

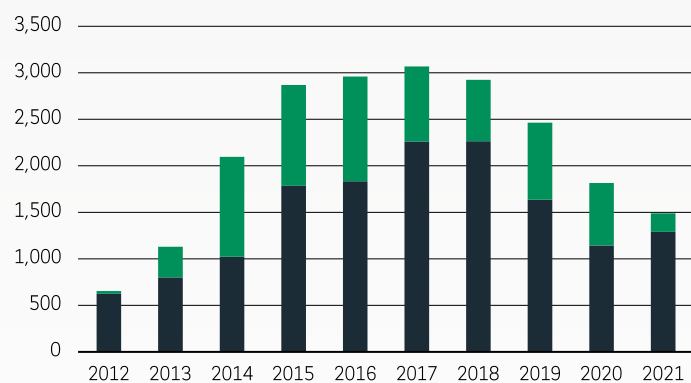


At a Glance **Q3 2021**

HOTEL INVESTMENT MARKET GERMANY

Hotel investments in Germany Q1-3

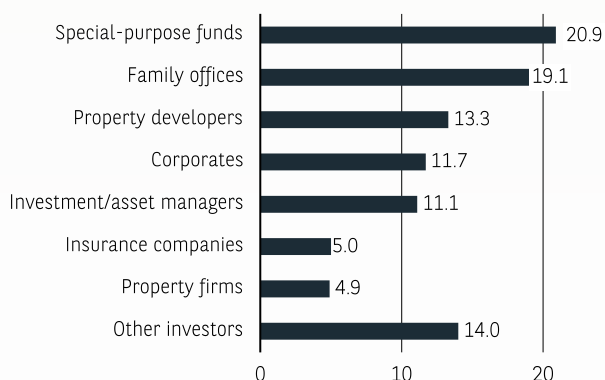
in €m ■ Single investments ■ Portfolios



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Hotel investments by buyer group Q1-3 2021

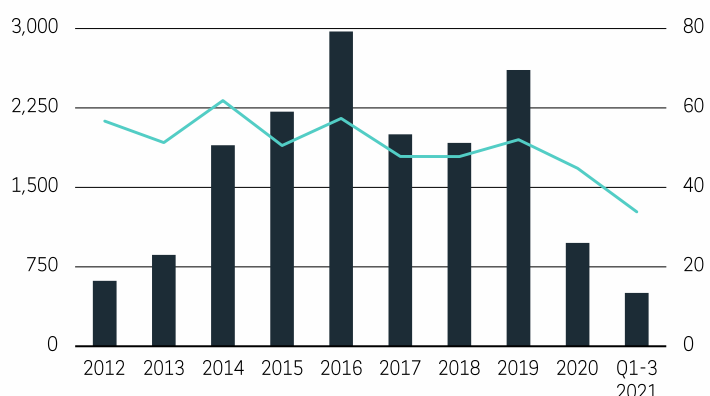
in %



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Share of foreign investors

in €m ■ Foreign investment volume — Share of foreign investors



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INVESTMENT VOLUME OF SINGLE DEALS INCREASED

At the end of the third quarter, it is evident that the hotel investment market in Germany is still under the influence of the Corona crisis. Overall, the investment volume is around €1.5 billion, which corresponds to a decline of almost 18% compared to the result of the same period last year. It needs to be stressed that the Q1-Q3 2020 volume benefited from a relatively strong portfolio segment, which contributed €670 million or 37% to the overall result. In the current year 2021, only €200 million was generated with portfolio sales, which represents about 13% of the total volume. If, on the other hand, only the single deal segment is considered, there is an increase of almost 13% compared to the same period of the previous year. In total, however, fewer than 60 transactions were counted, which is significantly below the long-term average (approx. 80 deals). Consequently, the transaction volume does not yet reflect the obvious revival of market activity, which is reflected in many ongoing due diligence processes, discussions and conceptual planning in fall 2021. Nevertheless, the sentiment has been brightening noticeably for some months now.

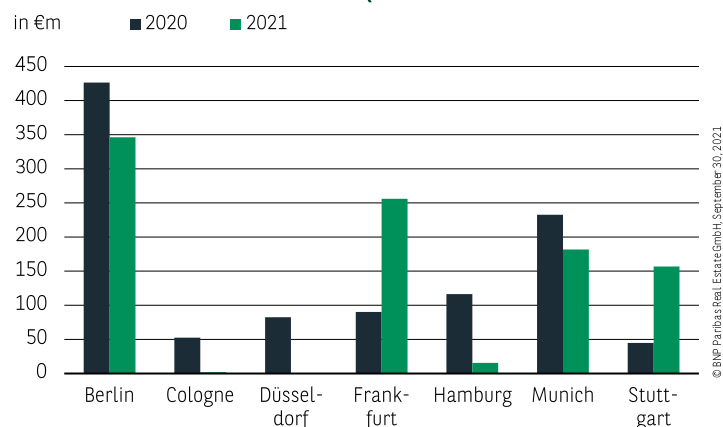
SPECIAL-PURPOSE FUNDS TAKE THE LEAD

While listed real estate companies/REITs were the leading buyer group in the same period last year, the first three quarters of 2021 saw a neck-and-neck race, with special-purpose funds (21%) holding their ground just ahead of family offices (19%). Property developers (13%) and corporates (12%) also achieve above-average shares. This shows that the current situation offers conceptually and strategically oriented investors the opportunity to systematically enter the hotel market and reposition themselves there. Insurance companies and property firms also achieved noteworthy turnover shares of 5% each. Basically, the broadly diversified range of investors underlines that the hotel investment market is still in the discovery phase.

DOMESTIC INVESTORS IN THE DRIVER'S SEAT

At the end of the third quarter, the market activity on the German hotel investment market continues to be determined by domestic investors. Starting from a good 43% in 2014, the market share of domestic buyers rose to currently 66%. However, this figure is likely to be an outlier insofar as stringent due diligence and transaction processes were made considerably more difficult for foreign buyers due to the Corona pandemic and the lockdowns, especially in the first half of this year.

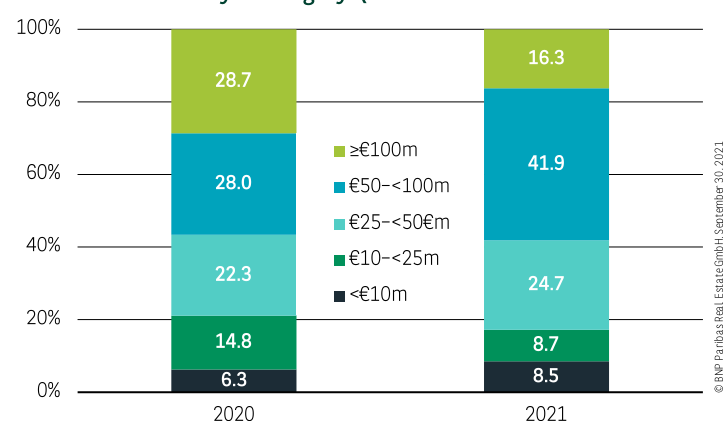
Hotel investments in A-locations Q1-3



FRANKFURT AND STUTTGART WITH STRONG INCREASES

Even the A-cities cannot completely free themselves from the gloomy market situation on the hotel investment market. In total, just under €960 million (-8%) was invested in hotel properties in the seven most important metropolises in the country. Large differences can be observed between the individual locations. For example, Frankfurt with €256 million and Stuttgart with €157 million were able to more than double (+184%) respectively triple (+250%) their respective results. In the banking metropolis, the sale of the Villa Kennedy and the hotel portion of the mixed-use property Sparda-Bank Tower contributed to the jump in turnover, while Stuttgart owes its top result primarily to Union Investment's purchase of the hotel tower on Mailänder Platz. In absolute terms, Berlin is at the top of the city ranking. With a transaction volume of €346 million (-19%), the capital is only just below its long-term average. Munich also shows a moderate decline (-22%), while Hamburg (-87%) and Cologne (-96%) are clearly lagging behind their previous year's result. Meanwhile, Düsseldorf is still waiting for its first significant hotel deal in 2021.

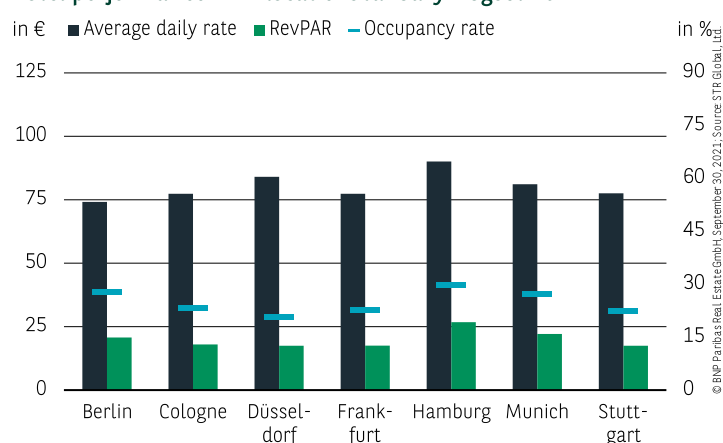
Hotel investments by € category Q1-3



MID-SIZED SEGMENTS SET THE TONE

Also due to the low share of portfolio deals, transactions in the three-digit million range represent only 16% of total investment volume at the end of the third quarter. This value is clearly below the long-term average of 33%. The lion's share of the volume is generated by the mid-size categories between €25 and 100 million, which together account for a market share of two thirds. On the investors' side, the size class between €25 and €50 million is preferred above all as financing conditions for larger tickets are sometimes difficult. The two smaller size classes below €25 million together contribute a good 17% of the total volume, which is clearly below average.

Hotel performance in A-locations January-August 2021



OUTLOOK

Hotels are still among the asset classes struggling with the consequences and effects of the Corona pandemic. As occupancy rates in the most important hotel locations are significantly below pre-crisis levels despite interim catch-up effects, the valuation basis is still subject to certain uncertainties from the perspective of potential investors. Accordingly, the market is currently characterised by opportunistic buyers, while large institutional investors are acting restraint. For the final quarter, however, it is expected that the increased investor interest will also be reflected in higher transaction volumes, so that an annual result of €2.5 to 3 billion is in the realms of possibility. Next year, the outlook is likely to brighten considerably as market participants will again focus more on the fundamentally positive real estate aspects of the hotel industry.

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