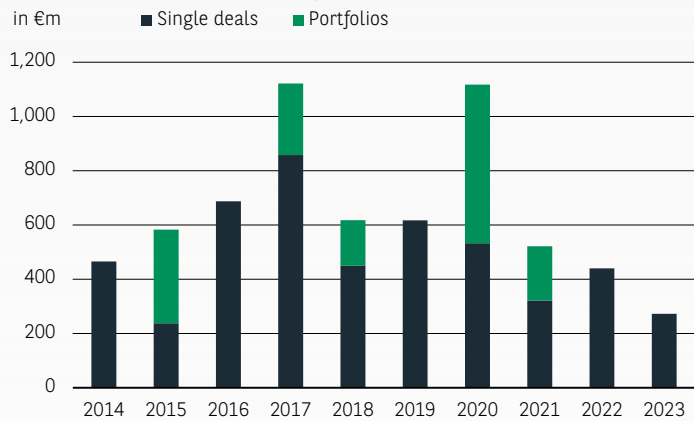




At a Glance **Q1 2023**

HOTEL INVESTMENT MARKET GERMANY

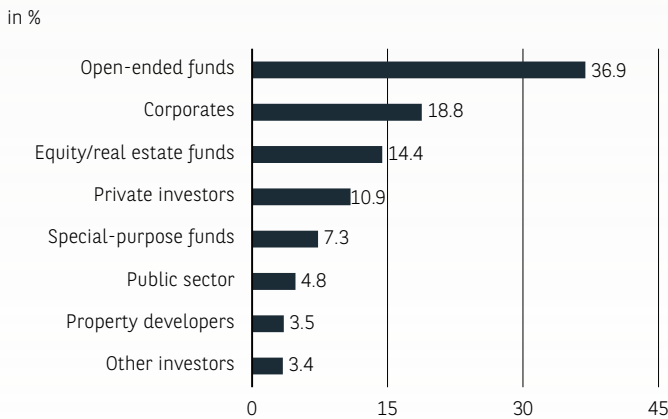
Hotel investments in Germany Q1



ONCE AGAIN A SUBDUED START TO THE YEAR

The current mix of sticky inflation, sluggish economic development and potentially further interest rate hikes have also left their mark on the hotel investment market. After investment activity in the hotel market briefly picked up in Q4 2022, the pace has slowed in the first quarter of 2023. With a registered transaction volume of €272 million, this figure marks the weakest start to the year since 2010, when the markets were still clearly affected by the consequences of the global financial crisis. The previous year's figure was missed by around 38% and the 10-year average by 58%. Especially the lack of portfolio transactions is responsible for this. Furthermore, investors are acting very selectively in the current situation. This is perceptively expressed in the risk appetite, as mainly core and core-plus transactions have been recorded so far.

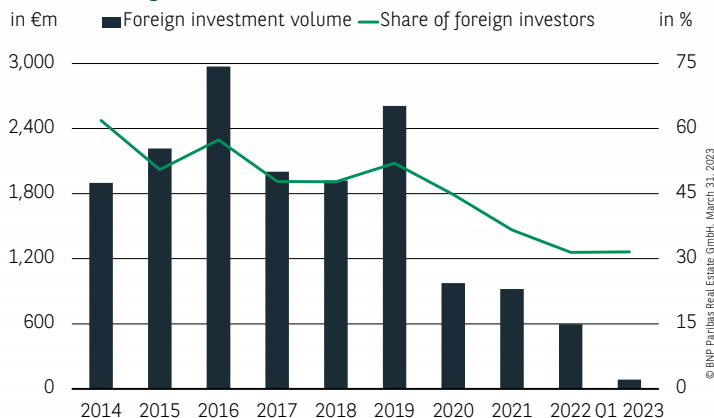
Hotel investments by buyer group Q1 2023



OPEN-ENDED FUNDS AND CORPORATES ABOVE AVERAGE

Open-ended funds clearly lead the field of buyer groups in Q1, with a share of just under 37%. Usually they play a rather subordinate role. The second-placed corporates, usually hotel operators or companies, also achieve a relatively high share of just under 19%. This group is using the current market situation for selective expansions by securing properties in strategically important locations. Equity/real estate funds contribute 14% to market activity, after barely being active in 2022. The same applies to private investors, who often purchase properties in order to operate on their own and so far account for just under 11% of the total volume. Special-purpose funds (7%), the public sector (5%) and property developers (3.5%) also achieve noteworthy shares.

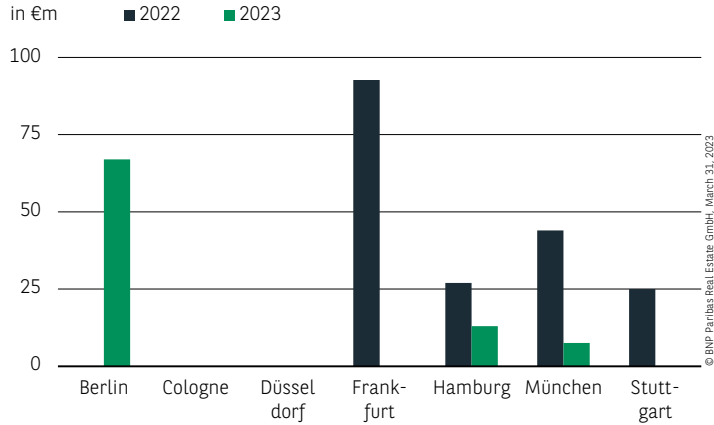
Share of foreign investors



SHARE OF FOREIGN INVESTORS AT PREVIOUS YEAR'S LEVEL

Almost one third of the investment volume in hotel properties is attributable to foreign investors. Consequently, their share remains at a rather below-average level, being initially influenced by the pandemic and currently by the financial market-driven uncertainties. As these buyer groups have historically been active in the large-volume core and portfolio segments, it is not a surprising development.

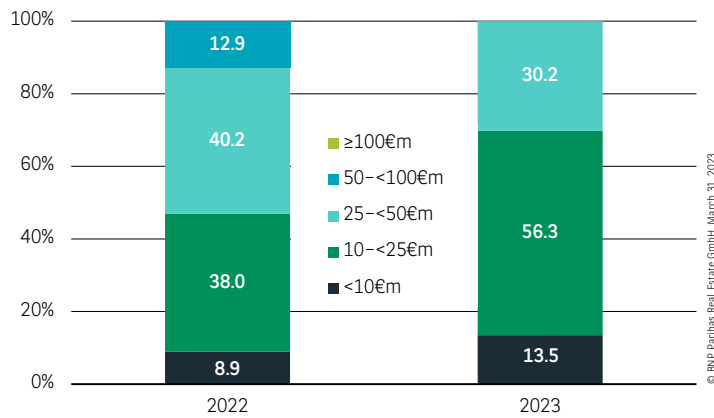
Hotel investments in A-locations Q1



MARKET ACTIVITY MOSTLY OUTSIDE THE A-LOCATIONS

By the end of the first three months of 2023, €88 million were invested in hotel properties in A locations. This figure is not only just under 55% below the previous year's level, but also 76% below the long-term average. Consequently, it is no surprise that this represents the lowest figure of the past 10 years. Therefore, their share of total hotel investment volume is also below the average (32%). A lower share was only recorded at the start of the year in 2019. Considering the resurgence of tourism activity in the typical holiday regions compared to the A-cities, where business travel is the dominant factor, this is not a surprising situation. Berlin, Hamburg and Munich have been the only cities where a few transactions have been registered so far.

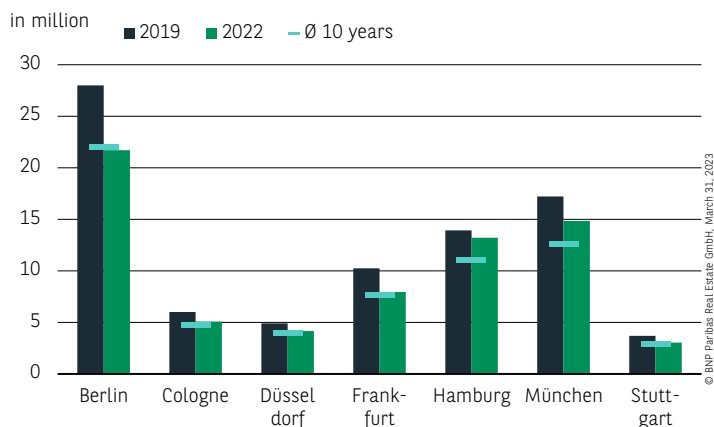
Hotel investments by € category Q1



NO TRANSACTIONS ABOVE € 50 MILLION

Similar to other asset classes, hardly any or no large transactions are taking place at the moment. It is therefore not surprising that no hotel transactions above €50 million have been registered yet. With an investment volume of €153 million, the size category of € 10-25 million achieved a share of around 56% and thus took first place. This category recorded the highest relative share of the total hotel investment volume of the past 10 years and proved its stability in both a short-term and a long-term comparison. In absolute terms, the previous year's result is undercut by only 8% and the 10-year average by only 6%. Things look different for the second-placed group between €25-50 million (€82 million), which currently accounts for around 30% of the volume. Both the previous year's value and the 10-year average are missed by more than 50%. The smallest category <€10 million accounts for a share of 13.5% (€37 million) and thus ranks third. The average deal volume in the first quarter is about €16 million, representing the lowest figure since 2014.

Overnight stays at hotels in A-locations



OUTLOOK

In general, the first quarter serves only as a snapshot. Due to the economic slowdown and the ongoing interest rate hikes, the hotel investment market has to adapt to the current situation. Nevertheless, the price finding process that started in 2022 should be completed anytime soon, so that by mid-year more transactions should take place once price clarity has been achieved. Operators experienced significant improvement recently, which is reflected in the quick rebound of key performance indicators. Strong brands with established concepts in particular are benefiting from the current upswing. This fact decreases the operator risk, which has risen in the past few years, and in return improves the predictability of potential investments.

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