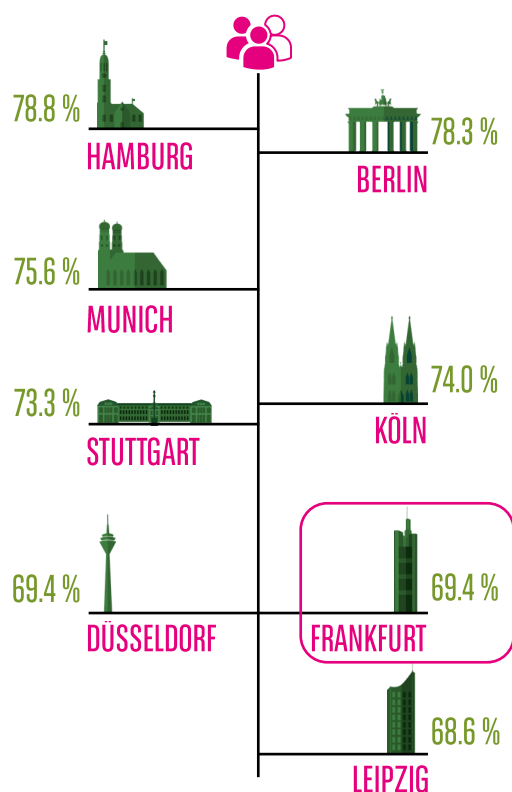


HOTEL PERFORMANCE IN COMPARISON

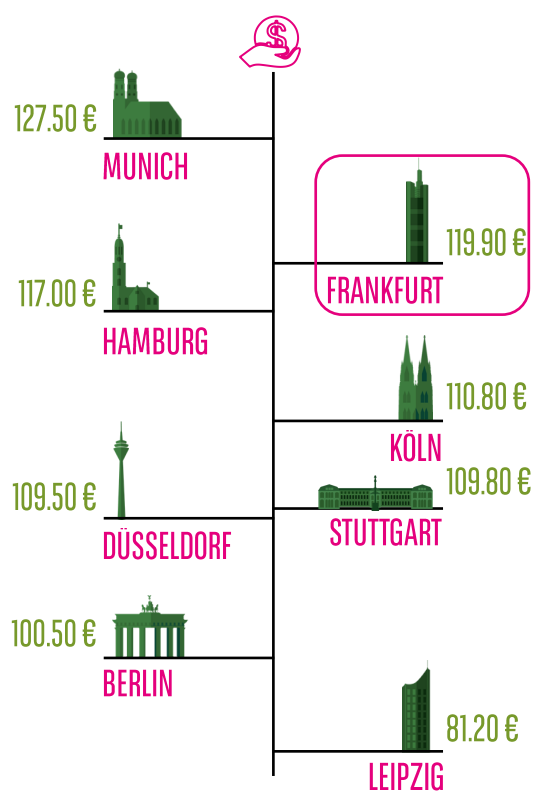
- SINCE 2010, THE AVERAGE OCCUPANCY RATE HAS RISEN BY 4 PERCENTAGE POINTS
- WITH AN OCCUPANCY RATE OF 69.4 %, FRANKFURT IS NEVERTHELESS AT THE LOWER END OF THE CITY CLASSIFICATION

- WITH AN ADR OF 119,90 € FRANKFURT IS SECOND IN GERMANY
- THE PRICE LEVEL IN THE HESSIAN METROPOLIS ROSE BY A GOOD 6 % COMPARED TO 2010

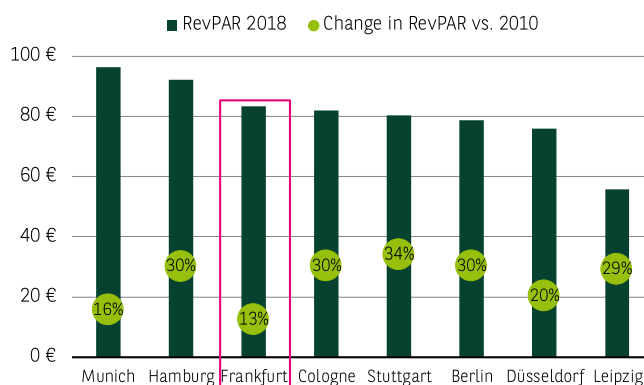
Occupancy rate 2018 in comparison



ADR 2018 in comparison



RevPAR in comparison



- THE FRANKFURT HOTEL MARKET ACHIEVES THE THIRD HIGHEST REVPAR OF ALL CITIES SURVEYED IN 2018 (83.30 €)
- WITH A 13 % INCREASE IN REVPAR SINCE 2010, FRANKFURT IS AT THE END OF THE CITY TABLE
- HOWEVER, THE STARTING LEVEL IS VERY HIGH AND ONLY JUST BEHIND MUNICH

OUTLOOK



The Frankfurt hotel market looks back at a very dynamic period and has been reporting high growth rates for years in terms of demand for overnight stays, hotel performance and investment volume. The range of hotels available today is also much more diverse than ten years ago, although the high pace of expansion in price levels and occupancy rates may not be entirely without risk. Nevertheless, the prospects for further development of the Frankfurt hotel market remain bright. Since 2017, the city has been officially allowed to call itself a tourist destination and is celebrating this with the introduction of a tourism tax for private

city travellers. However, this should not undermine Frankfurt's growing popularity as a destination for city breaks, especially as the city will become even more attractive with the construction of the "new" Old Town and the successive expansion of the already impressive skyline. The extension of airport capacity as well as high investments in the exhibition grounds and the creation of additional facilities for conferences and congresses should also provide a clear impetus for the further development of tourism in Frankfurt.



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