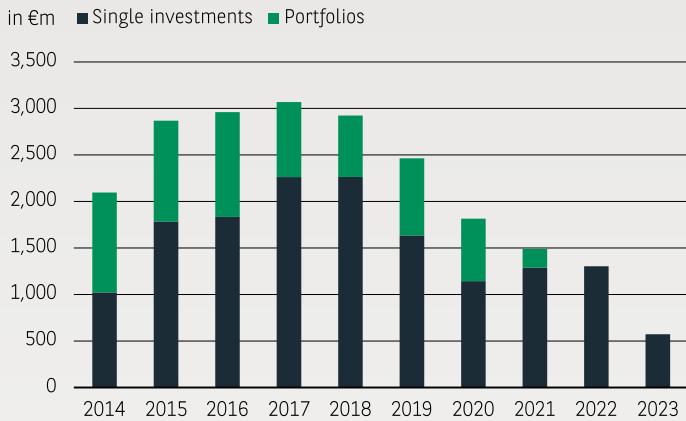




At a Glance **Q3 2023**

HOTEL INVESTMENT MARKET GERMANY

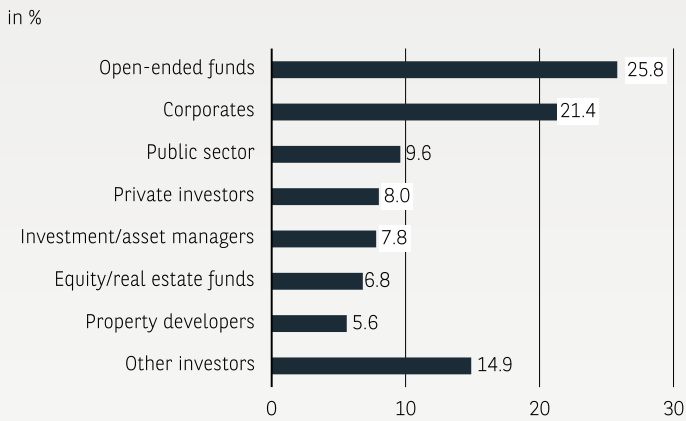
Hotel investments in Germany Q1-Q3



➤ VOLUME ON LEVEL AS DIRECTLY AFTER THE FINANCIAL CRISIS

The German hotel investment market once again failed to record any sustained revival in the third quarter. Accordingly, the total transaction volume recorded by the end of September amounted to just €573 million, the lowest result since 2010. While the previous year's result was undercut by slightly more than a half (-56%), the decline compared with the ten-year average was even more pronounced at -73%. Despite the very low transaction volume, a recent increase in buyer interest has nevertheless already been observed, which is attributable to the now again high hotel occupancy rates. However, the pricing phase remains dynamic, which is why transactions are currently being realized primarily in the small-scale segment. Consequently, as in the same period of the previous year, no major portfolio transactions were recorded in the first nine months of the year.

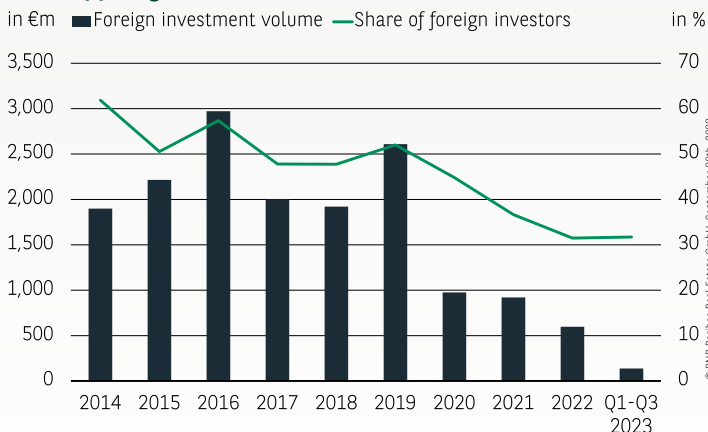
Hotel investments by buyer group Q1-Q3 2023



➤ OPEN-ENDED FUNDS AT THE TOP

The distribution of investments by buyer group is currently led by open-ended funds, which contribute around a quarter. They are also responsible for the largest registered transaction of the year, the acquisition of the Steigenberger Hotel de Saxe in Dresden by Commerz Real for its Hausinvest fund for more than €50 million. Corporates are the only other group with a double-digit share, ranking second with around 21%. In absolute terms, however, the €123 million invested represents a halving of their usual volume. The public sector follows at a considerable distance in third place, generating an unusually high share of around 10%. This is attributable to several purchases of former hotels by local authorities for the accommodation of migrants. Private investors (8%), investment/asset managers (8%), equity/real estate funds (7%) and property developers (6%) also account for significant shares.

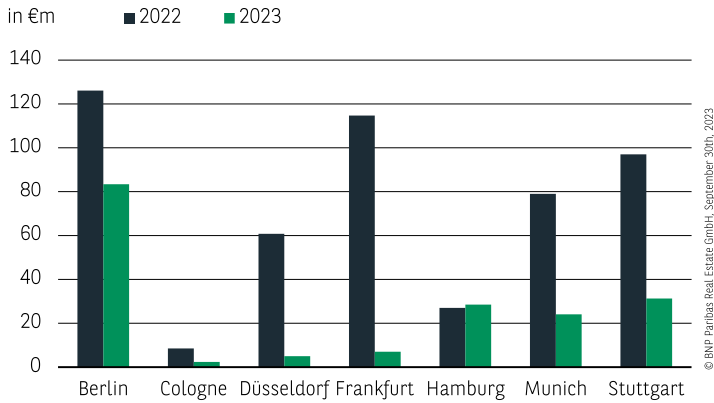
Share of foreign investors



➤ SHARE OF FOREIGN INVESTORS STABLE

The trend of declining shares of foreign investors, which has been evident for several years, has reached a low point at around one-third. However, an increase is expected in the near future, as international investors are likely to find a suitable entry point for hotel investments in the near future. Compared to other asset classes, the pricing phase is already much more advanced. In addition, tourism is still on the upswing in many places, despite the significant increase in inflation.

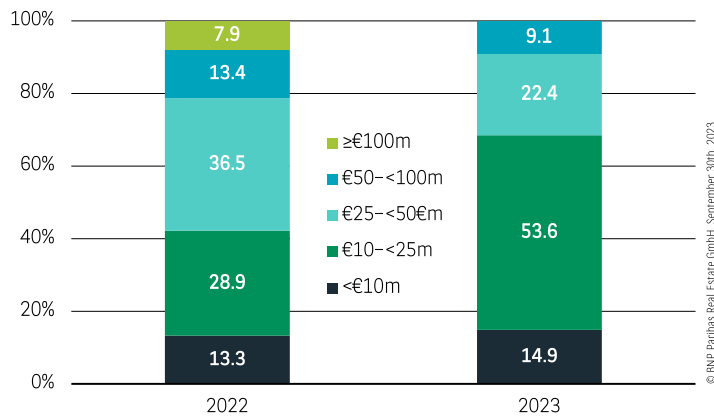
Hotel investments in A-locations Q1-Q3



A-CITIES WITH LOW SHARE OF INVESTMENTS

Compared with the same period last year, almost all A-cities recorded declines in investment volumes, in some cases substantial. Only Hamburg can report a slight increase of 6%. The €29 million currently registered in the Hanseatic city is nevertheless well below the long-term average (€192 million). By far the most investments were made in Berlin in the first three quarters with €83 million, which corresponds to a decline of 34% compared with 2022. Stuttgart follows in second place (€31 million; -68%). Beyond that, only Munich (€24 million) made a notable contribution. Overall, the revenue share of the A-cities in the total market is currently only slightly less than one third. The fact that this figure was usually well above the 50% mark in previous years impressively illustrates that the price discovery phase is likely to be more protracted in the top markets in particular than in many smaller cities and tourist regions.

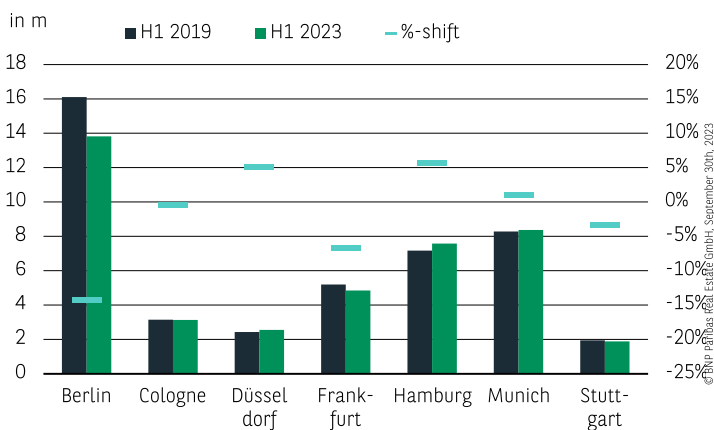
Hotel investments by € category Q1-Q3



MARKET CURRENTLY VERY SMALL-SCALED

At the end of the third quarter, the distribution of the investments by size categories shows a very unusual picture. For the first time at this point in the year, not a single transaction was registered in the segment above the €100 million mark. This clearly reflects the absence of portfolio transactions to date. The situation is very similar in the €50 million to €100 million segment. With only one registered transaction, this size category accounts for a share of just 9%. Typically, it contributes around 50%. Although the mid-sized transactions of €25 to €50 million account for a share of around 22%, which is roughly in line with their long-term average, in absolute terms they achieved their lowest registered result to date at €128 million. Meanwhile, transactions up to a maximum of €25 million currently account for around 69% of the volume. The market is therefore currently very small-scaled, which is also reflected in the average volume per deal: At around €13 million, the average volume is at the lowest level ever recorded.

Overnight stays in A-locations



OUTLOOK

The general conditions for the investment markets will hardly change fundamentally in the final quarter. Although the pricing phase in the hotel segment, especially outside the top markets, is already much further advanced than in many other asset classes, this is hardly reflected in the investment volume at present due to the small-scale nature of the market. Accordingly, the full-year result will also be well below the long-term average, and it is unlikely that the billion-euro threshold will be exceeded. With the anticipated end of the cycle of interest rate hikes, planning certainty for investors is likely to increase significantly again, resulting in an across-the-board market revival in 2024.

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