

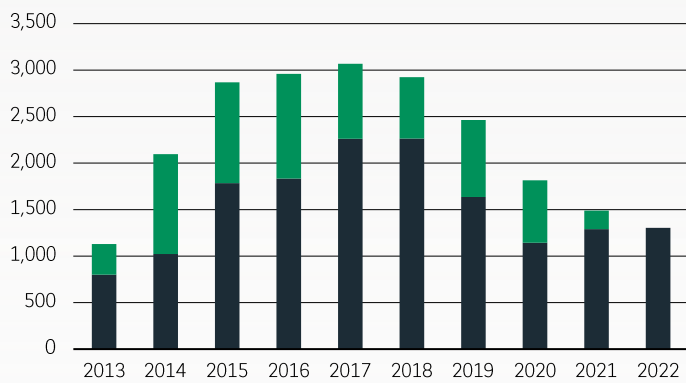


At a Glance **Q3 2022**

# HOTEL INVESTMENT MARKET GERMANY

## Hotel investments in Germany Q1-3

in €m ■ Single investments ■ Portfolios



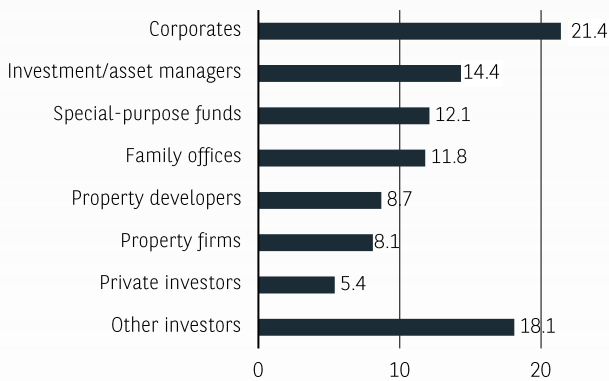
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### ➤ SINGLE INVESTMENTS STABLE, TOTAL VOLUME DECLINING

The total volume of hotel investments in the current year amounts to almost € 1.3 billion and thus misses the previous year's result by 13% and the 10-year average by 41%. One of the reasons is the lack of portfolio transactions registered so far. However, if we look at the single investment volume, the situation is quite different. The previous year's figure for single investments was maintained more or less (+ 1%), marking the second slight increase since 2020. At €532 million, investments in the third quarter were 21% higher than in the first quarter and even 60% higher than in the second quarter. Taking into account the changed environment for interest rates as well as economic and geopolitical uncertainties, this can definitely be seen as a positive signal. The ongoing recovery in overnight stays and performance KPIs could add further boost to this trend.

## Hotel investments by buyer group Q1-3 2022

in %



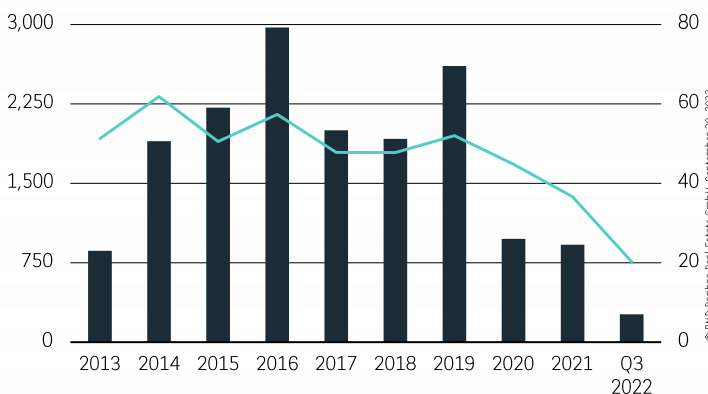
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### ➤ CORPORATES REMAIN AT THE TOP

As at the end of the first half this year, corporates, which usually represent hotel operators and companies, rank first with a share of 21% of the investment volume. At €279 million, the best result for this group of buyers has been registered since 2018. Several hotel operators and companies used the current market situation to push ahead with their expansion plans and to secure attractive properties long-term. This underlines that, despite the difficult environment, there are still interesting opportunities in the hotel market. In second and third place come Investment/Asset Managers with 14% (€188 million) and Special-purpose funds with 12% (€158 million). Family offices (12%), Property developers (9%), Property firms (8%) and Private investors (5%) also account for significant shares.

## Share of foreign investors

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

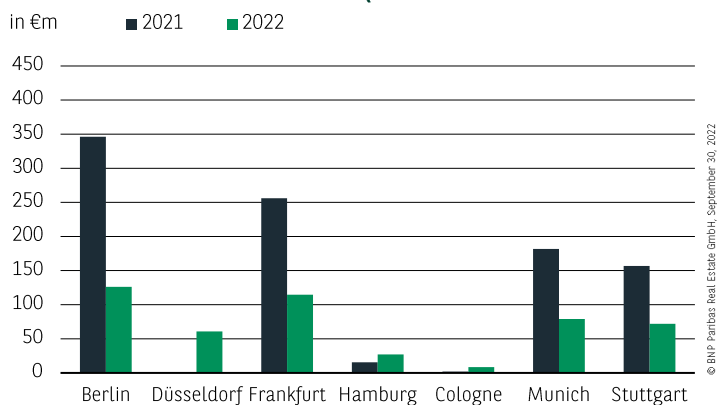


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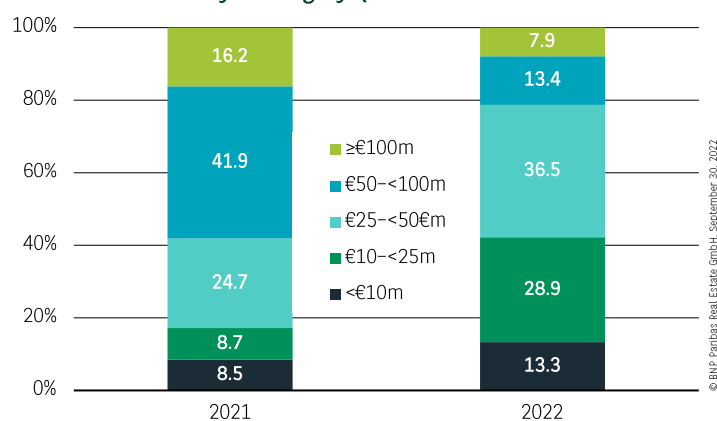
### ➤ SHARE OF FOREIGN INVESTORS REMAINS LOW

Both the investment volume of international investors and their market share of just under 20% are not only clearly below average, they have also reached a new all-time low. This is clearly due to the tense economic and geopolitical situation. Nevertheless, this situation is just a snapshot and may change quickly. As soon as the overall uncertainties start to ease, investment activities by foreign investors are expected to resume once again. The further development until then, however, will remain uncertain.

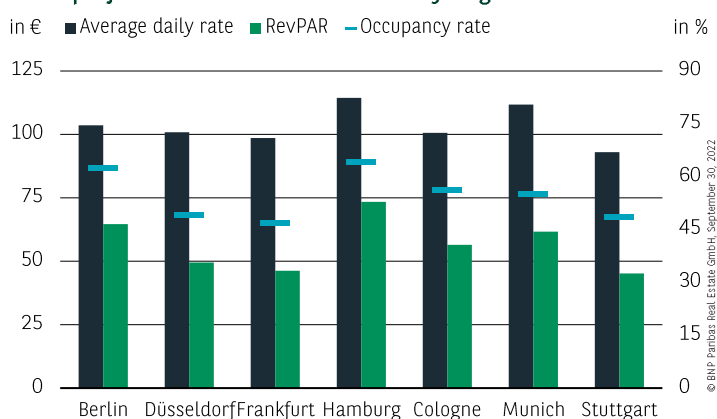
### Hotel investments in A-locations Q1-3



### Hotel investments by € category Q1-3



### Hotel performance in A-locations January-August 2022



### INVESTMENTS ACROSS ALL A-LOCATIONS

Contrary to the previous year, all A-locations recorded hotel investment transactions by the end of September. At around €513 million, this results in a market share of 39% of the total volume in the German market. Nevertheless, the volume in the A-locations is almost 50% lower than the previous year's result. The different pace at which tourism activity recovers, is responsible here. In A cities, which are dominated by business traveling, the pace of recovery is slower compared to traditional vacation regions, which are already often able to match pre-pandemic levels. Consequently, investors are placing significant investments in locations beyond the major cities, such as the five-star A-ROSA hotel on the island of Sylt, which BNPPRE brokered. At €126 million, Berlin achieved the highest result, but at the same time fell short of the previous year's figure by 64%. Frankfurt follows close behind with €115 million (-55%). In third and fourth place are Stuttgart with €97 million (-38%) and Munich with €79 million (-57%). In Düsseldorf, where no transaction was registered in the previous corresponding time period, €61 million have been placed so far this year.

### SMALLER SIZE CATEGORIES FAVOURED

The temporary shift towards smaller deals sizes has continued throughout the third quarter of 2022. At around 37% and €475 million, the majority of the volume was invested in properties in the €25-50 million category. This corresponds to an increase of 29% year-on-year and 17% compared to the 10-year average. The €10-25 million category follows in second place with just under 29% and €377 million. This is more or less in line with the long-term average for the segment. At 13% each, the categories €50-100 million and <€10 million account for roughly the same share. The largest category >€100 million reaches a historically low level of 8%. In this respect, it is unsurprising that the average volume per deal of €18 million is about 39% below the long-term average.

### OUTLOOK

Given the changing environment of interest rates, geopolitical tensions and a slowing economy, hotel investment markets continue to face various uncertainties. As a result, many investors remain cautious at the moment. However, the hotel market is gaining momentum from the steady recovery of overnight stays and, in particular, performance KPIs on the operators' side. While business travel is still at a low level, many smaller cities achieved pre-pandemic tourism levels in this year's vacation season or recorded even higher traveler numbers. Therefore, it is not surprising that numerous interesting transactions are currently in the pipeline with some larger deals expected to be signed by the end of the year.

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