HOTEL MARKET DÜSSELDORF
CITY REPORT 2018

BNP PARIBAS REAL ESTATE
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DÜSSELDORF — VARIETY IS THE KEY

As the “writing desk of the Ruhr region”, Düsseldorf has a long tradition of being home to the administrative offices of a large number of manufacturing companies, financial institutions, trade associations and public authorities. As time went on, they were joined by numerous service companies, in particular consultancies, ICT and advertising firms. And today, the metropolis on the Rhine has even more to offer! As a world-class trade fair location, Düsseldorf attracted 1.35 million trade visitors from Germany and abroad in 2017 alone. And there is also a lot for a growing number of city tourists to discover in Düsseldorf: A wide range of top-class museums and exhibitions, the picturesque Altstadt (Old Town) with its legendary concentration of bars and pubs and a bulging calendar of events ensure there is plenty of variety at all times. What is more, the city is known as a fashion and shopping metropolis way beyond the borders of Germany and has an excellent transport infrastructure.

NUMBER OF GUESTS ON THE INCREASE

Düsseldorf's hotels recorded around 2.9 million guest arrivals in 2017. In the process, they beat the previous year’s result by a full 6 %, set a new record and seamlessly continued the growth trend seen in recent years: Since 2010 the number of visitors has risen in total by 38 %, impressive proof of the city's growing attractiveness. The trend of overnight stays also currently knows only one direction: In 2017 hotels recorded a total of 4.7 million overnight stays, 35 % more than in 2010. The share of foreign visitors has increased during this time by two percentage points to 38 %. This comparatively high figure is proof of Düsseldorf’s international importance as a trade fair location and business destination. Great Britain and the Netherlands account for the biggest shares of European visitors. The most important overseas markets are the Arab Gulf States, the USA, China and of course Japan, which has excellent relations with Düsseldorf.

AVERAGE STAY: 1.6 DAYS

Regarding the average stay of hotel guests, Düsseldorf is more or less on a par with cities of the same “calibre” such as Frankfurt, Cologne and Stuttgart with 1.6 days. However, the tourist metropolises of Munich, Hamburg and the capital Berlin are in a different league with an average of 2.0 to 2.3 days. With a 5 % increase in overnight stays in 2017 compared to the previous year, Düsseldorf occupies a mid-table position in the league for the most important hotel markets in Germany, which, with the exception of Berlin, all encouragingly recorded an increase. With a slight drop in overnight stays of 0.4 %, the Berlin hotel market paid the price for the extremely strong growth seen in recent years.
HEALTHY GROWTH IN THE HOTEL MARKET

In Düsseldorf the phenomenon of a sharp rise in the number of beds at the same time as a stagnation in the number of hotel establishments can be seen. The number of hotel beds increased between 2010 and 2017 by 20 % to a peak of 26,910, while the number of establishments remained more or less the same in this period with 215. The reason for this lies in particular in the bigger overnight accommodation capacity of the new hotels that have been built in the meantime. For example, the number of beds in the hotels opened since 2015 has more than doubled compared to the long-term average of 109 beds. Even greater than the increase in the number of hotel beds, however, is the increase in the number of overnight stays, which has risen by an impressive 35 % since 2010. The greater supply in the Düsseldorf hotel market is therefore being absorbed completely by an even more dynamic demand. The resulting increase in the occupancy rate is reflected positively in the results of hotel operators.

LAST PLACE FOR CAPACITY INCREASE

In reaction to the ever-increasing number of visitors, the overnight accommodation capacity in the most important German hotel locations also rose significantly. Travellers have much more choice in particular in Frankfurt (+37 %), Munich (+35 %) and Berlin (+32 %). In the remaining cities the increase in the number of beds between 2010 and 2017 was somewhat more moderate, with Düsseldorf in last place with 20 %. It is a positive sign that the increase in the number of overnight stays was without exception higher than the increase in number of beds. This suggests that the growth in the hotel market will be absorbed at all times by demand in all of the hotel locations studied and there are currently no signs of a build-up of overcapacity.

WIDE RANGE IN THE MID AND UPScale SEGMENT

The breakdown of hotels by hotel stars awarded by the German hotel and restaurant association DEHOGA traditionally indicates a clear dominance of the midscale segment in Germany. In Düsseldorf, 3 and 4-star hotels account for around 90 % of the classified hotels. It should be noted, though, that the share of hotels certified by DEHOGA compared to the total number hotels has been stagnating for years. Only a little over half of all available hotels in Düsseldorf have been certified by DEHOGA. There has been little incentive in particular for hotel operators in the budget segment, which has experienced above-average growth in recent years, to try to obtain a DEHOGA plaque. Instead, with the rise of the hotel chain, more and more focus is being placed on the brand image as a tool to influence perceptions of quality and build customer loyalty.
NUMEROUS NEW HOTELS OPENED

The new hotels opened in recent years once more document the general trend towards brand-related hotel concepts. The upscale and upper-midscale segment account for most of the new hotels, but hotel guests with a smaller budget also get their money’s worth with the opening of the third B&B Hotel and McDreams moving into Düsseldorf. Düsseldorf is also establishing itself increasingly as a development hotspot for national and international hotel chains: Both the “me and all” lifestyle label designed by the local hotel company Lindner and the long-stay concept house of the Hyatt Group chose Düsseldorf as the location for their entry into the German market.

BULGING HOTEL PIPELINE

The Düsseldorf hotel market continues to experience dynamic growth and is expecting numerous new hotels in particular in the city centre, near Düsseldorf-Wehrhahn station and by the airport. These will again be primarily in the mid and upscale segment. What particularly stands out is the high number of conversion projects: No less than five office buildings are finding a new use as a hotel in the shape of the HENRI Hotel near Wehrhahn station, the NYX Hotel in Mörsenbroich, the Ruby Leni Hotel in Jahnstrasse, the Ruby Coco Hotel on the corner of Steinstrasse/Königsallee and the Carathotel in Oststrasse. This shows that property developers and investors are increasingly finding creative solutions in order to gain a foothold in the lucrative hotel market and to sidestep the intense competition for space which is in short supply. In fact, the stable growth in the Düsseldorf hotel market in recent years has resulted in a bulging project pipeline, which up to and including 2020 amounts to 35% of the current total number of hotel rooms.

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Location of selected openings

Location of selected projects
POSITIVE TREND FOR KEY PERFORMANCE INDICATORS

The average daily rate (ADR) rose between 2010 and 2017 by 13% and therefore by much more than the rate of inflation, underlining Düsseldorf’s growing attractiveness as a city destination. In combination with a steadily rising occupancy rate, the revenue per available room (RevPAR) rose sharply in the same period by over 30%. However, the RevPAR did not increase in a straight line, but was subject to significant volatility, which in turn can be interpreted as a consequence of the trade fair calendar. For example, the RevPAR rose in 2016 thanks to a strong trade fair year by an impressive 11.4% to a record of 83.70 €. This was then followed by a small correction in 2017. This pattern can also be seen between 2012 and 2016, but in the final analysis it does not change the positive general growth trend.

MID-TABLE POSITION FOR RevPAR IN GERMANY

With a 1.2% fall in RevPAR compared to the previous year, Düsseldorf occupied one of the lower positions in the table together with Munich and Leipzig in the performance comparison for 2017, while all of the other cities recorded an increase. The sharp rise in RevPAR in Cologne is due to a veritable flood of tourists who booked in total 5.7 million hotel overnight stays in the cathedral city in 2017, 470,000 more than in the previous year. At the bottom of the table is Munich, where the RevPAR fell by 4.2% compared to the previous year. The main reason for this lies in a jump in bed capacity with over 7,000 additional beds in only two years and accordingly negative consequences for the ADR and occupancy rate. However, a new record number of guests in 2017 is feeding hopes of a speedy recovery. In absolute terms, Düsseldorf occupies a mid-table position with a RevPAR of 82.70 € together with Cologne (86.10 €) and Frankfurt (85.40 €). The highest revenues are again achieved in the far north (94.60 € in Hamburg) and deep in the south (93 € in Munich). Bringing up the rear are Stuttgart (76.80 €), Berlin (73.90 €) and Leipzig (57 €).

OCCUPANCY RATE ON THE RISE

Düsseldorf’s sustained positive trend in tourism revenue is also reflected in the occupancy figures: Between 2010 and 2017 the occupancy rate rose gradually from 60.4% to a peak of 70.1%. The Rhine metropolis is now on a par with Frankfurt and Leipzig. What is pleasing is that all of the cities analysed have a much higher room occupancy rate than in the reference year 2010. With regard to the growth rates, in the period studied only Stuttgart (+12.6 percentage points) and Hamburg (+9.3 percentage points) kept up with Düsseldorf (+9.7 percentage points). Only the significant fall in the occupancy rate in Munich since 2015 dampens the mood a little.
DROP IN HOTEL INVESTMENTS
After two excellent investment years, which peaked in 2016 with the absolute record of 400 m €, the hotel investment volume fell in 2017 to approx. 157 m € and has therefore returned to around the long-term average. In particular there were no major transactions, such as the sale of the Hyatt Regency Hotel in 2016, with the result that the average investment volume per transaction was much lower than in the previous year. However, the reduced investment activity is due not so much to a lack of demand, but much more to insufficient opportunities to buy on the supply side. It can basically be concluded that hotels, despite a significant catch-up trend, do not yet enjoy the same attention from investors as other commercial properties, and this is reflected in the relatively high volatility of the annual investment results. There are, though, in particular for Düsseldorf realistic hopes that the growth trend in the investment market will resume quickly due to the continuous rise in visitor numbers in recent years and the impressive project pipeline.

MUNICH AND BERLIN TOP THE INVESTMENT TABLE
Altogether, the most important German hotel locations achieved in 2017 as in the previous year an investment volume of just over 3.1 bn € and continued the strong development since the end of the financial crisis. However, unlike in 2016, Düsseldorf made no significant contribution to the investment volume of the top locations in 2017 and, like Leipzig, Cologne and Stuttgart, only plays a minor role. Even more so than in previous years, in 2017 all eyes were on the most important economic and tourist metropolises Berlin, Hamburg, Munich and Frankfurt. With a phenomenal 934 m €, Munich leads the field ahead of the capital Berlin, which accounts for 790 m €. Hamburg (515 m €) and Frankfurt (452 m €) occupy 3rd and 4th place respectively.
OUTLOOK

In recent years Düsseldorf has without doubt established itself as one of the most important hotel locations in Germany. The city has a wide range of hotels and has occasionally led the way in the testing of innovative hotel concepts. In addition, the number of overnight stays and key performance indicators are currently moving in only one direction. All of this allows only one conclusion: Düsseldorf is booming! However, the market participants will face new challenges in the next few years due to a significant increase in bed capacity. At least in the short term a change in the key performance figures cannot be ruled out. For the future, much will depend on whether the city manages to continue the positive trend for visitor numbers. However, as Düsseldorf is currently going to great lengths to make the city even more attractive – for example the inner city will witness a spectacular completion with the “Kö-Bogen II” project – there is much to suggest that the investment could pay off in the long term.