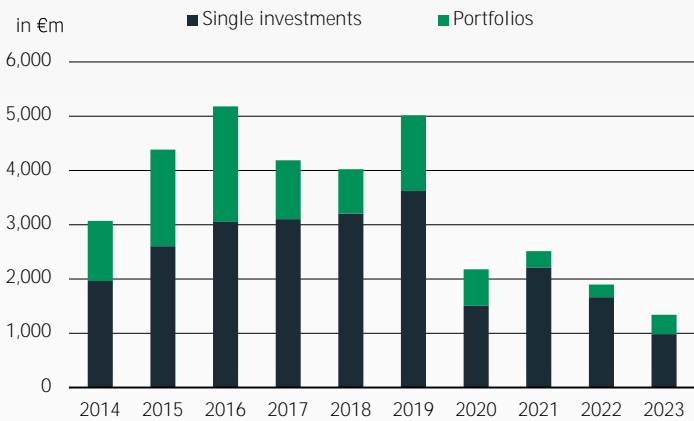




At a Glance **Q4 2023**

HOTEL INVESTMENT MARKET GERMANY

Hotel investments in Germany

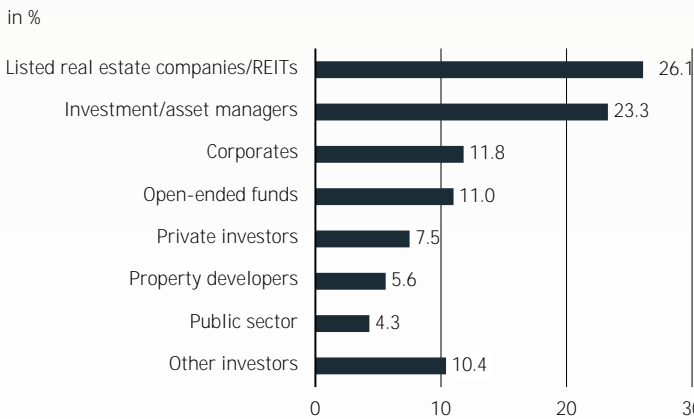


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SIGNIFICANTLY HIGHER MARKET MOMENTUM IN Q4

The momentum of transactions in the German hotel investment market significantly increased towards the end of the year. In the final quarter, almost €770 million was invested in hotel properties, resulting in an investment volume of over €1.3 billion for 2023 overall. However, the hotel investment market has also been impacted by a significant rise in financing costs. Compared to the previous year, the investment volume decreased by 29%, missing the 10-year average by 60%. Single transactions accounted for €980 million or 73% of the investment volume in 2023, once again in line with the long-term average. Although transaction activity in the portfolio segment remains low, there was an increase of almost 55% to around €360 million in investment volume compared to the weak result in 2022.

Hotel investments by buyer group 2023

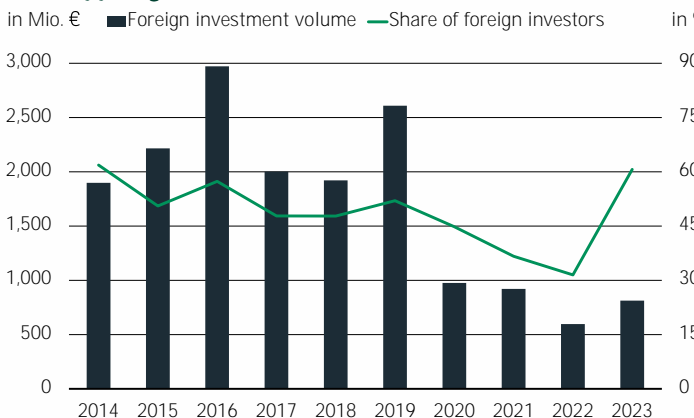


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REAL ESTATE COMPANIES/REITS LEADING INVESTOR GROUP

In 2023, the investment market for hotel properties was dominated by two buyer groups. Real estate AGs/REITs were primarily active in the portfolio sector and secured a market share of around 26%. Investment/asset managers were active in the market through several single transactions, accounting for a market share of 23%. Corporates (almost 12%) and open-ended funds (11%) also contributed double-digit shares. The latter achieved the best result since 2019, driven by several transactions in the mid-sized segment. Project developers also acquired various hotel properties outside major cities for repositioning purposes, contributing around 6% of the investment volume.

Share of foreign investors

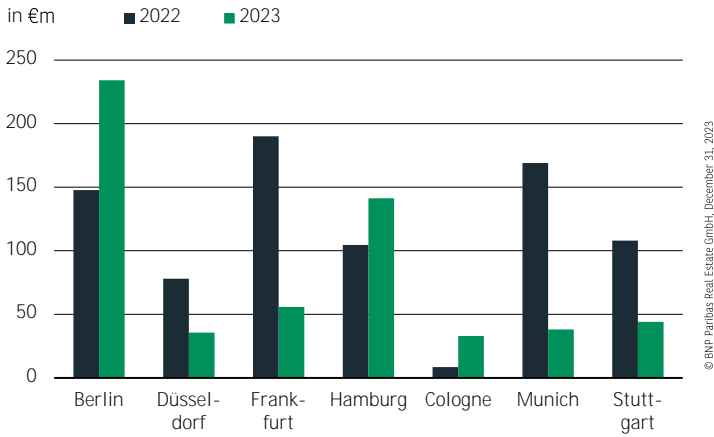


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FOREIGN INVESTORS MORE ACTIVE AGAIN

Foreign investors have been cautious in the German market since the outbreak of the COVID-19 pandemic in 2020. This increase in investment suggests that 2023 marks a turning point for foreign investment in the German hotel market, which has very good prospects overall. However, in 2023, they were significantly more active again, placing around €810 million in the German market, which is a good 36% above the previous year's level. Foreign investors now hold a market share of just under 61%. The high occupancy rates and low purchase prices suggest a market entry.

Hotel investments in A-locations

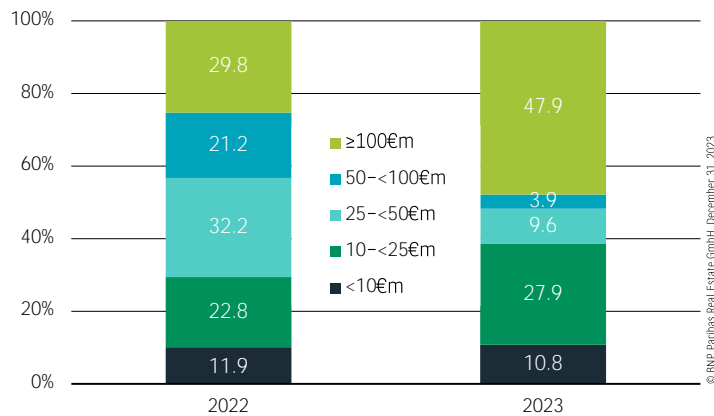


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HIGHEST MARKET ACTIVITY OUTSIDE THE A-LOCATIONS

The investment volume in the German A-locations amounted to around €582 million in 2023, which corresponds to a decline of around 28% compared to the previous year. As a result, their share of the nationwide hotel investment volume is still low at 44% on a long-term average. This reflects the high attractiveness of German tourism and vacation regions, which have successfully demonstrated their resilience, particularly in times of pandemic, as well as the fact that the pricing phase has not yet been fully completed, particularly in the A-locations. In addition to a large number of transactions in the small and medium-sized segment outside the A-locations, such as the B&B Hotel Villingen-Schwenningen brokered by BNPPRE, the purchase of the "Center Parcs Allgäu" in the tourist regions stands out in particular. Among the A-locations, Berlin was by far the leading investment location in 2023 with a registered volume of around €235 million (+58% compared to 2022). Hamburg follows with around €141 million (+35%). Double-digit transactions were registered for all other top locations.

Hotel investments by € category

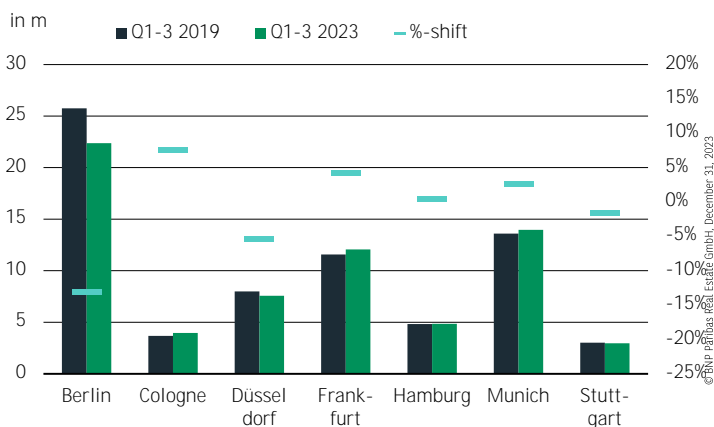


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NUMBER OF LARGE DEALS ON THE RISE AGAIN

Throughout most of the year, the hotel investment market was dominated by deals in the small and medium volume segment. Accordingly, the average deal size amounted to just €22 million. Larger deals were also successfully completed again at the end of the year, including the "Center Parcs Allgäu" mentioned above. Compared to 2022, the share of contracts over €100 million increased from 12% to 48%. Transaction momentum between €25 million and €100 million was much more subdued with a market share of just 14%. Deals between €10 million and €25 million account for an above-average 28%.

Overnight stays in A-locations



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OUTLOOK

The general conditions for the German hotel investment market are expected to brighten further over the course of 2024. The operating markets are likely to receive momentum from various sources. On the one hand, there are increasing signs that the German economy is slowly regaining pace and, on the other, the European Football Championship in Germany should also contribute to a positive development in tourism and business travel figures. Furthermore, there are many indications that the central bank's interest rate cycle is likely to reach its peak shortly. Accordingly, the pricing phase on the hotel market should be largely over and, in the slipstream of an improved financing environment, transaction activity is also likely to recover. Finally, there are signs of a slight expansion on the supply side, meaning that attractive entry opportunities will once again open up for investors in the generally stable German hotel market in 2024.

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Further Information BNP Paribas Real Estate GmbH | Alexander Trobitz, Head of Hotel Services | Phone +49 (0)69-298 99-0 | alexander.trobitz@bnpparibas.com | www.realestate.bnpparibas.de