

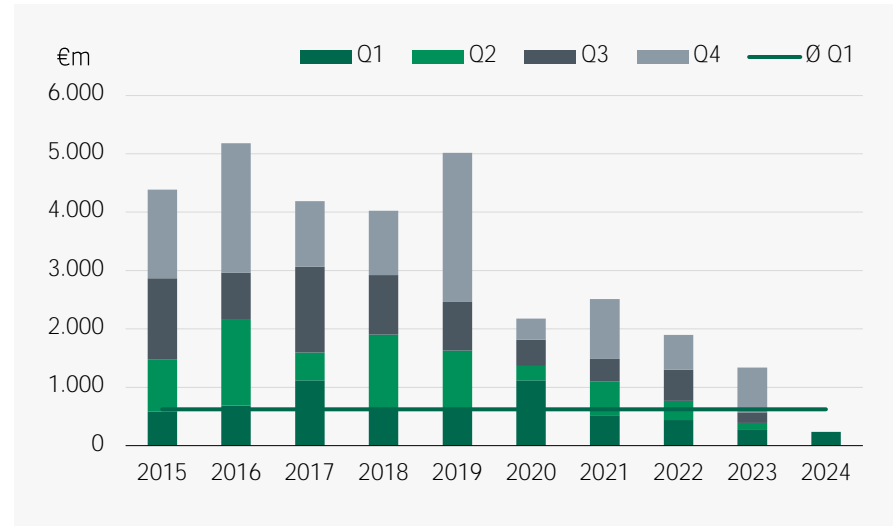
GERMANY

# REPORT

# HOTEL INVESTMENT MARKET

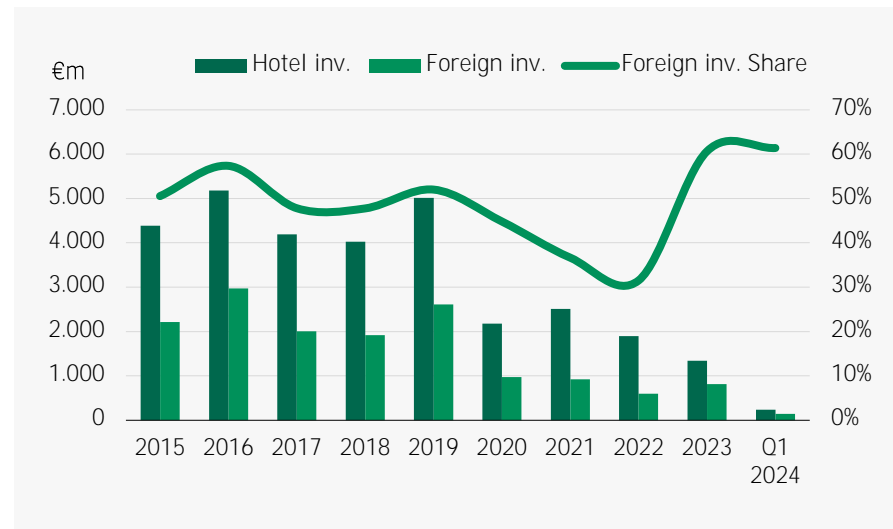
Q1 2024

## Development of hotel investment volume



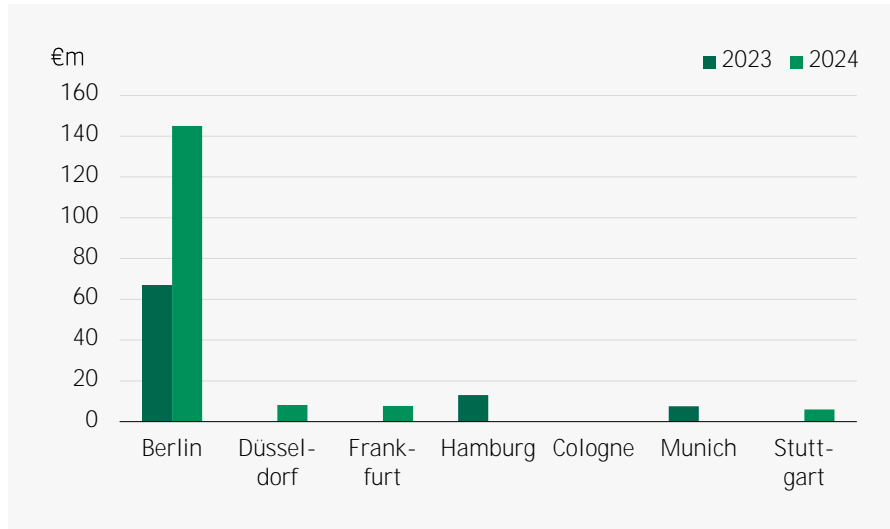
HIGHER MARKET MOMENTUM,  
BUT LOWER VOLUME

## Share of foreign investors



- The noticeable market recovery observed at the end of the year and the generally more positive market sentiment have not yet been reflected in the figures for the first quarter of 2024. Hotel transactions totaled just under €240 million in the first three months, falling short of the previous year's figure by around 13%. The long-term average was missed by significantly 62% as well. Investment activity continues to focus on sales of individual properties; no portfolio transactions have been registered to date.
- The slowdown in new construction activity caused by the coronavirus pandemic is leaving its mark and further limiting volumes: investments in new-build properties and transactions of project developments, which in the past have reliably made significant contributions to the investment volume in some cases, have become rare due to the lack of supply. Instead, value-add investments, e.g. in hotels with short contract terms or opportunistic purchases of vacant properties or conversion properties, are playing an increasingly important role. This is also reflected in the figures: while core and core+ investments dominated in previous years, transactions in the value-add and opportunistic segment currently predominate. Even if this may still change over the course of the year due to the low number of cases so far, it is a clear statement in favor of the overall positive assessment of further market development.
- In terms of investors, foreign buyers stand out with a good 61%, although this is likely to level out somewhat over the course of the year.

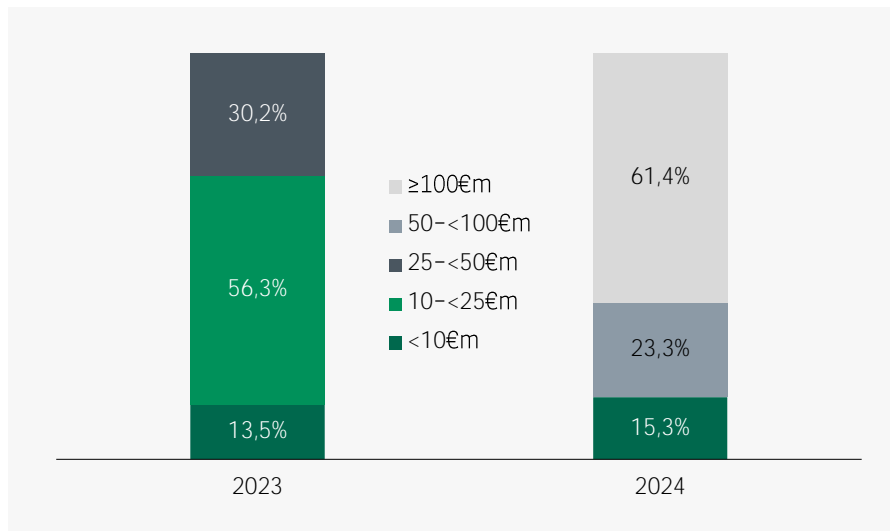
## Hotel investments in A-locations Q1



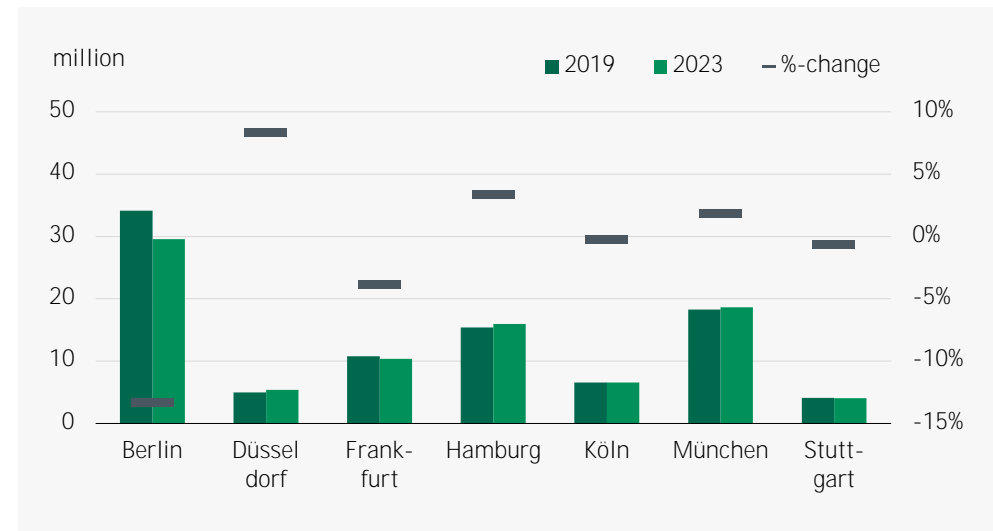
## HIGHEST TURNOVER IN BERLIN

- Traditionally, a not inconsiderable proportion of investment activity takes place outside the A-locations. However, as the largest transaction of the quarter, the sale of the luxury hotel "Hotel de Rome" in Berlin, is attributable to the A-locations, these currently account for a comparatively high share of 71% of the total hotel investment volume. As at the beginning of 2023, the transaction volume in the other A-locations is still very low.
- The sale of the Hotel de Rome also assumes a significant role in the distribution of hotel investments by size category. After no transactions over €100 million were registered in Q1 2023, they currently account for 61% of the volume and the segment between €50 million and €100 million is also occupied again (23%). Even though the number of transactions was still low in the first quarter, there are positive signals for the market yet.

## Hotel investments by € category Q1



## Overnight stays in A-locations



## OUTLOOK

- Although it might not be possible to determine the current figures precisely in the first quarter of 2024, the hotel investment market is expected to emerge from the downturn. In the recent past, there have been more and more positive signs, such as the continuous decline in inflation, which gives central banks scope for the first interest rate cuts and consequently more favorable financing conditions.
- At the same time, the pricing expectations of buyers and sellers have been converging further, especially in the hotel segment. Additionally, some sellers needed to sell due to financing or liquidity constraints, resulting in an increase in supply on the market.
- The operating market in particular is likely to remain a key driver of demand, as hotel operators continue to be very expansive and short-term growth is almost only possible in existing properties.
- In many locations, the number of overnight stays is already back at the record level of 2019 respectively before the COVID-19 crisis. Some locations have even reported new overnight stay records. The European Football Championship in Germany, which begins in June, is likely to provide additional momentum for the number of guests and overnight stays, which will have a positive impact on hotel performance. In contrast to other asset classes such as the office market, the hotel investment market is therefore supported by good fundamental indicators. Consequently, investors are increasingly focusing on the hotel asset class again.

### Key facts hotel investment market Germany

INVESTMENT VOLUME	Q1 2023	Q1 2024	CHANGE
Total (€m)	272	236	-13.2%
Portfolio share	0.0%	0.0%	0.0%pts
Share above <b>€100 million</b>	0.0%	61.4%	61.4%pts
Share of A-cities	32.2%	70.7%	38.6%pts
Share of foreign investors	31.6%	61.4%	29.8%pts

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