HOTEL INVESTMENT MARKET WITH RECORD RESULT

With a transaction volume of around 2.9 bn €, the hotel investment market exceeded all previous results by a substantial margin. This performance bettered the record set just last year by all of nearly 37%. Especially lively was the scale of activity in the field of single deals: together, these totalled almost 1.8 bn €. That was 74% higher than in the first three quarters of 2014 and in fact more than ever before. A series of deals upwards of 100 m € helped to produce an explosive third quarter. But the portfolio segment was also buoyant and with a total of about 1.1 bn € generated slightly more than last year (+1%) and thus also the best result of all time.

EQUITY/REAL ESTATE FUNDS MOST ACTIVE INVESTORS

Hotel properties fundamentally appeal to a range of different types of players. And so the buying side in the first nine months of 2015 featured not only institutional investors and owner-occupiers but also private market participants. Up to now equity/real estate funds have been the most active grouping, with slightly more than 28% of the investment volume. But open-ended funds have also formed one of the biggest sources of demand, generating a share of around 16%, thanks mainly to just a few sizeable individual transactions. That result puts them just ahead of special-purpose funds (close to 15%). Owner-occupiers have also been major buyers, contributing some 13% to the total. Other active players have been listed real estate companies/REITs (9%), private investors (6%) and asset/investment managers (3%).

ONE EURO IN EVERY TWO FROM ABROAD

In all, just under half of all the capital deployed in hotels (48%) has come from foreign investors. The picture changes, though, if a distinction is made between single deals and portfolio transactions. While the field of single deals was shaped mainly by domestic investors, the portfolio segment is dominated clearly (by over 71%) by market players from abroad. This is not a particularity of the hotel business, however; all the other asset classes exhibit similar patterns. Chief among the foreign investors were buyers from the USA, who by themselves were responsible for 27% of the aggregate volume. Investors from other parts of Europe accounted for a further 15%, buyers from the Middle East and Asia for around 5% and just over 1% respectively.
ONLY FRANKFURT BELOW PRIOR-YEAR LEVEL

With a total of around 1.56 m €, hotel investment in Germany’s Big Six locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg and Munich) was considerably higher than in 2014 (+35 %). With the exception of Frankfurt, all these cities posted notable year-on-year increases. Separated by barely more than 20 m €, the results obtained by Munich (455 m €), Berlin (438 m €) and Hamburg (434 m €) are all very close together. The Hamburg total was twice the city’s prior-year figure, while the Berlin result was more than three times that achieved in 2014. All three locations benefited from substantial transactions in the high double-digit or even triple-digit million range. Two examples were the Sofitel Bayerpost in Munich and the convention hotel andel’s in Berlin. At just under 144 m €, Frankfurt’s result was well below its prior-year record performance. Both Düsseldorf and Cologne stepped up their 2014 totals, but at just under 66 m € and 26 m € these are at a comparatively low level.

STRONG DEMAND IN ALL SIZE CLASSES

Just like last year, demand has basically been buoyant across all size categories. Since, as before, there have been several sizeable deals, the category upwards of 100 m € again accounted for the lion’s share of aggregate investment (43 %). However, there has also been lively market activity in the middle to upper double-digit segment. The 25-50 m € bracket, for instance, contributed almost 21 % to the total, the 50-100 m € class just over 20 %. The 10-25 m € segment suffered from a shortage of relevant products, making its share shrink year-on-year to just under 12 %. Smaller hotel transactions of up to 10 m € added slightly less than 5 % to the total.

OUTLOOK

From today’s vantage-point there is every reason to expect the surge in hotel investment that began some two years ago to continue for a while. The combination of historically low interest rates, a healthy economic framework and the ongoing trend towards short trips and good occupancy rates make Germany a favoured investment target for both domestic and international market players. This is especially so in view of the fact that – despite a considerable rise in prices – hotel investments still offer higher yields than other asset classes such as office or retail properties. So the final quarter can be expected to generate another strong transaction volume. Against this background there is a very good chance that the investment volume for the year as a whole will set a new record and reach well over 3.5 bn €. Whether or not even the 4 bn € barrier can be passed remains to be seen.