NEW HALF-YEAR RECORD

The triumphant progress of hotels as an asset class continued in the first half of 2016. The hotel transaction volume of around 2.16 bn € was some 45 % up on the already very good prior-year figure and actually represented a new record, surpassing that set in the first six months of 2014 by the handsome margin of 31 %. Portfolios accounted for just under 43 % of the total, with turnover of about 921 m €, which was also a new peak. But investment in the single-deal segment in the first half has also never been higher, with 1.23 bn € (+25 %). That was more than twice the ten-year average. While the portfolio segment was boosted by the renewed sale of the Interhotel package, the single-deal result was fuelled above all by the substantial number of transactions; this considerably exceeded the prior-year total and covered all size classes.

LISTED REAL ESTATE COMPANIES/REITS EASILY HEAD FIELD

On the buying side, the top three places in the first half of 2016 were taken by the same three investor groupings as in the prior-year period, but with different shares and in a different order. Way out in front came listed real estate companies/REITs with just under 42 %. Primarily, that reflects the purchase of the Interhotel portfolio by FDM Management. This investor category was also responsible for the purchase of a good many individual hotels, especially in the mid-range million euro class, such as the Maritim Hotel Dresden, acquired by stock-exchange quoted Frasers Hospitality Trust. In second place in the ranking again, with around 14 %, came special-purpose funds; they secured a number of sizeable project developments, including the future Holiday Inn Express Hotel in downtown Cologne. A double-digit percentage slice of turnover was also generated by corporates, with French hotel company Accor especially active.

FOREIGN INVESTORS WITH OVER HALF TOTAL VOLUME

The proportion generated by foreign buyers was about 52 %, much the same as at the end of 2015. After being below average in the first three months, at only just over one quarter of the total, the figure rose appreciably in the following months. A not insignificant role in this respect was played by the marked surge in the portfolio segment, which regularly features strong contributions by players from outside Germany, and where their share is now actually around 77 %.
DEVELOPMENTS VARY BETWEEN CITIES

In the major centres (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig and Munich), the hotel investment volume developed in different ways. Overall, the capital these cities attracted was more than half as much again as in the first six months of 2015, but the increase was not distributed evenly between them. By far the biggest turnover was generated in Berlin, with 562 m € (+128 %), fuelled by the sale of the Park Inn by Radisson Berlin Alexanderplatz and of the Westin Grand Berlin from the Interhotel portfolio. In second place with 317 m € and also a massive increase (+179 %), came Frankfurt, where the good supply – thanks to the strong construction activity – met a correspondingly buoyant demand. Hamburg came next, with a year-on-year fall of 27 % to 188 m €, produced mainly by the sale of existing properties. Munich also suffered a supply-related decline, and with 145 m € (-42 %) actually finished behind Leipzig (159 m €). Other results were Cologne with 44 m € and Düsseldorf with under 5 m € – but there, as elsewhere, a much better performance would have been possible given a greater supply.

TURNOVER HIGHER IN ALMOST ALL SIZE CLASSES

Even though deals upwards of 50 m € accounted for more than 60 % of all investment, almost all the size brackets with the exception of the 50-100 m € class registered higher turnovers. The 25-50 m € category again performed well and with a share of 26 % was the second-strongest segment after the three-figure million euro bracket (38 %), which benefited from portfolios. The share generated by sales of between 50 and 100 m € slipped to 23 %. Similar year-on-year results were posted by the size classes 10-25 m € (9 %) and up to 10 m € (around 5 %).

OUTLOOK

Investment in hotels has been increasing steadily for some years now – and in the first half of this year actually ousted logistics complexes from their traditional third place in the asset-class ranking (after offices and retail properties). One factor boosting this development is the extensive scale of construction activity that is creating a steam of new assets. At the same time, the strong performance figures in the hotel sector motivate market players to take advantage of virtually all investment opportunities. Against this background, the present very high degree of buoyancy is definitely set to be sustained in the second half. But whether it will prove possible to beat last year’s record volume of 4.4 bn € will depend, not least, on how the portfolio segment evolves.