Hotel investments in Germany Q1

Hotel investments by buyer group Q1 2018

Share of foreign investors

ANOTHER HIGH TAKE-UP DESPITE SHORT SUPPLY
Hotel investments are in as much demand as ever in the first quarter of 2018. Despite this, a significant reduction was recorded compared to the previous year due primarily to the limited supply. With slightly less than 620 m €, the result is at the same level as the very good years 2013, 2015 and 2016 and therefore well above the long-term average (+26 %). However, it was around 45 % below the record set in the previous year. As in previous years, the result is fuelled largely by the sale of individual hotels, which account for around 73 % of the result. Compared to the first quarter of 2017, not only were fewer sales registered in this subsegment, but on average much smaller hotels were sold: With just under 19 m €, the volume per individual sale was more than one third below the previous year’s figure. By far the biggest deal in the first quarter was the sale of the Maritim Hotel in Cologne’s Heumarkt, which was bought by Art-Invest for around 120 m €.

HIGH SHARE FOR CORPORATES
Compared to other asset classes, particularly in the hotel segment the share of corporates, which buy properties as owner-occupiers, is very high. In the first three months this group, which includes local hoteliers as well as major hotel chains and operators, makes the biggest contribution to the result with just over 39 %. A not insignificant contribution to this first place was made by the Berlin hotel operator HR Group, which added no less than five hotels to its portfolio. Second place is taken by property developers with just under 21 %, which have bought existing properties to exploit their potential and/or expand. Also represented with a double-digit share are equity/real estate funds (approx. 16 %), which complete the top 3. The traditionally strong special-purpose funds also invested significantly (around 9 %).

GERMAN INVESTORS STRONGLY REPRESENTED
German investors were involved in some of the bigger transactions and currently account for almost two thirds of the volume. This is an extraordinarily high share compared to the long-term average, but this should only be considered to be a snapshot in time. Among the foreign investors, in particular North American buyers were in evidence (16 %), followed by investors from the rest of Europe (12 %) and the Middle East (4 %).
VOLUME IN MAJOR CITIES BELOW PREVIOUS YEAR

The first quarter of 2018 also failed to match the start of 2017 in the major markets (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig, Munich and Stuttgart). With around 361 m €, it is more than half below the record set in the previous year (-54%). Nevertheless, it is still an excellent result, which is well above the long-term average. Within the cities, the comparison with the previous year is very mixed due not only to the general fluctuations as a result of the supply situation, but also to the short period considered of only three months: Hotel investments in Cologne total thanks to the Maritim Hotel almost 138 m €, while Frankfurt also secures a place in the top 3 with around 83 m € ahead of Stuttgart (80 m €). With around 41 m €, Hamburg is the only other major market in which hotel investments were registered on a larger scale.

REDUCED TURNOVER IN ALMOST ALL SIZE CATEGORIES

A glance at the size categories shows that there is an insufficient supply of product in almost all segments. With the exception of deals under 10 m €, no category achieved the same level as the previous year. Turnover in the segment over 100 m € fell by around 30%, even though it has the biggest share with 36%. In the category 50-100 m € turnover was down by 79% (share: 13%), and in the category below (25-50 m €) it halved (share: 11%). Less was also invested between 10 and 25 m € (-30%), nevertheless this segment still contributes just under one third to the result. Smaller hotels up to 10 m € account for the remaining 9%.

OUTLOOK

With another very good start to the year, the hotel investment market remains on track and has demonstrated that it is highly attractive for investors. However, as expected, the short supply has proven to be a limiting factor in the first quarter. Particularly in the segment of hotel new-builds and project developments, which made a significant contribution to turnover in the past year, the volume invested currently remains well below the previous year’s figure. However, construction activity remains high, with the result that investments in this category should pick up in the next few months. Against this background, it is expected that the market will be busy in the coming quarters. A result around the average for the last five years should therefore be the target.