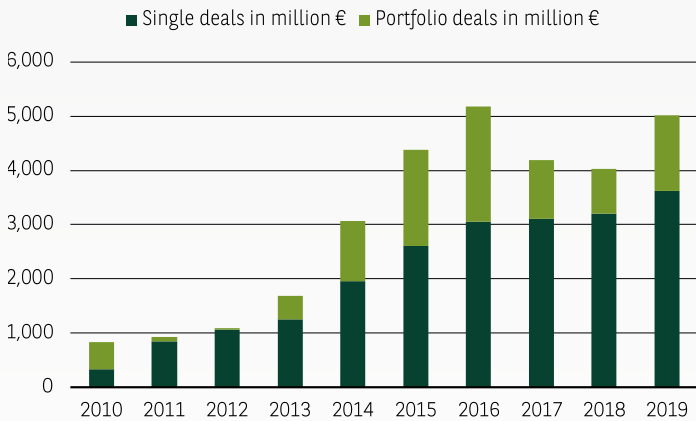




At a Glance **Q4 2019**

# HOTEL INVESTMENT MARKET GERMANY

## Hotel investments in Germany

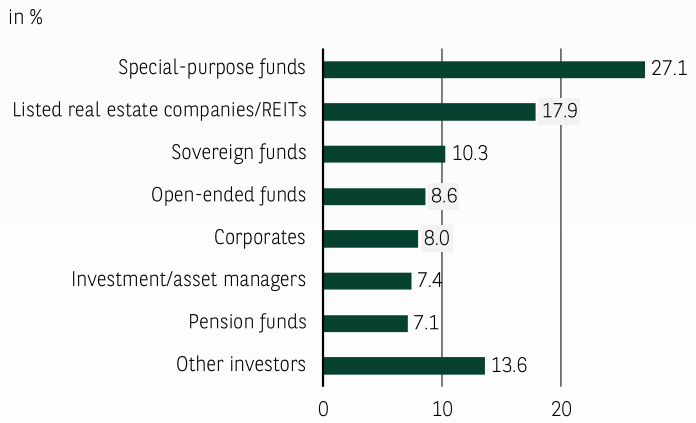


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## ➤ HOTEL INVESTMENTS BREAK THROUGH THE €5 BN BARRIER

The hotel investment market has ended 2019 with a bang and achieved the second-best result ever. With a transaction volume of €5 billion, the record result of 2016 was missed by a hair's breadth, but compared to the previous year, the market has grown by almost a quarter. Looking only at individual deals, market activity was somewhat lower than 2018, with a good 100 registered sales. However, this disadvantage was more than compensated for by a significantly higher average deal volume. With a volume of €3.6 billion in individual deals, the previous record was clearly surpassed. After two rather mixed years, the portfolio investment market also picked up again significantly in 2019. Thanks to no less than seven package sales exceeding €100 million, the volume rose by a whopping 70% year-on-year. Overall, with a transaction volume of almost €1.4 billion the third-best result ever was achieved.

## Hotel investments by buyer group 2019

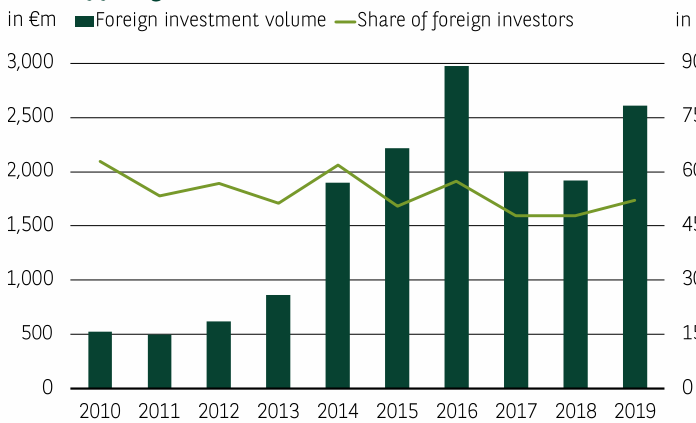


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## ➤ SPECIAL-PURPOSE FUNDS SET THE TONE

Traditionally, special-purpose funds are particularly interested in hotels and yet again, in 2019, they were the most important investor group. Overall, they account for more than a quarter of total investment turnover and can boast prominent deals such as the purchase of the Nuremberg Tafelhof Palais by BMO, which will house a Leonardo Royal Hotel and a Motel One. Second place is occupied by listed real estate companies/REITs, which have a market share of just under 18% and are appreciated above all by foreign investors as investment vehicles. The podium is completed by sovereign funds, which contribute a good 10% to the total investment volume. Among other things, this result is due to the purchase of the Hotel de Rome in Berlin by the Singapore sovereign wealth fund GIC. Open-ended funds (9%), corporates (8%) and investment/asset managers (7%) also achieve substantial market shares.

## Share of foreign investors

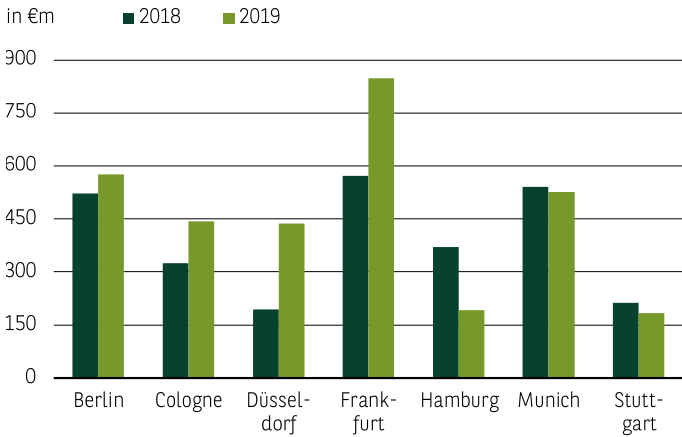


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## ➤ FOREIGN INVESTORS ARE JUST ABOUT AHEAD

Like in previous years, domestic and foreign investors are roughly in balance. At 52%, the share of foreign buyers is around 11 percentage points higher in relation to the overall commercial investment market. Compared to the previous year, the share of foreign investors has risen by a good 4 percentage points, which is primarily due to the significant increase in the transaction volume of portfolio deals. This segment has traditionally been strongly occupied by foreign investors.

**Hotel investments in the A-locations**

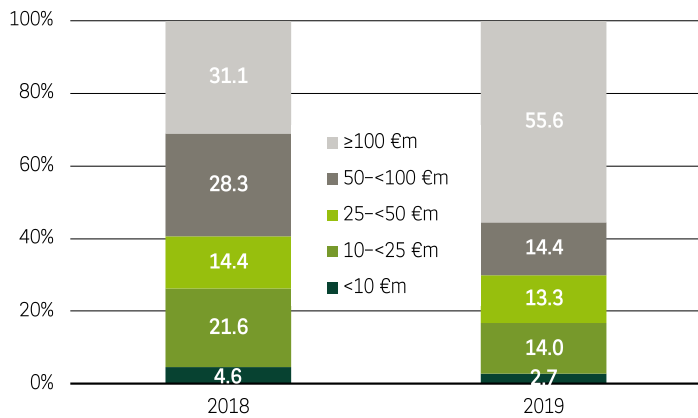


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**➤ DÜSSELDORF WITH OUTSTANDING PERFORMANCE**

Overall, the hotel investment market has developed positively in the A-locations. In total, hotels with a value of €3.2 billion were sold (+17%), which means that the major cities account for almost two thirds of the nationwide result. In the previous year, the share was still about 4 percentage points higher, which suggests that the trend towards decentralisation of the hotel investment market is continuing and that hotel investors are increasingly focusing on small and medium-sized towns. In terms of the individual locations, Düsseldorf stands out in particular: even though commercial properties in the Rhine metropolis have had a strong year overall, the bang effect was caused by the hotel asset class, which increased its volume by 126% to almost €440 million. Frankfurt is also showing a more than convincing result, leading the city ranking in absolute terms with just under €850 million. Thereby, the city improved its result by almost 50 %. Particularly worth mentioning here is the sale of mixed-use property “The Squire” at the airport, which includes two hotels of the Hilton group. Cologne (+37%) and Berlin (+10%) also posted gains, while Munich (-3%) and Stuttgart (-14%) recorded slight losses. Hamburg, however, is taking a break after relatively high turnover in previous years and, with an investment volume of €192 million, is achieving a rather weak result (-48%).

**Hotel investments by € category**

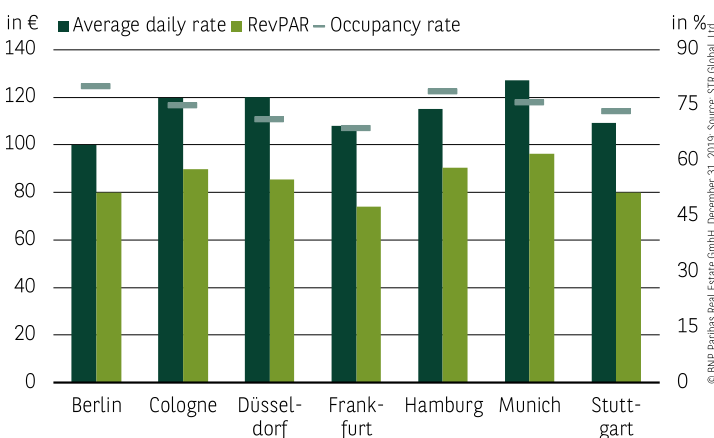


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**➤ LARGE TRANSACTIONS DOMINATE**

Even though the hotel investment market is in strong shape per se, the exceptional result of 2019 would hardly have been possible without an unusually high number of large transactions. Individual and portfolio deals together account for a total of 17 transactions worth over €100 million in 2019. By way of comparison, there were only eight in 2018. In this respect, it is not surprising that significantly more than half of turnover is attributable to large transactions. The three smaller size classes account for a total of 42%, while transactions under €10 million contribute just under 3%.

**Hotel performance of the A-locations January-November 2019**



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**➤ PERSPECTIVES**

Hotel investments continue to be in high demand, with investors increasingly willing to broaden their focus and look beyond the A-cities for suitable investments. Basically, the exceptional 2019 result was also made possible by the fact that supply in the core segment was somewhat higher than in previous years. In view of the still positive general market conditions, lively market activity can therefore be expected in 2020, too. However, a renewed approach to the €5 billion mark will only be possible if investors are again provided with appropriate investment opportunities.

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