The hotel investment market remains in dynamic form: while an investment volume in the order of 1.6 bn € is down by around one quarter compared to the record figure for the corresponding period last year, it is nevertheless a hefty 67 % above the multi-year average. In all, this is the third-best investment volume ever attained in the first six months of a year. It should also be emphasized that the first half of 2016 was buoyed in particular by the sale of the Interhotel portfolio. When this deal is bracketed out, this year’s figure actually outstrips the previous year’s performance. In the portfolio segment, on the other hand, the transaction volume is down by almost two thirds on the previous year. The share of portfolio deals in the overall transaction volume is correspondingly low: while this segment accounted for around 43 % of the sum total at mid-term in 2016, it currently stands at only 21 %. In contrast, individual transactions amount to almost 1.3 bn €, which even tops the previous record set in 2016. The largest deal by far was the sale of the Radisson Blu in Hamburg, with more than 550 rooms.

The demand side spans a highly diverse spectrum and is currently headed by special funds, which account for almost 18 %. Family offices claim a 15 % share, primarily on account of the purchase of the Hamburg Radisson Blu. Investment managers have also invested heavily in this asset class, their share of the total investment volume totalling just under 15 %. Buyers in the double-digit percentage range further include pension funds, at 12 %. In the single-figure range, but each nevertheless representing investment volumes in excess of 90 m €, are listed real estate companies/REITs (8 %) and corporates (7 %). The fact that all the other buyer categories account for a one-fifth share highlights the exceptionally diverse nature of the demand side.

The share of foreign investors has fallen slightly in comparison to the corresponding figure for the previous year, and currently stands at around 43 %. This drop also reflects the low transaction volume for portfolios - this segment is traditionally dominated by foreign investors, who are apt to buy large-volume packages. Meanwhile, domestic investors have been particularly predominant in the individual segment once again this year. Foreign investors account for around 41 % of the sum total for individual transactions and claim a share of around 52 % for portfolios. Investors from Europe invested the most, at around 23 %, with the Asia region making up a further 13 %.
PRIME LOCATIONS ACCOUNT FOR JUST UNDER TWO THIRDS

Hotel investments at the seven prime locations (Berlin, Cologne, Düsseldorf, Frankfurt, Leipzig and Munich) total around 1 bn €. While this represents a similar share in the total transaction volume to last year’s figure (around two thirds), transactions were down overall, as a result of the prevailing supply situation. At -28 %, the decline is roughly in line with the national average. The largest transaction volume for hotels was attained in Munich (381 m €). This outstanding result is attributable to the large number of hotel transactions, with more deals reported here than on any other market. The biggest deal in the Bavarian capital is the sale of the Pullman Hotel in Schwabing for around 100 m €. The German capital, Berlin, follows up in second place with 222 m €. Berlin took first place last year on account of the hotels from the Interhotel portfolio. The Radisson Blu secures third place for Hamburg, with a volume of 212 m €. The following places are closely contended by Düsseldorf (72 m €), Leipzig (65 m €) and Cologne (60 m €). No notable transaction volume was reported in Frankfurt.

HIGH TRANSACTION VOLUME IN THE 10-100 M € CATEGORIES

While the largest segment comprising deals over 100 m € was the mainstay of sales in the first half of 2016 on account of the Interhotel portfolio, at mid-term this year the role falls to all the size categories between 10 and 100 m €. Properties between 50 and 100 m € contribute around 31 % to the total, while hotel sales in the range between 10 and 25 m € account for a 26 % share. The mid-range category from 25 to 50 m € makes up a further 22 %. The transaction volume in the size category above 100 m € has declined by more than half, its share dropping to 19 %. As in 2016, smaller properties in the range below 10 m € make up a very small share (3 %).

OUTLOOK

While the mid-term result falls short of the figure attained in 2016, the hotel market is nevertheless booming. This general situation is expected to continue in the second half of the year. The good level of construction activity results in a regular input of attractive offerings onto the market, but not on a sufficient scale to meet the high level of demand. Consequently, the investment volumes represent only the share of demand which can be satisfied by the available supply. At the same time, shortage of supply is providing for rising prices - for new builds and existing properties alike. Should this coax any owners into selling, this will give rise to the prospect of an excellent result topping the 4 bn € mark once again, representing at least one of the three best results in the history of the hotel investment market.