YET ANOTHER RECORD

A transaction volume of almost 3.07 bn € marks a new record for the hotel investment market. This is the fourth time in succession that a new record has been reported, notwithstanding the fact that the rates of increase were lower in the past two years than in the years before: Following growth of 3 % from Q1-3 2015 to Q1-3 2016, the current result is around 4 % above the previous year’s figure. While portfolios previously had a marked influence on the result, the current growth is attributable solely to individual hotel sales, whose transaction volume has risen by 23 % to almost 2.3 bn €. The portfolio segment has since dropped to as low as 800 m € (-28 %). The largest transaction to date is the sale of 11 houses of the Intercontinental Group from the former SITQ portfolio, which Apollo has sold to Invesco Real Estate together with two other properties in the Netherlands.

SPECIAL-PURPOSE FUNDS HAVE THE EDGE

On the demand side, the traditionally strong special-purpose funds are well in front of all other investor groups. They undertake by far the most investments, resulting in a share of 36 %. In all, they have invested well over one billion euros in the first three quarters. Other buyers also continue to show a strong interest in this asset class, however. Investment/asset managers and family offices each claim a good 9 % share, while equity/real estate funds and open-ended funds are just shy of 7 %. Pension funds contribute 6 % and insurances have a 5 % share. The high share pertaining to all other groups (21 %) additionally demonstrates the broad spectrum of investors who have adopted hotels into their portfolios.

SLIGHT LEAD FOR GERMAN INVESTORS

While foreign investors had a slight edge in the past, domestic buyers are currently just ahead. They account for just over half of the investment volume (55 %). In all, they have invested almost 1.7 bn € in hotels - more than ever before. Investors from other European countries follow up in second place on around 18 %, with North American buyers ranking third (16 %). The Asia region accounts for around 7 %, corresponding to well over 200 m €.
**RECORD RESULT FOR LEADING CITIES, TOO**

The hotel investment volume has also risen substantially in comparison to last year at the seven major investment locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Cologne, Leipzig and Munich). At around 2.16 bn €, this volume is not only 13 % up on last year’s figure but also marks a new record. Not all locations have participated in this growth to the same extent, however. Munich has enjoyed an absolute glut of deals, for example, with total sales in excess of 900 m € propelling the city into first place. Munich’s transaction volume furthermore includes two of the three largest hotel sales, in the guise of the Holiday Inn Munich City Centre and the Pullman in Schwabing. The capital, Berlin, which benefited strongly from the hotels of the Interhotel portfolio last year, slips down into second place. Thanks to several deals in the mid tens of millions, it nevertheless contributes a hefty 579 m €, however. Third place goes to Hamburg, which amassed around 355 m € with the aid of the Radisson Blue. Total investments also exceeded the 100 million mark in Düsseldorf (120 m €) and Leipzig (104 m €). In contrast, Cologne and Frankfurt are well below this threshold, on 74 m € and 27 m € respectively.

**WELL-BALANCED SPREAD ACROSS SIZE CATEGORIES**

The investment volume is very evenly spread across the different size categories, thus confirming the broad demand base. While the largest category of 100 m € and over is markedly down on last year at around 760 m € (25 % share), sales between 10 and 25 m € have picked up particularly strongly (+46 % to over 540 m €, corresponding to a share of 18 %), as has the range between 50 and 100 m € (+41 % to just under 1.01 bn €). The latter category has also attained the highest sales volume, accounting for around one third of the overall result. The segment between 25 and 50 m € claims a 20 % share. Smaller hotel deals under 10 m € contribute a similar share to last year, at a good 4 %.

**OUTLOOK**

The hotel investment market has been developing apace from one record to the next for some years now. While it is possible in principle that the standing record from last year (just under 5.2 bn €) might be achieved once again or even surpassed, this will essentially depend on two factors: Construction activity, which is a crucial factor affecting the supply in the individual hotel segment, and the willingness of portfolio owners to part with major holdings in the face of increased prices. While several question marks thus apply to the supply side, on the demand side everything is certainly in place for a very good final quarter.