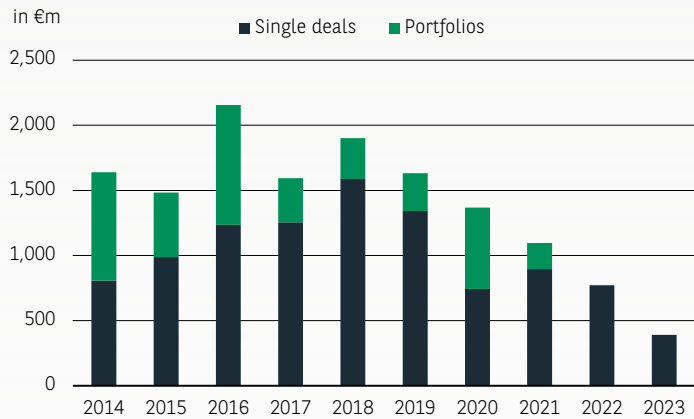




At a Glance **Q2 2023**

# HOTEL INVESTMENT MARKET GERMANY

## Hotel investments in Germany H1

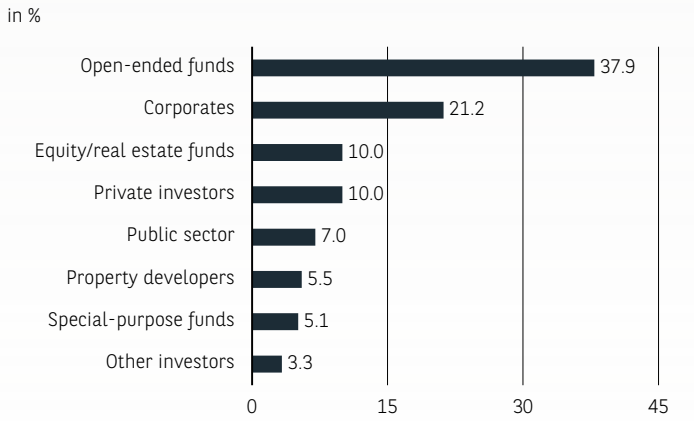


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## WEAKEST HALF-YEAR START IN THE LAST 10 YEARS

After years of pandemic-related restrictions, which weighed not only on tourism but also on investment activity in the hotel market, the current crippling factors are persistently high inflation, restrictive monetary policy and, consequently, a weakening economy. It is therefore not surprising that with a transaction volume of €390 million, not only the already low figure for the previous year was missed by around 50%, but also the 10-year average was undercut by almost three quarters. This represents the lowest investment volume for the first half of the year since 2012. Not only the lack of portfolio transactions is noticeable here, but also the declining sales prices and the low number of transactions. In addition, the varying development of the overnight and performance indicators also makes investment activity more difficult across the various locations.

## Hotel investments by buyer group H1 2023

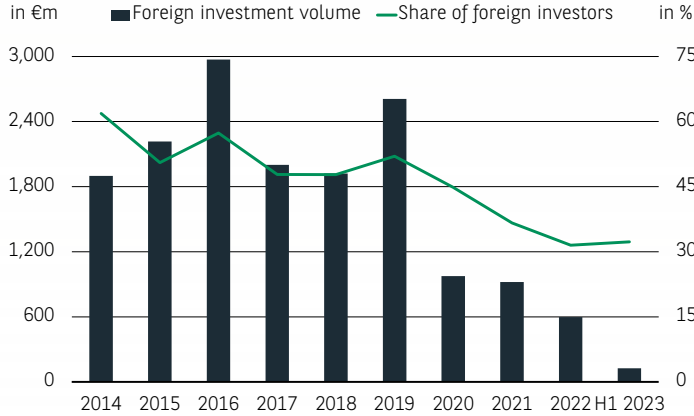


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## CORPORATES CONTINUE TO SEIZE OPPORTUNITY

Open-end funds, which are usually underrepresented, contribute around 38% to the current market performance and thus surprisingly rank first. At €148 million, the result is almost double the long-term average. Corporates, which have been one of the most important buyer groups for some time, take second place. Although the €82 million generated here is below average in absolute terms (-60%), it accounts for the second-highest share at just under 21%. This shows impressively that hotel operators or hotel companies, which are usually behind this group of buyers, continue to identify opportunities and are able to secure attractive properties in the long term. The purchase of the Mercure Hotel Heilbronn by Premier Inn, a hotel brand belonging to Whitbread, which was successfully brokered by BNPPRE, is just one example. Equity/Real Estate Funds and private investors follow with 10% each. Other notable sources of transaction volume include the public sector (7%), project developers (5.5%) and special funds (5.1%).

## Share of foreign investors

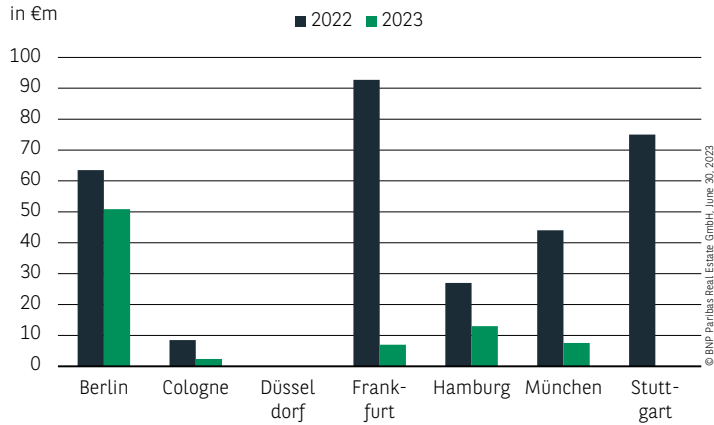


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## SHARE OF FOREIGN INVESTORS RISING SLIGHTLY

The trend in the share of foreign investors, which has been declining for years, may not only have already reached its low point, but might even have passed it. Due to the more advanced pricing phase compared to other asset classes, in combination with the strong positive development of tourism activities in many places, an optimal entry point for hotel investments could soon become apparent.

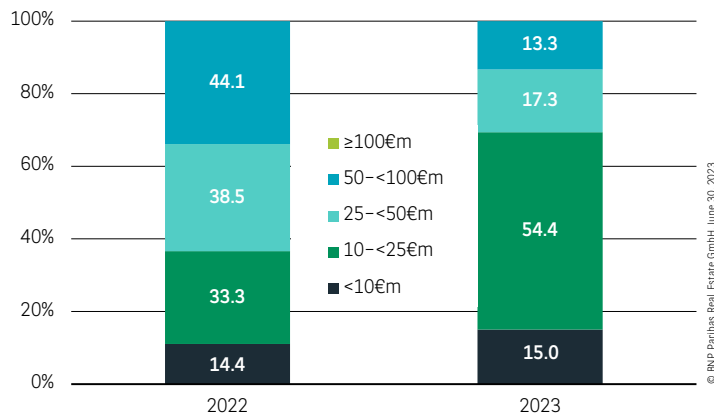
**Hotel investments in A-locations H1**



**FOCUS ON B-CITIES AND SURROUNDING AREAS**

So far, only Berlin (€51 million) has seen a significant volume of hotel investments on a par with the previous year. In the remaining A-locations, only just under €30 million was registered. Compared with the first half of 2022, this represents a decline of -74% on average. This is not least due to the fact that no significant investment activity has yet taken place in the cities of Düsseldorf and Stuttgart. It is therefore not surprising that A cities only account for a share of 15% of total market activity. Transactions in B locations, on the other hand, account for over 54% of the half-year result and impressively reflect the current market trend. Not only does the price discovery phase appear to be further advanced in these locations, but the faster recovery in guest numbers in these very locations is also benefiting the ability to plan investments.

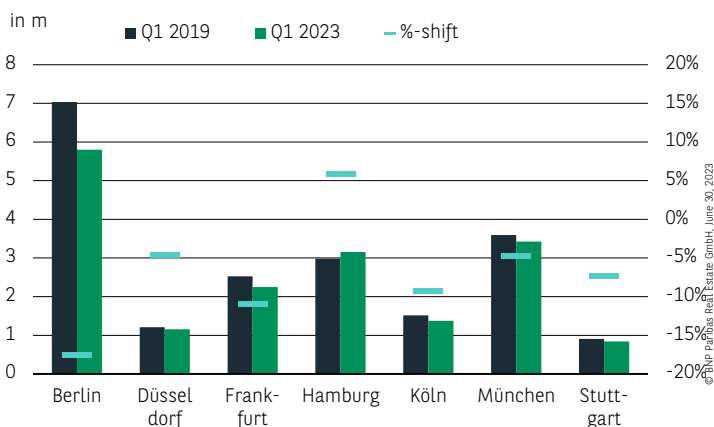
**Hotel investments by € category H1**



**FURTHER MOVEMENT TOWARDS SMALL SIZE DEALS**

In the first half of 2023, as in the same period of the previous year, no transactions above the €100 million mark have been registered so far. Both the €50-100 million (€52 million) category, with a share of 13.3%, and the €25-50 million (€68 million) category, with a share of 17.3%, experienced significant declines in a long-term comparison (-84% and -77%, respectively). In particular, the absence of portfolio transactions is a decisive factor here. With a volume of €212 million, or more than 54%, properties worth between €10 and €25 million account for the bulk of current market activity. It is therefore not surprising that with an average volume of €14 million per deal, the lowest value has been registered in the hotel investment market since the financial crisis. In view of the low liquidity available, combined with the still difficult financing conditions, it is only a logical consequence.

**Hotel performance in A-locations January-May 2023**



**OUTLOOK**

The difficult financing environment and persistently high inflation continue to weigh on the German hotel investment market. Although tourism activity in many locations is already above 2019 levels, not every operator has been able to fully pass on increased costs to room rates. In particular, occupancy rates and consequently the resulting RevPAR underline the heterogeneity of the different locations. Cities with a high share of domestic overnight visitors, apart from business travelers, are the winners so far. This year's vacation season and solidly positioned operators should provide investment tailwinds to sales properties in these same locations. In view of the properties in the sales process in the near future, increased transaction activity can be expected towards the end of the year.

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