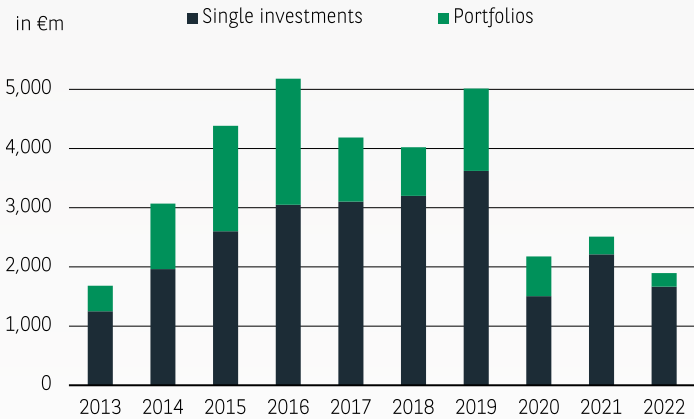




At a Glance **Q4 2022**

# HOTEL INVESTMENT MARKET GERMANY

**Hotel investments in Germany Q1-4**

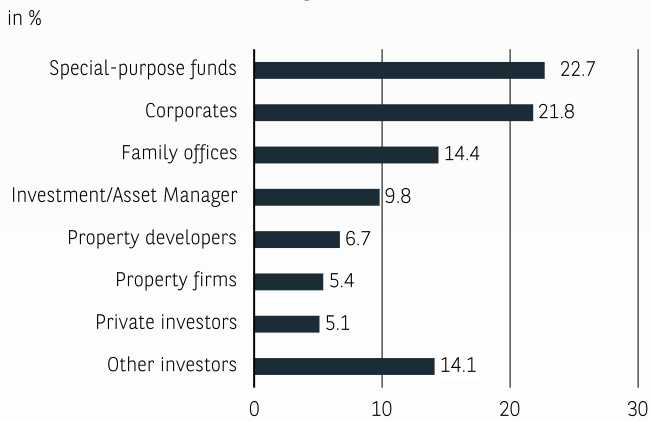


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**MARKET REGAINS MOMENTUM AT THE END OF THE YEAR**

The weak year-end rally also left clear traces on the hotel investment market. At just under €1.9 billion, the full-year investment volume remains at a very low level. The previous year's figure was missed by about a quarter and the 10-year average by almost 45%. The main driver of this development is the persistently low volume of portfolio transactions at €231 million. As a result, this value is 77% below the long-term average. However, on the positive side, this volume was registered entirely in the last quarter of the year. This resulted in the second best quarterly result since the beginning of the pandemic. A gradual recovery of the market can thus be observed, which is also already noticeable as several transactions are in the pipeline.

**Hotel investments by buyer group Q1-4 2022**

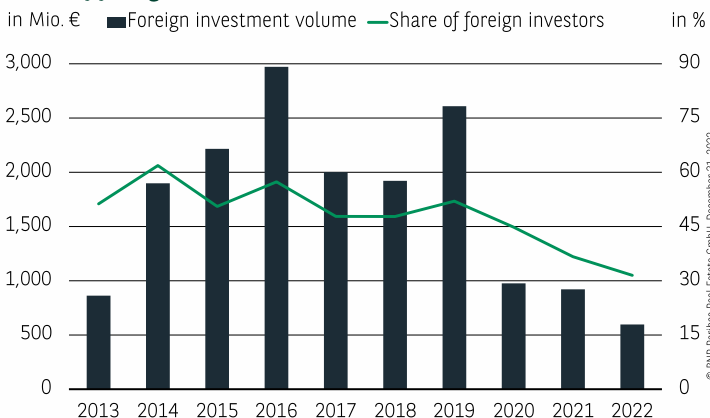


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**SPECIAL-PURPOSE FUNDS AND CORPORATES DOMINATING**

While family offices led the field in 2021, the following year special-purpose funds came out on top with €433 million (23%) followed by corporates with €413 million (22%). While corporates, which usually stand for hotel operators or companies, continue to use the current market situation for expansions in markets outside the major cities, special funds, on the other hand, focused mainly on core investments in A and B cities. In particular, mixed concepts with short- and long-stay offerings were in high demand. With €273 million, family offices achieved a very high share (14%) for the second time in a row and therefore ranked in third place. Investment/asset managers (10%), property developers (7%), property firms (5%) and private investors (5%) also achieve noteworthy shares.

**Share of foreign investors**

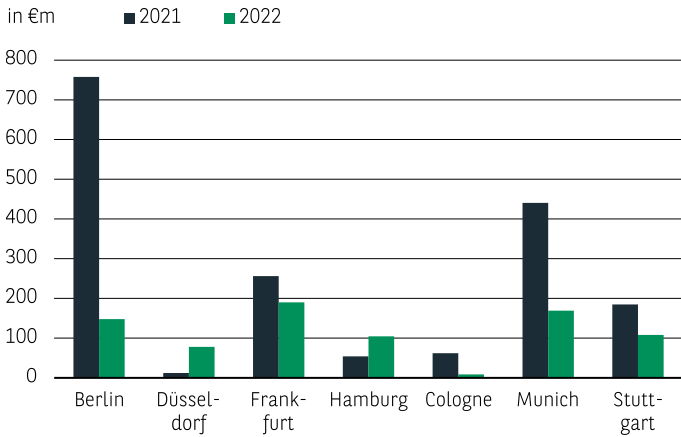


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**POSITIVE SIGNS AND FORESEEABLE TREND REVERSAL**

With a volume of just under €600 million, foreign investors invested around two-thirds less than the long-term average and thus achieved a share of only 31%. This figure marks a new low after the 37% recorded in the previous year. The combination of a slowing economy, geopolitical tensions and a still ongoing recovery of tourism activities has made investment decisions more difficult especially for this group of buyers. However, there was increased investment activity by foreign investors again in the fourth quarter, contributing around 45% to the quarterly result. Given enough supply, this short-term trend is expected to carry on in the year ahead.

**Hotel investments in A-locations Q1-4**

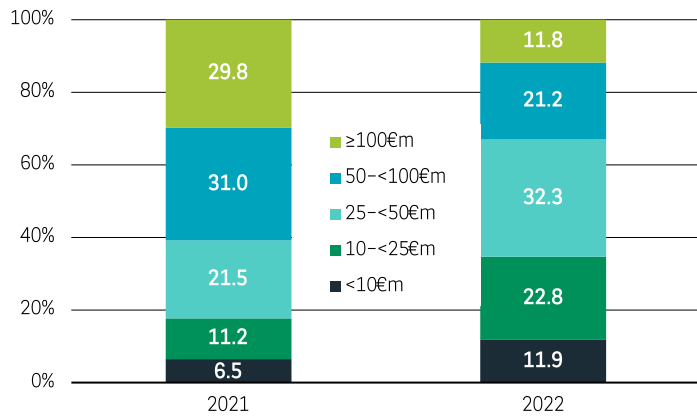


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**STRONG PREFERENCE FOR TOURISM REGIONS**

In the A locations, a volume of €806 million was registered, which corresponds to a decline of about 55% compared to the previous year. In consequence, its share of the total hotel investment volume is 43% and represents the lowest figure of the past 10 years. However, this is not surprising given the rapid recovery of tourism activity in the traditional holiday regions compared to the A-cities, which are dominated by business travellers. It is therefore also not surprising that noteworthy transactions have been concluded outside the major cities, as the five-star A-ROSA hotel on the island of Sylt, brokered by BNPPRE, impressively demonstrates. Frankfurt achieved the highest result with €190 million, but fell short of the previous year's figure by about a quarter. Munich follows closely behind in second place with €169 million (-62%), ahead of Berlin with €148 million (-81%) in third place. Stuttgart ranked fourth with €108 million (-42%). Hamburg with €105 million (+94%) and Düsseldorf with €78 million (+550%) were the only cities exceeding their previous year's figures. With €10 million, Cologne hardly registered any transactions.

**Hotel investments by € category Q1-4**

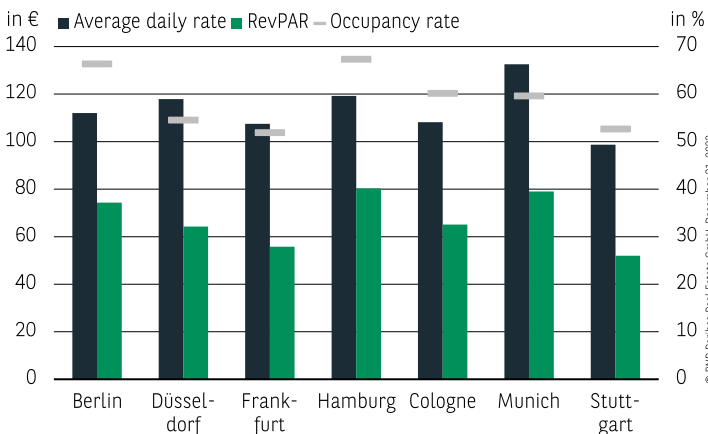


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**SMALLER AND MEDIUM SIZE ASSETS FAVOURED**

As seen in almost all asset classes, the temporary shift towards smaller deal sizes persists. At €223 million in the category of €100 million and above, the lowest value of the past 10 years has been registered. Consequently, with a share of 12%, last year's figure is missed by 60%. The category €50-100 million also falls short of the previous year's value with 21%, although reaching third place. The €10-25 million segment took second place with 23%, doubling its share compared to the previous year. With a good 32% and €612 million, medium-sized properties with purchase prices between €25-50 million achieved the highest registered volume this year and exceeded the previous year's value by 13%. Last but not least, the smallest category <€10 million increased its share to around 12%. The volume of €226 million in this segment represents the highest full-year figure of the past 10 years.

**Hotel performance in A-locations January-November 2022**



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**OUTLOOK**

Given the outlook of further interest rate hikes and a slowing economy, the hotel investment market has to face various uncertainties at the beginning of 2023. In addition, the diverging price expectations of sellers and potential buyers continue to restrain investment activities. Nevertheless, the tailwind on the operator side is getting noticeably stronger given the quick recovery in the number of overnight stays and especially the performance key indicators. This improves the predictability of possible investments, allowing market activity to pick up considerably again by the middle of the year.

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