HOTEL INVESTMENT MARKET SETS NEW RECORD

Investment in hotels continues its upward trend. Following on from a record at the six-month point, the transaction volume at the end of the third quarter reached a new high, with 2.98 bn €. This exceeded the previous top total, achieved last year, by more than 3 %. Single deals accounted for nearly two-thirds of this, with around 1.83 bn €, while the portfolio volume was about 1.13 bn €. Both categories produced higher turnover figures than the year before, also setting a new record. The portfolio segment benefited especially from the renewed sale of the Interhotel package. The number of single deals was higher than in 2015, so that here the average volume per sale has slipped to just over 21 m €.

LISTED REAL ESTATE COMPANIES WITH OVER ONE THIRD

On the buying side, listed real estate companies/REITs formed by far the biggest source of demand, accounting for over one third of the aggregate investment volume. This was fuelled substantially by FDM Management’s purchase of the Interhotel portfolio. In second place came the traditionally strong grouping of special-purpose funds with a share of close to 20 %, produced mainly by the acquisition of individual hotels in the middle double-digit million euro range. This chiefly involved newly built properties, such as Holiday Inn Hotel City North in Hamburg, which went to Union Investment. Completing the top trio of buyers were owner-occupiers like Accor and Motel One. They acquired either already self-operated properties or hotels for their own use, and generated about 13 % of the overall volume. Contributions of between 4 % and 7 % were made by open-ended funds (7 %), investment managers and family offices (each: 5 %), and pension funds (4 %). Together, all the other groupings were responsible for just over 11 % of total investment.

DOMESTIC AND FOREIGN BUYERS VIRTUALLY EQUAL

For several years now, the total volume of capital deployed has divided up more or less equally between investors from abroad and those from within Germany. And that balanced picture was apparent again in the first three quarters of this year. At close to 52 %, the proportion generated by foreign players is appreciably higher than in the overall commercial property market (38 %). One reason for this is the somewhat greater role played in the hotel segment by portfolios, which is a field where foreign investors predominate significantly.
Hotel investments in important markets Q1-3

In the seven large investment locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig and Munich), investment in hotels in the first nine months totalled 1.92 bn €, which is some 16 % above the prior-year figure. But developments varied between the different cities. Substantial year-on-year increases were registered by Berlin (622 m €; +42 %), Frankfurt (371 m €; +158 %), Düsseldorf (229 m €; +248 %), Leipzig (165 m €; +69 %) and Cologne (67 m €; +155 %). Berlin and Leipzig both benefited from the Interhotel portfolio deal, in Berlin this in fact accounted for two-thirds of all turnover, with the Park Inn by Radisson Berlin Alexanderplatz and the Westin Grand. Frankfurt’s investment volume was fuelled by very strong construction activity, with more than half of it going into new properties or project developments. In Düsseldorf, a major contribution to the result was the sale of the Hyatt Regency for over 100 m €. In contrast, two cities were unable to match the record volumes they had registered last year, despite an ongoing high number of deals: Munich (179 m €; -61 %) and Hamburg (289 m €; -33 %). Nevertheless, they bettered their long-term average performances.

Hotel performance in important markets January-August 2016

Hotels have established themselves as one of the most important asset classes in the commercial property market, but it is only natural that the growth rates are now no longer quite as marked as in previous years. It should be borne in mind that the excellent results would not have been possible without the backing of the lively extent of construction activity. And this year, newly built properties have once again formed a not insignificant proportion of the aggregate investment in hotels. Another factor is that the holding period for hotels is considerably longer than is the case in other asset classes, meaning that existing properties come onto the market less frequently. Against this background, the investment market for hotels – just like that for other types of assets – is confronted by a shortage of supply which limits the scale of turnover. All the same, the final quarter is set to be very buoyant and could quite possibly push investment for the year above the 4 bn € threshold once again.

Outlook

Hotels have established themselves as one of the most important asset classes in the commercial property market, but it is only natural that the growth rates are now no longer quite as marked as in previous years. It should be borne in mind that the excellent results would not have been possible without the backing of the lively extent of construction activity. And this year, newly built properties have once again formed a not insignificant proportion of the aggregate investment in hotels. Another factor is that the holding period for hotels is considerably longer than is the case in other asset classes, meaning that existing properties come onto the market less frequently. Against this background, the investment market for hotels – just like that for other types of assets – is confronted by a shortage of supply which limits the scale of turnover. All the same, the final quarter is set to be very buoyant and could quite possibly push investment for the year as a whole past the 4 bn € threshold once again.