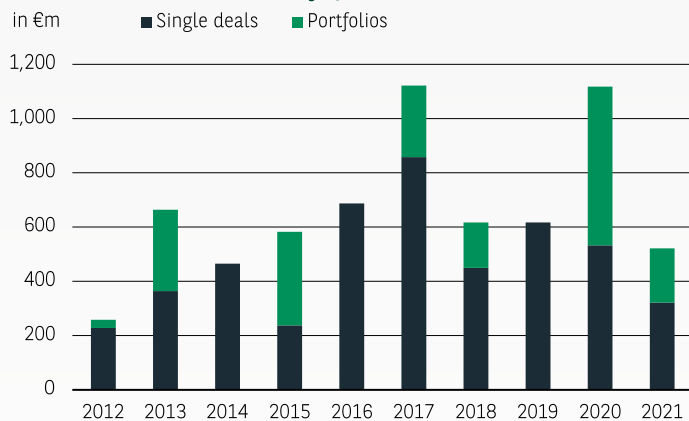




## At a Glance **Q1 2021**

# HOTEL INVESTMENT MARKET GERMANY

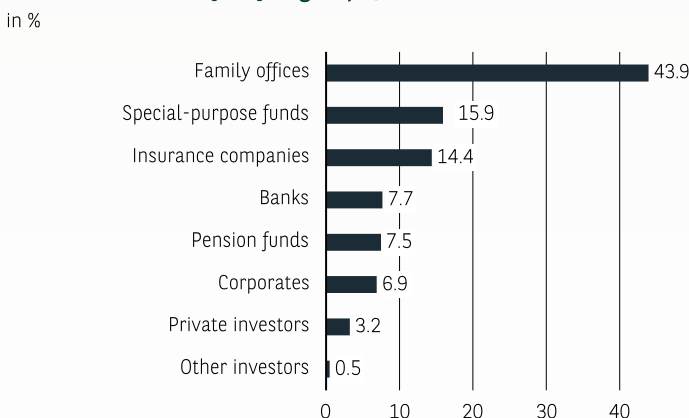
### Hotel investments in Germany Q1



### ➤ HOTEL MARKET WITH RESPECTABLE RESULT

The first quarter of 2021 shows that hotels as an asset class continue to be heavily influenced by the ongoing corona crisis. Overall, the investment volume was a good € 520 million, which corresponds to a decline of more than 50% compared to the exceptional result of the previous year. However, it should be noted here that the prior-year quarter was still largely unaffected by the effects of the Corona crisis, and at the same time the hotel market was able to benefit strongly from the TLG takeover by Aroundtown. However, even compared to the 10-year average, losses of a good 20% were recorded. It is thus clear that many investors continue to be cautious against the background of the unchanged situation in the tourism and business travel markets. Nevertheless, the hotel investment market is far from standing still. Much the contrary, attractive investment deals were registered in all city categories and hotel segments, in some cases with high valuations. Although the permanent lockdown is increasingly affecting the substance of many operators, fire sales remain the exception.

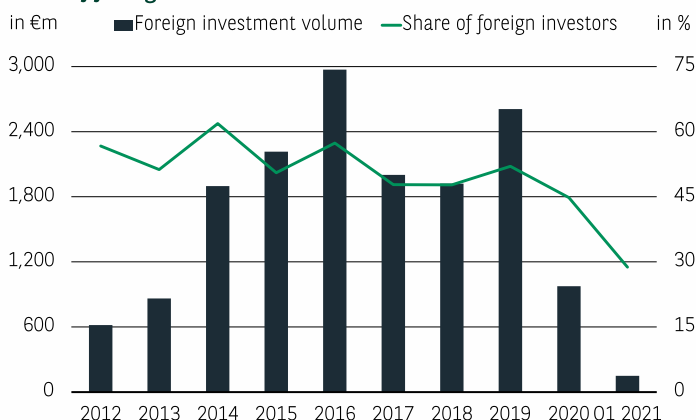
### Hotel investments by buyer group Q1 2021



### ➤ FAMILY OFFICES SET THE TONE

While the hotel market was dominated by institutional investors in previous years, family offices are currently leading the investor rankings with a market share of 44%. This shows that the current exceptional situation certainly offers strategically minded investors the opportunity to acquire assets that were difficult to secure in the past in order to successfully implement a long-term investment strategy. Special-purpose funds, which often dominate the market, have a market share of just under 16%, while insurance companies account for a good 14% of total investment volume. Banks (8%), pension funds (just under 8%) and corporates (7%) also achieve notable shares of turnover. The latter mainly handle smaller deals, most of which are aimed at repositioning hotels in rural areas.

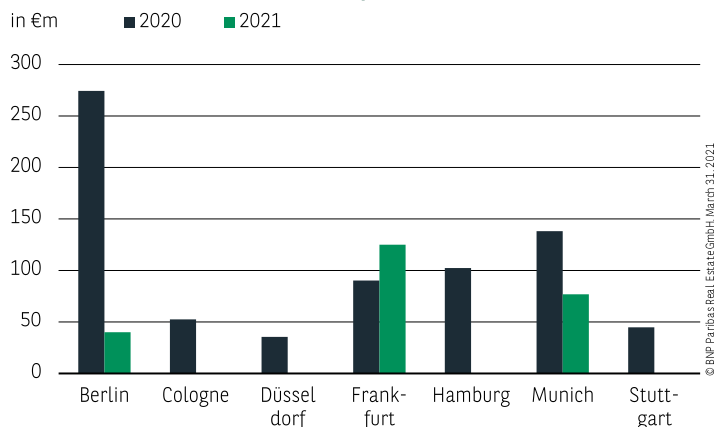
### Share of foreign investors



### ➤ DOMESTIC INVESTORS IN THE DRIVER'S SEAT

In the first quarter of 2021, the trend of an increasingly high proportion of hotel investments being acquired by domestic investors continued. Starting from over 60% in 2014, the market share of international investors gradually decreased to currently less than 30%. However, this strikingly low figure is mainly due to the Corona pandemic, which makes stringent due diligence and transaction processes considerably more difficult for foreign buyers.

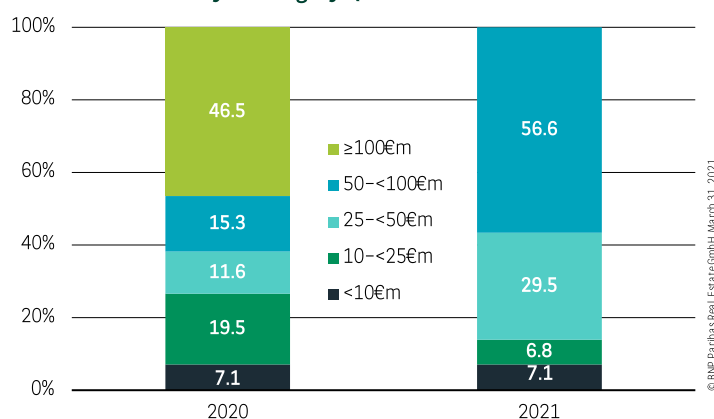
## Hotel investments in A-locations Q1



## FRANKFURT DEFIES THE CORONA CRISIS

While in Q1 2020 the A-cities only just missed the all-time high of €738 million thanks to numerous portfolio deals, the country's seven most important real estate markets recorded an investment volume of only €242 million in Q1 2021. Particularly in Düsseldorf, Hamburg, Cologne and Stuttgart, where no noteworthy hotel deals have been registered so far, the result is sobering. The undisputed leader among the A-cities is Frankfurt, which was able to increase its result by 39% to €125 million despite adverse circumstances. The sale of the 5-star Villa Kennedy by DIC Asset to Conren Land, the largest hotel deal of the still young year, made a major contribution to this. Munich came second with €77 million (-44%), ahead of Berlin, which suffered a decline of a good 85% with a volume of €40 million. However, the result for the same period last year was an absolute exception, fueled primarily by the TLG acquisition. In principle, the country's major metropolises have been even more severely affected by the crisis than traditional tourist cities or local holiday regions, since in addition to city tourism, business travel, trade fairs and congresses have massively decreased respectively had to be canceled completely.

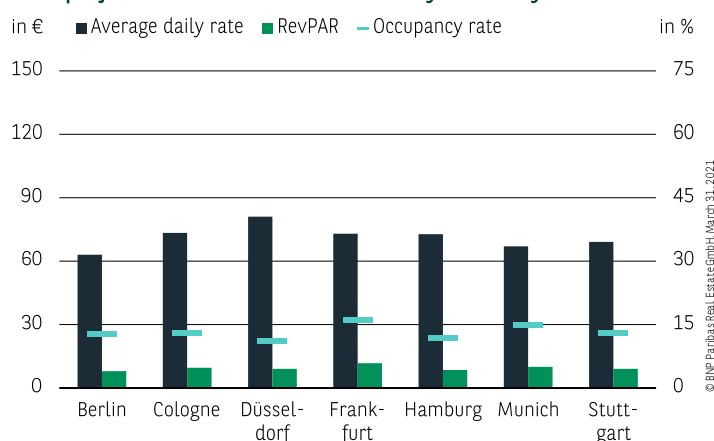
## Hotel investments by € category Q1



## NO DEALS OVER € 100 MILLION YET

In the same period of the previous year, almost 47% of transaction volume was accounted for by major deals over €100 million, which at €520 million corresponds pretty much exactly to the total investment volume recorded in Q1 2021. In contrast, not a single deal of this size has been registered in the current year. In the smaller size classes below €25 million, the market share is also significantly lower in absolute and percentage terms than in the previous year. On the other hand, there is a high level of market activity in the two medium size categories between €25 million and €100 million. Overall, the "mid-market" segment accounted for almost 86% of the investment volume with almost €450 million. It is thus evident, even in the absence of large (portfolio) deals, that investors are not shying away from significant ticket sizes despite the restrained situation.

## Hotel performance in A-locations January-February 2021



## OUTLOOK

Hotels remain one of the asset classes that have suffered the most from the effects of the Corona crisis. Especially in the A-cities, occupancy rates remain low due to a lack of city tourists and business travelers. Given the continuing uncertainty about the further course of the Corona epidemic, many investors remained on the sidelines at the start of the year, but are now watching developments much more closely again. As vaccination rates pick up, a significant recovery of the global travel markets in the second half of the year does not seem unlikely, which would produce a more positive outlook for operators and investors. In the lee of such a development, investment processes that had been put on hold could be brought to a swift conclusion resulting in significantly higher transaction volumes.

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