

HOTEL MARKET MUNICH CITY REPORT 2019



RESEARCH



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MUNICH - HOTEL MARKET OVERVIEW

- OVERNIGHT STAYS MORE THAN DOUBLED SINCE 2002
- STRONG INCREASE IN BED CAPACITY
- ATTRACTIVE, MODERN SUPPLY IN ALL CATEGORIES

A TOP-NOTCH TOURISM DESTINATION

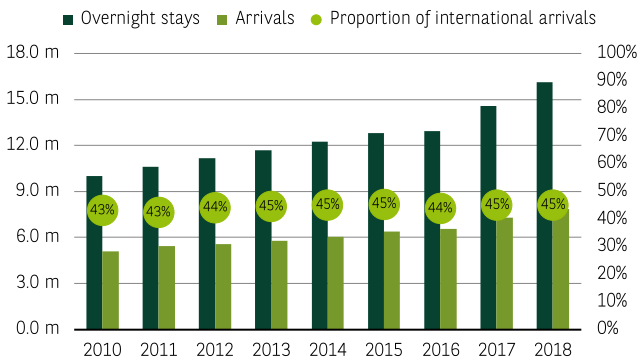
Munich is a highly modern metropolis with a lively tradition, where Bavarian cosiness among breweries and beer gardens blends with urban vitality and southern grandeur. Hardly any other city in Germany is as diverse and colourful as the Bavarian capital. Home of several Dax corporations, Munich is one of the fastest growing cities in the country with high incomes, a low unemployment rate and excellent prospects for the future. Also when it comes to tourism, Munich is very hard to beat: for business travellers, the city on the Isar is regularly on the schedule, not least because it hosts numerous leading international trade fairs. Leisure tourists, on the other hand, can look forward to countless sights in the historic city centre, shopping opportunities for every budget as well as internationally renowned art and culture.

Market environment Munich 2018

		YOY
1.6 M	Population	↗
7.84 M	Guest arrivals	↗
16.12 M	Overnight stays	↗
45.2 %	Share of international tourism	↔
391	Hotels	↗
73,700	Hotel beds	↗

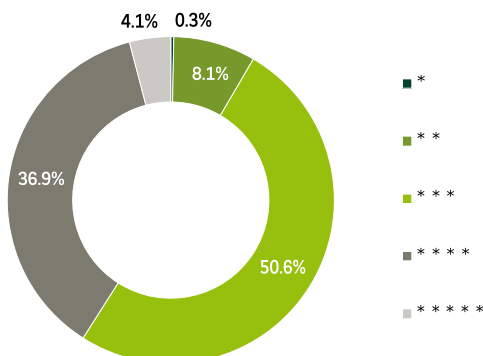
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Arrivals and overnight stays, share of international arrivals



© BNP Paribas Real Estate GmbH, Source: Statistical office Bavaria

Distribution by star category



© BNP Paribas Real Estate GmbH, Source: booking.com

SUPPLY AND DEMAND EQUALLY DYNAMIC

Tourism in Munich can look back on an impressive development and has been reporting new records in overnight stays year after year since 2002. Roughly 16 million overnight stays were counted in 2018, a good 10 % more than in the previous year. The number of arrivals rose by almost 8 % to 7.8 million, putting the Bavarian capital in 9th place among the most visited cities in Europe. In Germany, only Berlin can boast higher visitor numbers. With regard to the share of foreign tourists, however, Munich occupies the top position in Germany with international tourists accounting for about 45 % of guest arrivals.

When examining the reasons for the boom in demand, a large number of influencing factors can be identified: First of all, as a classic city break destination, Munich benefits particularly from the general trend towards leisure tourism and also from its excellent accessibility. Furthermore, the business travel market has also been flying high for years due to the long-lasting economic upswing, and there are still signs of growth in the trade fair and congress business. Thus, the economic strength of city converts more and more into increased hotel bookings.

As far as the supply side is concerned, it can be noted that the number of hotel beds on the Munich hotel market has also grown significantly in recent years, which is a basic condition for the strong increase in the number of overnight stays. As the bed capacity has roughly doubled since the turn of the millennium, the Munich hotel industry has undergone far-reaching structural change: Instead of owner-managed private businesses, modern internationally-oriented brand hotels dominate today, accounting for up to 70 % of the total capacity.

PERFORMANCE AND HOTEL INVESTMENT

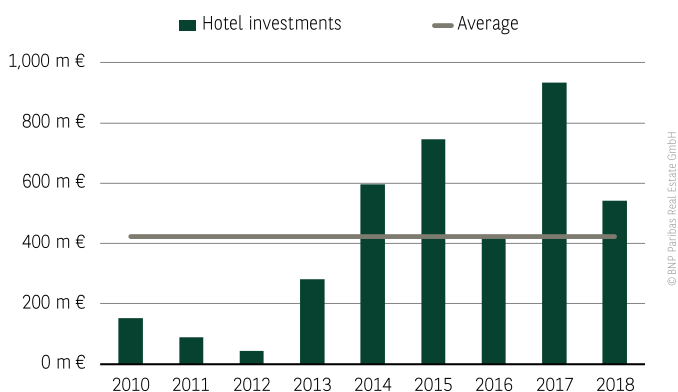
- DEMAND GROWS FASTER THAN SUPPLY
- INVESTMENT MARKET ON THE UPSWING
- HIGHER OCCUPANCY RATE DESPITE CAPACITY EXPANSION

STRONG PERFORMANCE DEVELOPMENT

Since 2010, supply and demand on the Munich hotel market have been developing almost in tandem, with demand for overnight stays (+61 %) slightly more dynamic than the supply in hotel beds (+49 %). The occupancy rate in 2018 was 75.6 %, 3.3 percentage points higher than in 2010, while the average net room price (ADR) rose by around 11 % to just under € 128. As a result, revenues per available room capacity (RevPAR) also rose significantly (to a good € 96, +16 %). Despite the continuing rise in demand, however, it is clear that the current performance figures do not quite reach the record levels of 2015. This is mainly due to the fact that between 2015 and 2018 around 14,000 hotel beds were added to the market supply, which is roughly equivalent to the bed capacity of a major city like Leipzig.

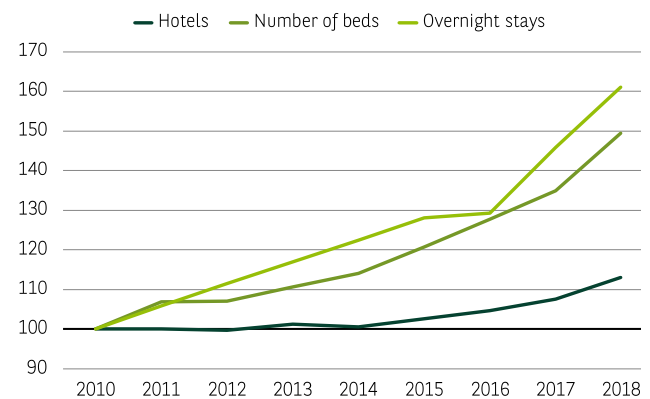
The high dynamic of the Munich hotel market has also had a significant impact on the investment volume in recent years. Between 2010 and 2018, an average of around € 423 million was invested annually in Munich hotel properties, putting the Bavarian capital in second place behind Berlin (€ 428 million) in a national comparison of cities. After the existing record was virtually pulverized in 2017 with a transaction volume of € 934 million, the sales volume fell back to "normal levels" in 2018. The main reason for the significantly lower result is insufficient supply, while demand for Munich hotel properties remains very high. However, with total revenues of € 541 million, the investment result is a good 30 % above the long-term average.

Hotel investment volume



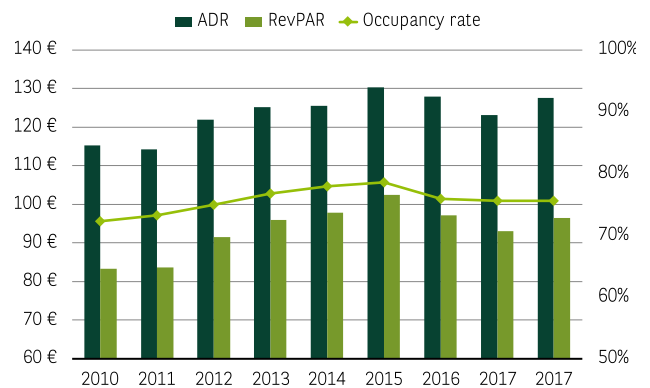
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Development of hotels and number of beds (2010 = 100)



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Development of performance figures



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Selected transactions

Year	Name	Rooms	Seller	Buyer
2017	Pullman ****	337	NKS Hospitality	CDL Hospitality
2017	Ibis Parkstadt Schwabing **	149	Axa	Aviva
2017	Holiday Inn City Center ***	582	Apollo	Institutional investor
2017	Ruby Lilly ****	174	Art-Invest	Patrizia
2018	Hilton Garden Inn ***	165	CV-Projektentwicklung	Oxin group
2018	Leonardo Royal Hotel ****	424	Fattal Hotel Group	Invesco Real Estate
2018	Premier Inn ***	198	Timehouse	Premier Inn
2018	Prizeotel Hallbergmoos **	168	Property developer	Württembergische LV

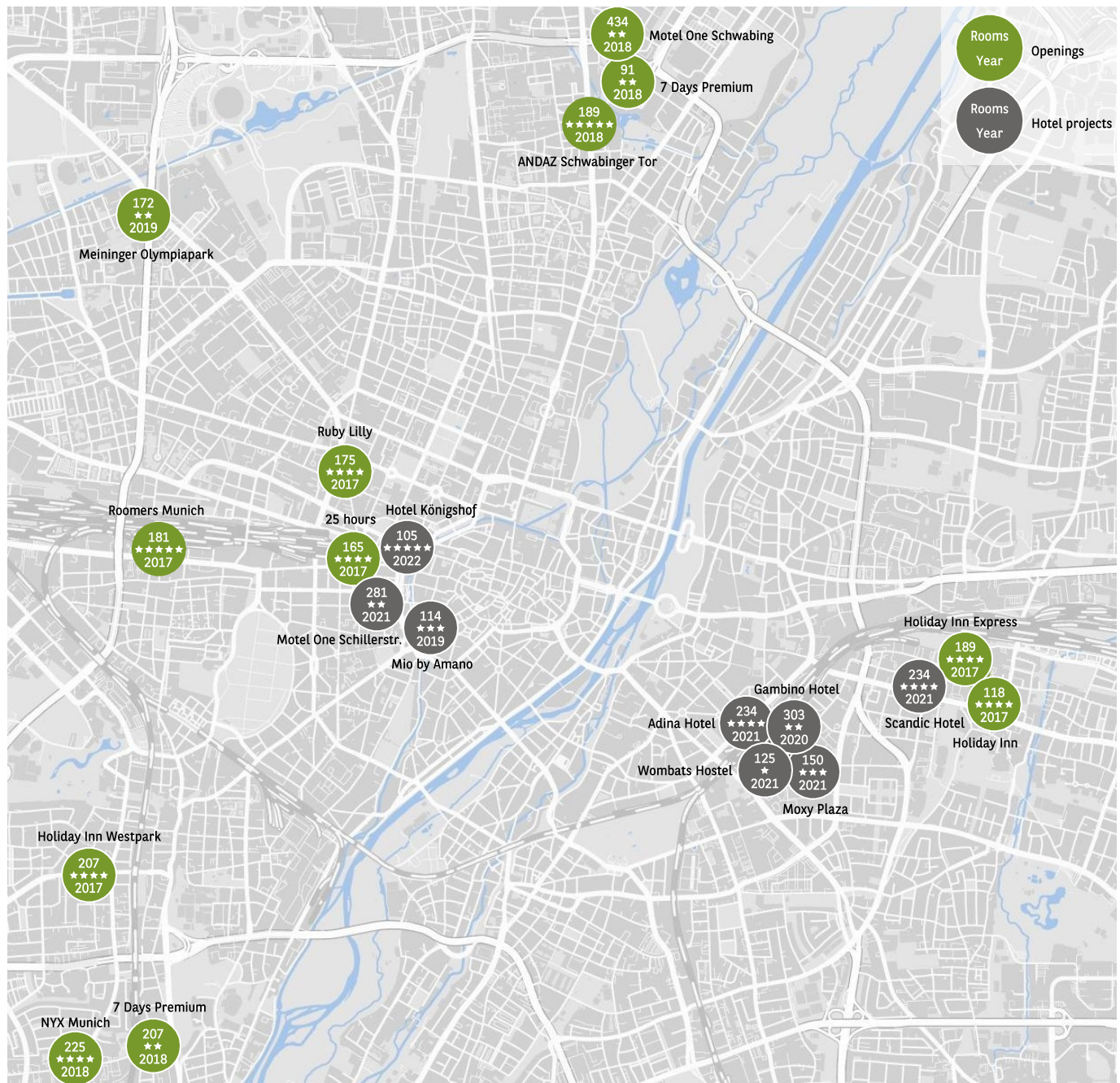
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MARKET DEVELOPMENT AND PIPELINE

As a result of the strong development in the number of overnight stays, new hotels are being opened or planned in all price categories. In the city centre, the hotspot of hotel development is located south of the main station, where the hotel density is already very high and is set to increase even further with the addition of three hotels that are currently in planning or under construction. In this regard, all eyes are on the re-opening of the Hotel Königshof, which will move into a spectacular new building on the Stachus. Several new hotels are also being planned in the „Werksviertel“, which is located south of Ostbahnhof, including the second hotel of relatively new hotel brand Gambino. The opening of the first

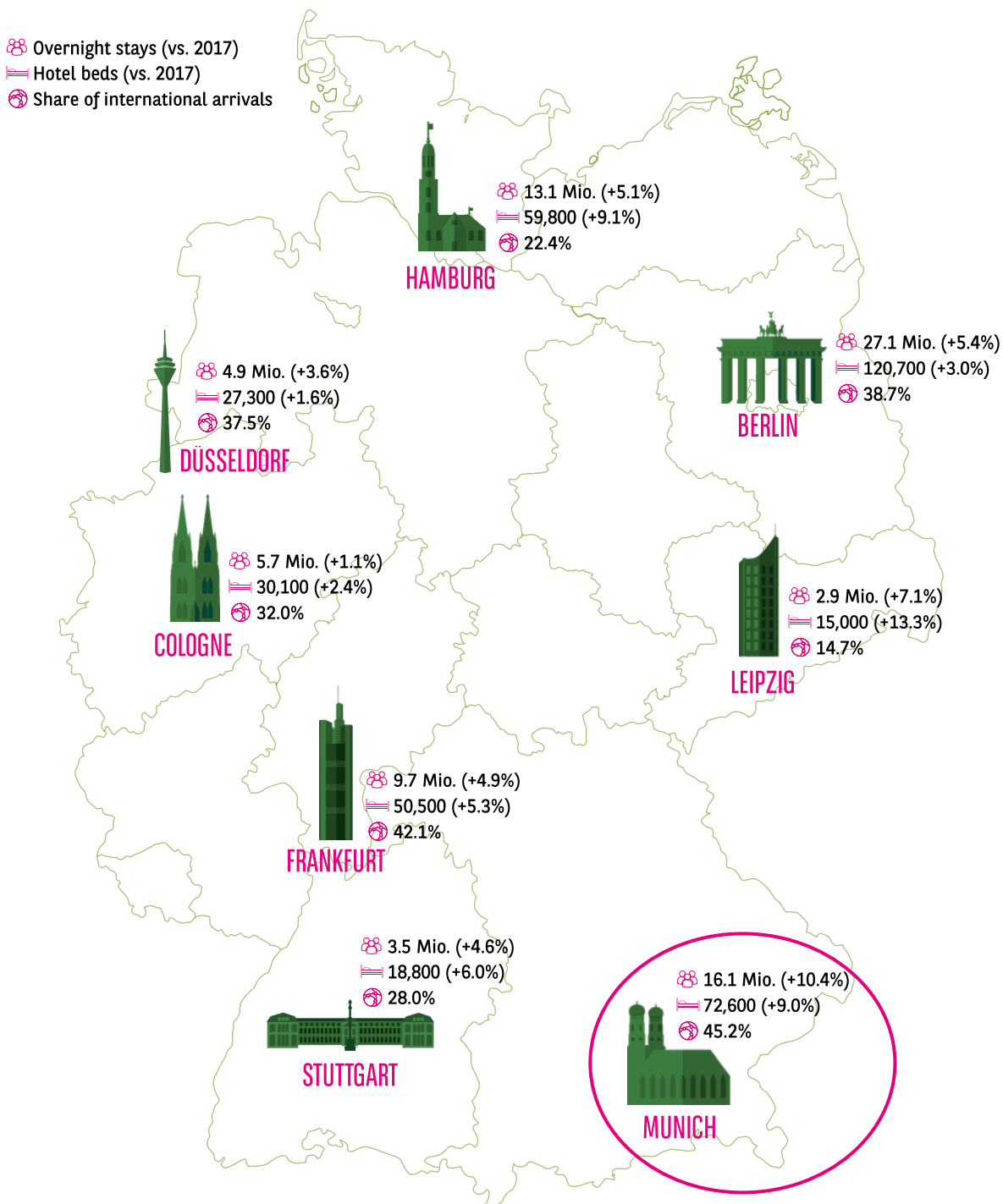
Munich Scandic Hotel in Berg am Laim is planned for 2021, following the opening of the IHG Holiday Inn and Holiday Inn Express Hotel in 2017. A special highlight for discerning hotel guests has been built at the Schwabinger Tor, where the Hyatt Group has recently opened the first German hotel of the luxury brand ANDAZ. In total, around 8,500 additional hotel beds are planned or under construction in the Munich city area up to and including 2023, which corresponds to approximately 11.5 % of the current bed capacity. Nevertheless, compared to the last 5 years, the pace of expansion is expected to be significantly slower.

Location of selected openings and projects



SUPPLY AND DEMAND IN COMPARISON

- MUNICH 2018 WITH THE STRONGEST GROWTH IN OVERNIGHT STAYS (10.4%)
- INCREASE OF OVERNIGHT STAYS BY A TOTAL OF 61% SINCE 2010 (SECOND RANK AFTER FRANKFURT)
- LEADING POSITION IN INTERNATIONAL TOURISM: 45.2% INTERNATIONAL ARRIVALS

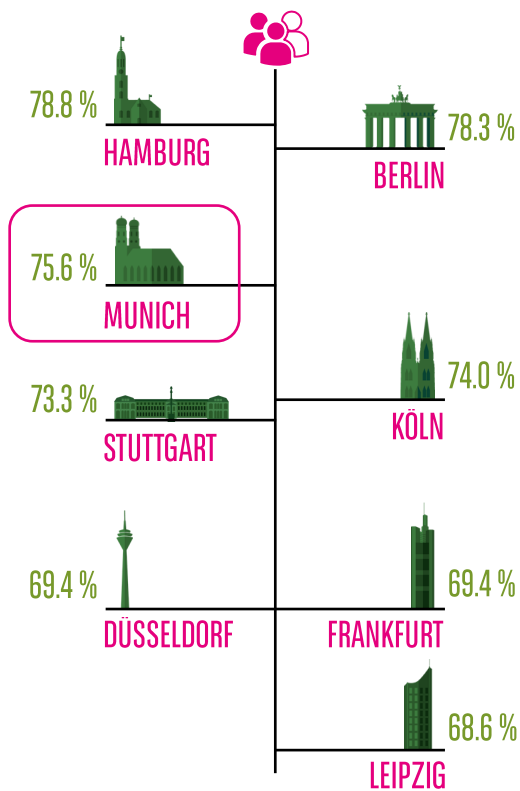


HOTEL PERFORMANCE IN COMPARISON

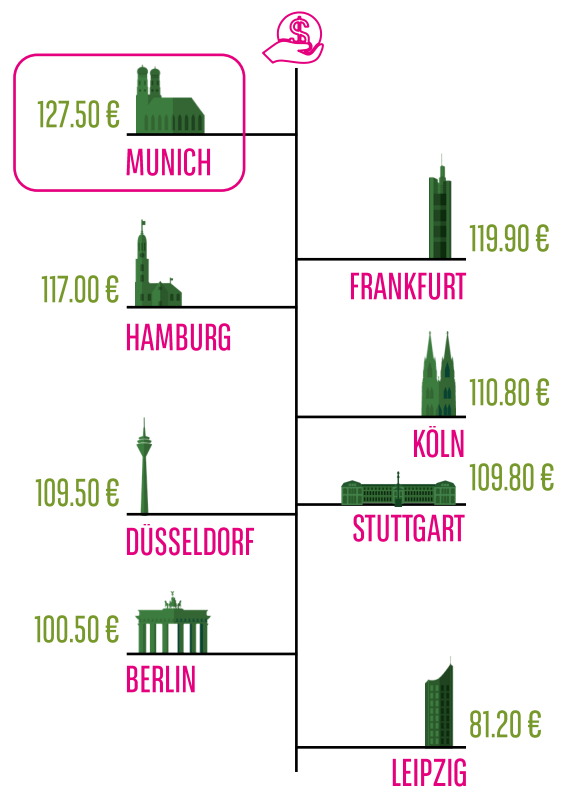
- WITH AN OCCUPANCY RATE OF 76 %, MUNICH RANKS THIRD IN THE CITY LEAGUE TABLE
- SINCE 2010, THE AVERAGE OCCUPANCY RATE HAS RISEN BY A TOTAL OF 3.3 PERCENTAGE POINTS

- WITH AN ADR OF 127.50 €, MUNICH HOLDS THE TOP POSITION IN GERMANY
- THE PRICE LEVEL IN THE BAVARIAN CAPITAL ROSE BY 3.6 % COMPARED TO THE PREVIOUS YEAR

Occupancy rate 2018 in comparison



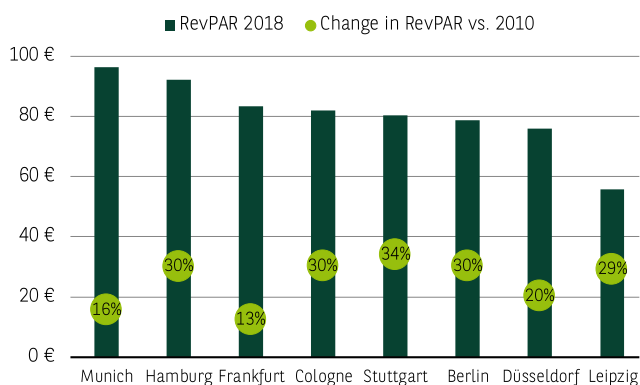
ADR 2018 in comparison



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RevPAR in comparison



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- MUNICH 2018 WITH THE HIGHEST REVPAR OF ALL ANALYSED CITIES (96.40 €)
- WITH AN 15.7 % INCREASE IN REVPAR BETWEEN 2010 AND 2018, MUNICH IS AT THE LOWER END OF THE SELECTED CITIES
- HOWEVER, THE STARTING LEVEL IS SIGNIFICANTLY HIGHER THAN IN ANY OTHER CITY

OUTLOOK



The Bavarian state capital has underlined its position as one of the most important tourism metropolises in Europe in recent years and for some time now has been setting consistent accommodation records, which is also reflected in the business figures of hoteliers. Hotel market supply has also been continuously modernised and extended both geographically and conceptually. Thanks to the opening of numerous new brand hotels, most of which have high design standards, tourists and business travellers have a wide choice in every price category. However, the high annual

growth in capacity since 2015 has had an impact on the occupancy rate, which has stagnated since then, despite high demand. Against this background, the still extensive development pipeline gives rise to occasional concerns. Basically, however, there are no current signs that the positive trend in demand on the Munich hotel market is coming to an end. Provided that the overall economic situation remains robust, we can therefore expect stable or rising performance figures in the future.



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