At a Glance Q3 2018

HOTEL INVESTMENT MARKET GERMANY

Hotel investments in Germany Q1-3 2018

in €m • Single investments • Portfolios

JUST SHORT OF THE PREVIOUS YEAR’S RECORD

With a transaction volume of just over 2.9 bn €, the hotel investment market has followed on seamlessly from the successes of previous years. The result was just 5 % short of the previous year’s record of 3.07 bn €. However, a new record of 2.26 bn € was set for single hotel sales, which beats the previous year’s figure by a hair’s breadth. Overall, single properties account for just over three quarters of the result, with the volume of portfolios below the average for the last five years with around 660 m €. The most prominent sales include the Hilton Hotel in Berlin, which Arroundtown paid about 300 m € for, the Leonardo Royal Hotel Munich, which went to the Israeli Fattal Hotel Group for just under 160 m €, and the Maritim Hotel on Heumarkt Square, Cologne, which was purchased by Art-Invest.

VERY WIDE DEMAND BASE

The breakdown of investment volume by investor group confirms once again that hotel properties appeal to buyers on a broad front. There is little to separate five demand groups contributing between almost 13 % and 15 %. Just in front with 15 % are equity/real estate funds, which were mainly interested in larger investments. A short distance behind in second place with around 14 % are investment managers, who acquire properties for a multitude of investor types and risk profiles. Owner-occupiers are traditionally more strongly represented in the hotel investment market than in the overall commercial investment market and are again among the leading demand groups in the first nine months of 2018 with just over 13 %. Special-purpose funds and listed real estate companies/REITs also account for almost 13 % each. Property developers and insurance companies also invested significantly in this segment with around 6 % each.

CONTRIBUTION OF FOREIGN INVESTORS STABLE

Although the share of foreign investors in the commercial investment market fell in 2018, this trend was not seen for the hotel investment market. There is a fairly even balance of German and foreign investors. The greatest demand is from the rest of Europe with just over 520 m €, followed by North American investors with around 460 m € and investors from the Middle East, who also generate a very respectable result with more than 410 m €.
Hotel investments in important markets Q1-3

- Berlin
- Cologne
- Düsseldorf
- Frankfurt
- Hamburg
- Leipzig
- Munich
- Stuttgart

in €m 2017 2018

<table>
<thead>
<tr>
<th>City</th>
<th>2017</th>
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<tbody>
<tr>
<td>Berlin</td>
<td>1000</td>
<td>950</td>
</tr>
<tr>
<td>Cologne</td>
<td>800</td>
<td>760</td>
</tr>
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<td>Düsseldorf</td>
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<td>570</td>
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<td>200</td>
<td>180</td>
</tr>
<tr>
<td>Stuttgart</td>
<td>100</td>
<td>90</td>
</tr>
</tbody>
</table>

TURNOVER VERY STABLE IN MAJOR MARKETS

The eight major investment locations (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Leipzig, Munich and Stuttgart) accounted for around 2.15 bn €, almost three quarters of the hotel investment volume in Germany, and therefore continue to grow in importance. Munich hotels once again attracted the greatest level of investment with around 520 m €, even though the volume remained well below the previous year’s figure (-43%). The biggest investment here was - alongside a number of transactions below 50 m € - the Leonardo Royal Hotel Munich. In second place is the banking metropolis Frankfurt with around 450 m €, where among others the Ruby Louise changed owner in the course of the sale of the Junghof Plaza. Hotel properties were also very popular among investors in the capital. Here just over 410 m € was invested in the Hilton and a large number of smaller hotels. Hamburg (around 270 m €), Düsseldorf and Cologne (approx. 191 m € each) have also generated very good results and are well ahead of Stuttgart (100 m €) and Leipzig (over 20 m €).

VERY EVEN DISTRIBUTION BY SIZE CATEGORY

As in the previous year, investments are distributed very evenly across the different size segments, although there have been shifts between the individual categories. The categories above 50 m € remain the most important and together contribute almost two thirds to the result. They concern not so much portfolio sales, but mainly larger single properties. An astonishing amount was again invested in the categories below 50 m €: The category between 10 and 25 m € makes a significant contribution with over 21 %, hotel sales between 25 and 50 m € account for a further 9 % and smaller properties up to 10 m € maintain a share of just under 5 % as in the previous year.

OUTLOOK

After the first nine months of the current year the hotel investment market has generated an outstanding result, which would without doubt not have been possible in this dimension without the good level of construction activity, which is expanding the supply side. In total, around one third of the result is due to property developments or recently completed properties. Contracts were also signed for a few older, large-volume properties. There is therefore not only a broad interest across all size categories, but also across age categories. At the same time this also suggests dependence on the supply side. It is anticipated that market activity will remain lively in the final quarter, especially as a few major deals are expected to be completed. Against this background, the 4 bn € mark may be reached again with a little luck.