CHRISTIE & CO

THE GERMAN HOTEL MARKET

New challenges on the road to recovery

2021 – May 2022

HOTEL MARKET OVERVIEW GERMANY

With the lifting of Covid-19-related restrictions for the travel and lodging industry at the end of May 2021, the German hotel market showed the first positive signs of recovery with people willing and eager to travel again. This is reflected in the improvement of key performance indicators for most German markets. Berlin saw the highest increase in RevPAR of 17.6% compared to 2020, followed by Hamburg with a year-on-year RevPAR change of +13.5%. Markets with a high dependency on international source markets and business travellers have performed significantly worse than cities attracting predominantly domestic or leisure guests.

With people ready to travel the world again, the buzzword "revenge travel" which has emerged on social media can be interpreted as people making up for the lost time when travel and exploration came to a sudden and unexpected halt. According to numbers from Expedia 60% of users had plans to travel domestically and 27% to travel internationally in 2022, many of those willing to spend more on their trips than they did previously.

The measures taken to contain the pandemic were particularly noticeable in the hospitality and tourism industry and officially ordered operating restrictions or (partial) closings not only impaired hotel performance but also the hotel real estate market in 2021. While it is difficult to predict the long-term effects of the pandemic, the implemented measures and particularly the vaccination campaign for the most part worked to contain or lessen the human impact of the pandemic. As we come out of the worst of the pandemic, positive signs can be seen in the hotel industry, both in performance as well as in the transaction market, with an increasing interest in hotel real estate in Germany.

With supply and staffing issues driving costs and in turn inflation, a war in the heart of Europe caused a sharp increase in energy prices due to sanctions imposed by the west on Russia, a shortage of alternative suppliers together with a shortage of some raw material as well as grains from Russia and Ukraine, threatening the food supply of much of the world's population, revenge travel could also be misinterpreted as a last-minute panic. Where this is not bad enough, the hospitality and travel industry has to find answers to the severe effects of climate change.

But if the travel and hospitality industry is finding the right answers, the generally positive sentiment can prevail and more resilient ways of travelling evolve. During the pandemic and after the outbreak of the war, German hoteliers have shown extreme flexibility, solidarity and humanity. At the same time, the industry has recognized, that implementing ESG is an essential task not only for the survival of the business but for the whole community! Each sector has to make its contribution.

Let's roll up our sleeves, stay positive and let's accept the challenges ahead!

Benjamin Ploppa
Head of Hotels Germany

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Junior Consultant

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HOTEL MARKET KPI TRENDS 2021 - YTD MAY2022

RevPAR Index (2019 = 1)

Sources: STR, Christie & Co

While 2021 saw some winners in terms of RevPAR growth, notably Berlin and Hamburg – despite their supply growth – others felt the pressure of new supply and travel restrictions which were still in place until June, resulting in stagnant or sometimes even further decreases in RevPAR in 2021.

Without any surprise, Germany's Top 9 cities still suffered significantly in 2021, recording occupancy declines up to -8%. However, 8 out of the 9 top cities were able to record improvement in occupancies of up to nearly 20% in Berlin, 15,6% in Munich and 9,6% in Hamburg, compared to 2020. ADR on the other hand fell from 2020 leading to an overall decrease in RevPAR for most of the cities with as much as -10,2% in Dusseldorf. Munich only recorded a decrease in ADR of -0,5%, nonetheless resulting in an increased RevPAR of +15% in 2021.

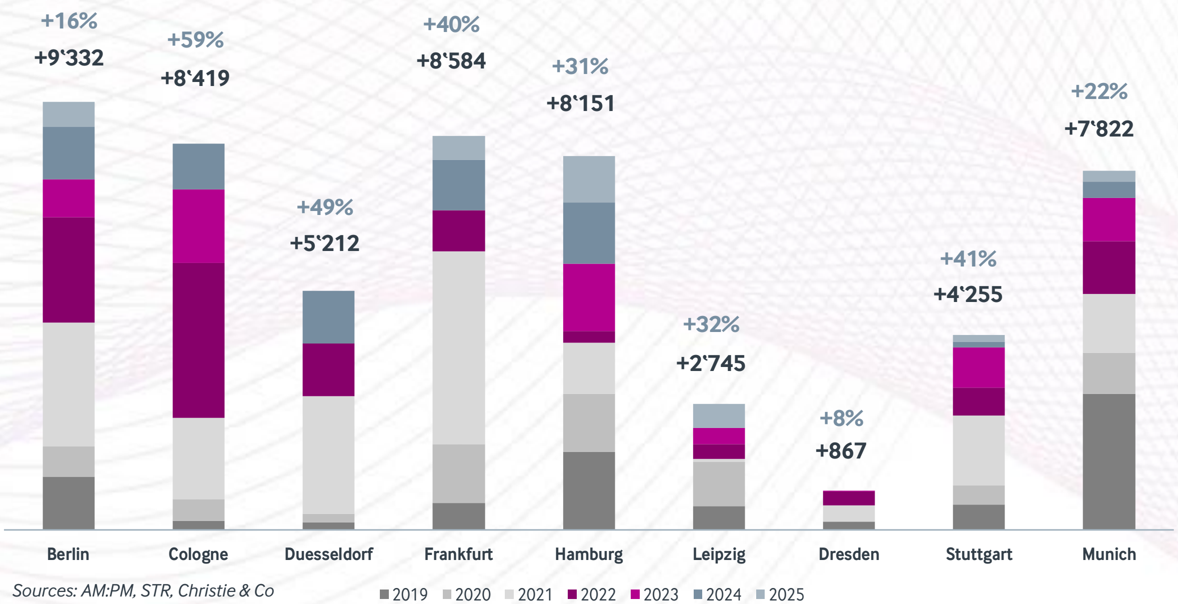
YTD May 2022 data shows a strong start into the year with KPIs showing that the hotel industry is on the way to recovery. Some markets, such as Hamburg even record individual KPIs nearly on par with their performance from 2019.

SUPPLY ADDITIONS PRESSURE PERFORMANCE LEVELS

Germany's Top 9 cities were considered safe heavens in recent years and saw sustained interest from global hotel investors. This appetite, partially fuelled by record-low interest rates, has led to an unparalleled construction boom. In 2019, 45 hotels with over 8'000 rooms opened across the Top 9 markets. While of course not the only factor, supply is often the most direct factor impacting RevPAR levels. RevPAR levels were put under even more pressure with occupancies crashing due to travel restrictions, border closures and other Covid-19-related regulations.

As the pandemic caused some hotel openings to be postponed to 2021, Germany saw 87 hotels open across the Top 9 cities increasing room supply by 15'500 rooms, a 150% increase in hotel openings compared to 2020. Frankfurt leads with 18 new hotels opened in 2021 adding nearly 4'200 rooms to the Frankfurt hotel market. Berlin and Dusseldorf follow with 16 and 13 new hotel openings respectively, combined adding an additional 5'200 rooms. While stock in Dusseldorf has remained relatively stable since 2015, the economic powerhouse of the Rhine-Ruhr area is expected to see 24 hotels opening in the next few years, with 13 of them already opened in 2021. Despite strong supply growth since 2014, the pipeline for Hamburg, the city with Europe's third largest port, is expected to increase room supply by 10% in 2022. Cologne will be the city with the most hotel openings, adding 17 hotels with over 3'000 rooms to the destination in 2022 and another 11 in 2023/24, increasing the current supply by 31% over the next three years.

Confirmed Room Pipeline 2019-2025



Sources: AM:PM, STR, Christie & Co

Effect of supply additions on KPIs

Berlin recorded a RevPAR increase of nearly 18% the highest recovery of all of the top 9 markets, despite an increase in supply of 4%. Particularly severely impacted was Frankfurt where supply increased by 16%, causing RevPAR to decrease by a further 6%, indicating a slower recovery for the market than compared to the other 9 cities.

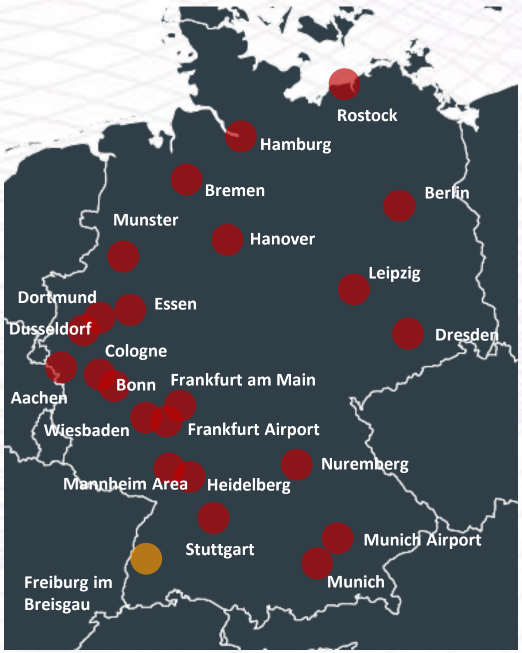
The record number of new openings in 2022 is in a glaring contradiction to the sharp drop in arrivals and overnight stays in the past two years and the expected changes in travel habits, especially for business trips. However, this may be offset by the closure or conversion of older stock and some level of consolidation on the operator side.

PERFORMANCE VARIANCES ACROSS MARKETS

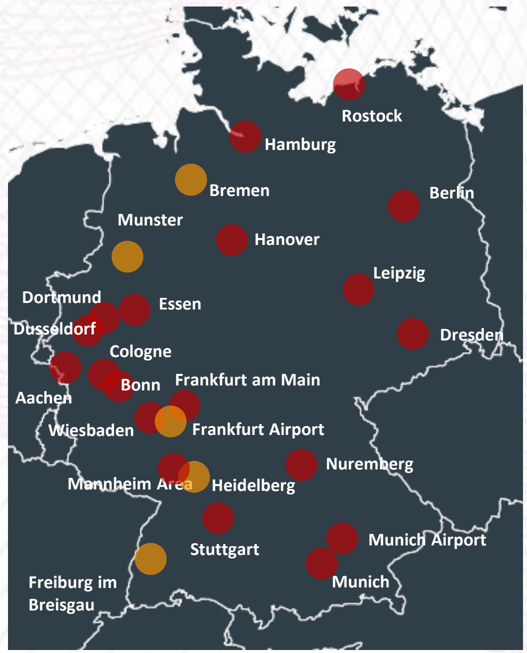
Following the first lockdown in March 2020, occupancy plummeted across all major destinations in Germany. Albeit hotels were officially allowed to accommodate non-touristic guests, most travel activities came to a halt when many firms stopped travelling for business in the wake of the pandemic. This resulted in occupancy levels sometimes significantly below 20% in May 2020.

Going into 2021, the beginning of the year was still impacted by nationwide lockdowns and travel restrictions. The regulations in place were not lifted until June which is reflected in most cities still showing occupancy levels below 20%. However, some markets managed to just pass the 20% mark with Heidelberg having the highest occupancy out of the Top 9 cities with 25,5% in May 2021. The actual occupancies for May 2022 seem to show a good recovery for the German hotel market, with occupancies well above 65% in 10 cities. Berlin and Hamburg are the top performers for May with occupancies reaching 78%. This is an increase from last year by an astonishing 392,4% in Hamburg and 360% in Berlin. Both of the cities were close to reaching 2019 numbers when Occupancy in May was around 83%.

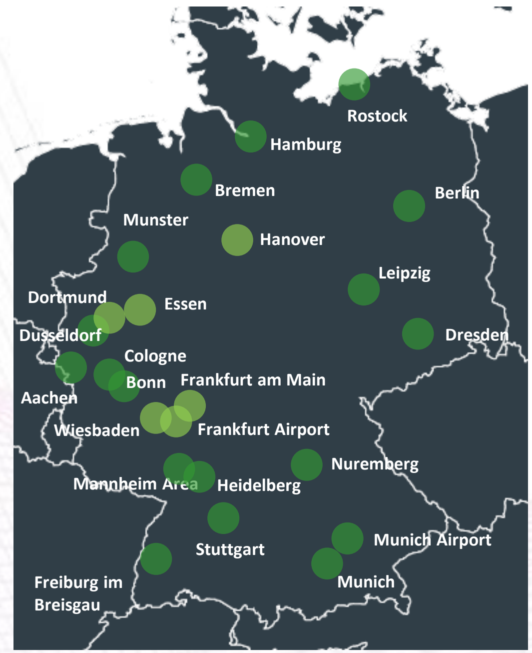
Actual Occupancy – May 2020



Actual Occupancy – May 2021



Actual Occupancy – May 2022



Sources: STR, Christie & Co

<20% | 20% - 34% | 35% - 49% | 50% - 64% | > 65%

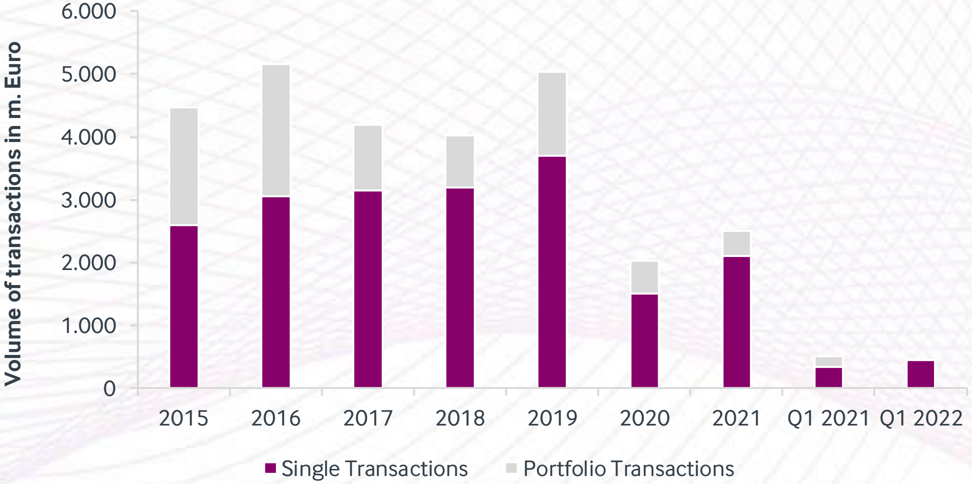
THE PANDEMIC - IMPACT ON THE HOTEL REAL ESTATE MARKET

TWO YEARS OF THE PANDEMIC - IMPACT ON THE HOTEL REAL ESTATE MARKET

Review of the transaction market

With a total volume of around €2.5 billion in 2021, an improvement in the transaction market of around 15% compared to the previous year, the signs of recovery on the investment side also intensified. Individual transactions, which accounted for around €2.0 billion of the total volume, were particularly significant last year, as well as during the first quarter of 2022 making up almost 100% of all transactions in Q1 2022, amounting to approximately €450 million. Compared to Q1 2021, this represents an increase of around 40%. The decisive factor for the result in 2021 was in particular the final quarter, in which transactions worth around €1.0 billion took place. This was the highest quarterly figure since the beginning of the pandemic and underpins an increased investor interest in hotel real estate.

The share of foreign investors is still somewhat lower than before the pandemic. Before the pandemic foreign buyers accounted for more than half of the investments, whereas in 2021 international investors accounted for only around 37% of total sales. However, it is unlikely that the dwindling share of foreign buyers will be a long-lasting trend, as initial signs of the end of the pandemic in Germany brought interested parties from abroad back on the scene relatively quickly. Institutional investors were the most active buyers in 2021, accounting for around 44% of the total volume. This was followed by family offices and private investors as well as hotel operators.



Sources: RCA; Cushman & Wakefield, Christie & Co

While no single hotel transaction cracked the €100 million mark in 2020, no fewer than five properties traded above this threshold in 2021. The most expensive hotel last year was the "Königshof" in Munich, which is still under construction and has now traded hands from Geisel Privathotels to the Inselkammer family. The majority of the traded properties were sold without operators, which leaves investors plenty of room for repositioning and conversion potential. Most of these were properties with a pronounced investment backlog, but also project developments that had already begun to falter at the start of the pandemic.

Just under 20% of the volume is accounted for by properties that are to be converted to a new type of use in the future, including offices and senior living. The most recent example is Frankfurt's Hotel Villa Kennedy, whose new owner since 2021, Conren Land, is now looking into converting it into a senior residence. Also among representative examples are transactions such as Berlin's Hotel Ellington, which is to be converted into an office building in the future, or the Schlosshotel Groß Plasten, which was successfully brokered by Christie & Co and will soon house a medical facility.

Since the start of the Covid 19 pandemic, entire operator platforms have moved across the negotiating table. As a result of the takeover of these by well-capitalized market players, the wave of consolidation in Germany is accelerating and thus the hotel industry is facing ongoing structural change. Brands such as Premier Inn, HR Group and Westmont have been able to achieve the desired growth in the recent past.

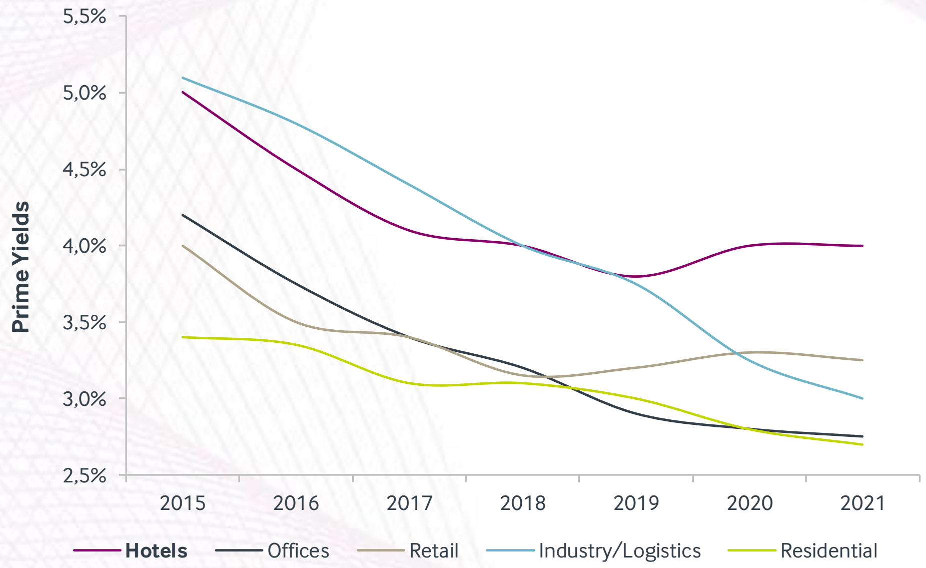
TWO YEARS OF THE PANDEMIC - IMPACT ON THE HOTEL REAL ESTATE MARKET

Stable prime yields despite pandemic challenges

The investment market is expected to remain somewhat subdued this year. One reason for this is the continuing difficulty of financing and the diverging price expectations of buyers and sellers. In particular, owners and project developers with expiring financing are still feeling the effects of banks' reluctance. With interest rates currently on the rise, buyers with a strong equity base have a clear advantage but are hardly able to access the hoped-for crisis bargains, as existing owners do not want to and do not have to accept the assumed price reductions.

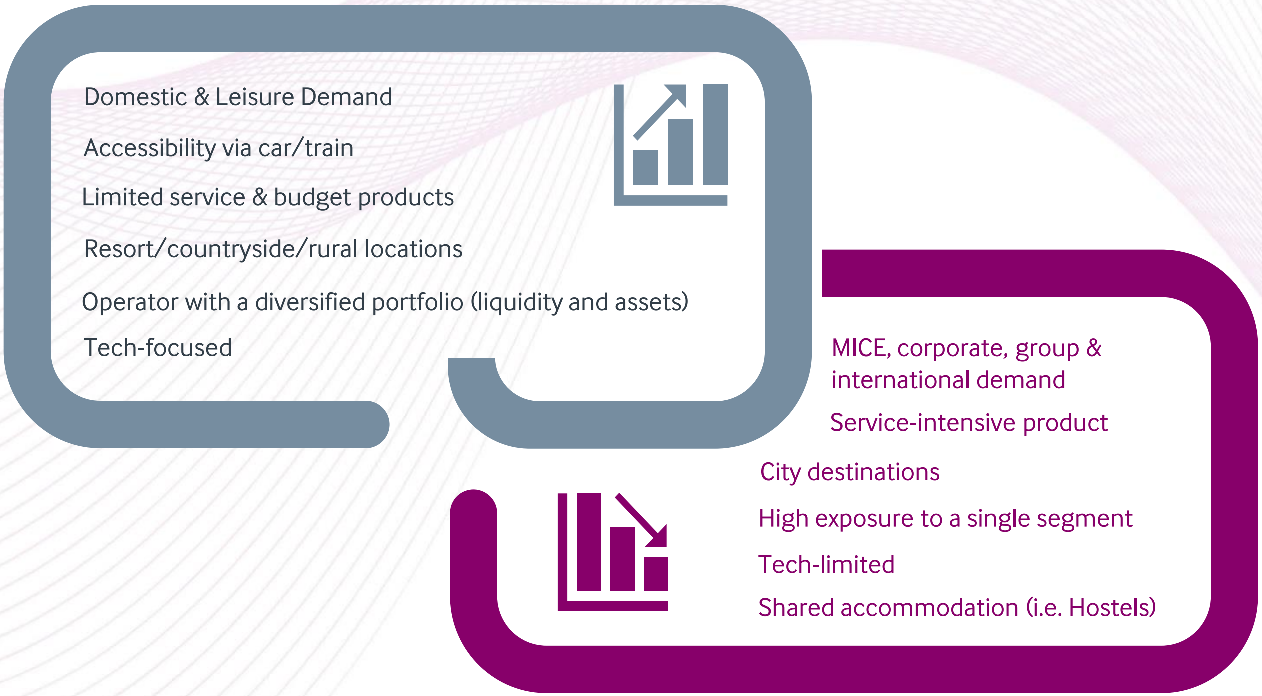
Accordingly, gross prime yields remained stable, particularly in the top 9 cities. A return of certainty in the pricing of hotel assets can be seen in the increasing transaction volume of the past year. Despite obstacles such as rising interest rates and financing issues, even institutional investors are likely to regain their interest in hotel assets. This is partly due to the improved overall hotel performances across Germany and further because of yield compressions in other asset classes.

Benjamin Ploppa, Director - Head of Hotels Germany at Christie & Co, comments: "Due to the current financing bottleneck, a clear focus on the key value drivers of a hotel property can be observed again at the moment. Only through the strategic fit of location, concept and operator can investors and banks be safely brought on board. Since the beginning of the pandemic, a clear selection process has been observed, which may become even more pronounced in the progression of the market recovery. In addition to these criteria, the hotels that will win in the future will be those that can score points with sustainable, target group-specific and digitally oriented concepts, among other things. We are confident that demand from both business and leisure travellers will return quickly and those hotel concepts with a contemporary focus will particularly benefit from this."



Sources: RCA; Christie & Co, Cushman & Wakefield, Colliers, ZIA

FACTORS INFLUENCING RECOVERY POTENTIAL



Sources: Christie & Co Research

In the last two years, it has already become clear that the German hotel market has proven to be more resilient compared to other European countries. Domestic tourism has experienced an upswing – particularly in more rural resort locations. Historically, Germany was amongst the largest feeder markets for many destinations globally in addition to strong domestic demand. The already large share of local demand has increased further during the months when travel restrictions were lifted and leisure destinations across the country are likely to further benefit from the staycation trend.

However, operators with an all-eggs-in-one-basket-strategy and high exposure to single segments or shared accommodations such as hostels and hotels with a large share of group tours and older demographics will likely take longer to recover. Nevertheless, the federal government has responded to the crisis with extensive financial aid measures. Consequently, Germany has a good recovery prognosis compared to other European countries.

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EMERGING TRENDS 2022

EMERGING TRENDS IN HOSPITALITY

Mixed-Used Assets

Mixed-Used Assets are ultimately the result of modern urban development, combining living, working, shopping, fitness, gastronomy, leisure and even education. Located in central locations with good public transport connections, users benefit from a central infrastructure as well as short distances between living, working and recreation.

The focus is usually on one main form of use, for example as a residential or office property. Mixed-Used assets emerge from trends such as the increasing importance of digitalisation and the shift to mobile working, which is changing the use of office spaces. Additionally, the growing e-commerce sector caused the closures of many physical stores and consequently, single-use properties may prove economically inefficient.

From an investor's perspective, round-the-clock use of an asset with multiple usages is not just a profitable investment, but also mitigates risk. Subsequently, the orientation toward mixed-use assets will become inherently more present. They represent sustainable investments and while the individual elements continue to be subject to the market cycles of their respective uses, the impact on the overall property is moderated.

Conversion Assets

With fewer and fewer new build projects available, developers are increasingly looking for assets that can be converted into hotel projects. Opportunities emerge from many originally planned projects being deferred with rising material costs due to inflation and supply bottlenecks. Existing projects have an advantage over new builds for developers, as concepts can be realised over a shorter time horizon and are consequently beneficial for brands' expansion ambitions.

However, it is not just hotel developers that are looking to convert office buildings, schools, or even prisons (Hotel Wilmina, Berlin). Investors are increasingly interested in buying hotel real estate to open senior homes or transform assets into residential units.

Sources: Christie & Co Research

Conversions & Mixed-Used Assets

EMERGING TRENDS IN HOSPITALITY

Serviced Apartments & Long Stay Products

The serviced apartment and aparthotel segment, which is growing steadily within the industry, has shown itself to be particularly resilient during the pandemic. Thanks to the residential offerings, including kitchens, workspaces and mostly non-contact access. In contrast to hotels, which at times could only report single-digit occupancy rates or closed operations, aparthotels and serviced apartments performed significantly above the traditional hotel sector throughout the last two years. This is mostly due to lower fixed costs resulting from the elimination of high-cost food and beverage, meeting and spa areas, as well as lower staffing requirements.

It is no surprise that the adaptability of the product and the smaller risk involved than with traditional hotel assets is becoming more attractive for investors.

Hotel chains such as Radisson Hotel Group, Accor and IHG are expanding their serviced-apartment portfolios rapidly, a trend observable already pre-pandemic. Despite the uncertain situation in the business travel segment, the concept of Long Stay products is more in demand than ever. Germany is expecting an increase in branded serviced apartments of nearly 3’400 units, with Frankfurt and Munich making up 21% of the total pipeline.

Digitalised Guest Experiences

Technology solutions continue to transform the hospitality industry. The Covid pandemic and a new wave of travellers have greatly accelerated the development. With some hotel groups already offering a fully digital Guest Journey from online check-in and keyless room access to in-app room service ordering to in-app check-out, hotel guests benefit from a more comfortable hotel experience. Guests will soon expect hotels to meet the same convenience that they experience at home.

Digital guest journeys save time, costs and personnel on the side of hotel operators. Even luxury hotel brands, which traditionally have the highest employee-to-guest ratio are turning to contactless communication with guests to provide them with an additional choice to what degree their hotel experience should be personalised. Technologies allow for guest experiences to be more seamless and bespoke from the minute of the booking to the day that the guests return home.

As digital solutions become the “new normal” within the hospitality space, they might pose challenges for smaller hotel brands and independent properties, due to the high initial investment costs.

Sources: Christie & Co Research, HVS

Long Stay Products & Digitalised Guest Experiences

CHRISTIE & CO

TOP 9 CITIES

Performance & Outlook

HOTEL MARKET – HAMBURG

Hamburg is Germany's 2nd largest city and the gateway to the world with its major container harbour and cruise ship port. As one of the country's most important economic centres, it hosts a variety of multinational companies particularly in the logistics sector. Furthermore, Hamburg is a renowned congress and fair as well as musical destination. Since 2017, demand for hotels and B&Bs has shown a strong growth of about 20% until 2019 while bed supply has also grown by 21%. Due to the Covid pandemic, the supply has barely seen any growth until 2021. Nevertheless the pipeline currently records 63 projects (approx. 11'000 rooms in the pipeline) and performance KPIs are likely to grow more slowly due to the additional supply.

Overview

Key highlights

- Population: 1.9m
- Unemployment rate: 7.5%
- Airport passengers: 1.2m
- Trade fairs & event visitors: 1.7m

Key companies

- Beiersdorf
- Airbus Deutschland
- Asklepios clinics
- Edeka Zentrale
- Jungheinrich

Key attractions

- Port incl. Elbphilharmonie
- Miniatur Wunderland
- City Hall and Mönckebergstraße
- St. Michaelis Church
- St. Pauli and the Reeperbahn

Key transactions

- My4walls Serviced Apartments, 143 keys, 21m EUR

Supply

Hotels and B&Bs		Beds
+0,2%	CAGR	+1,1%
417	2021	75.216
415	2020	72.717
331	2019	57.788

Selected 2021 hotel openings

- Motel One Hamburg-Fleetinsel, 441 keys
- Moxy Hamburg Altona (Kühnehöfe), 220 keys
- Ibis Styles Hamburg-Barmbek, 188 keys
- CAB20 Cabin Hotel, 176 keys

Demand

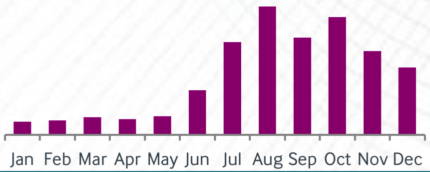
Overnights CAGR -14%

2019	2020	2021
15.4m	6.9m	7.6m

Performance

	2021 (YoY Change) Source: STR[2]
ADR	+3,6%
Occ	+9,6%
RevPAR	+13,5%

Seasonality



Performance

Like the other German cities, the first half of 2021 was still impacted by tight covid-related restrictions for the lodging industry, which were only lifted in May. However, Hamburg had a strong summer, peaking with 1.3m overnights in August. It benefitted from being a common stop on the way to other leisure destinations at or around the North and Baltic Sea.

Outlook – Positive

Hamburg is expected to recover ahead of the other Top 9 cities due to its high percentage of domestic and leisure tourists, even in pre-Covid-19 times. In the last five years, three-quarters of overnight stays were generated by German travellers, a trend which will likely remain and/or pick up, thus stimulating the hotel market recovery. In addition, the relatively dense pipeline within the leisure segment indicates that the leisure demand is expected to recover quickly over the next year.

Notes: [1]Latest available data; [2]Republication or other re-use of this data without the express written permission by STR is strictly prohibited.
Sources: Statistical Office of each State; Trade fairs of each city; RCA; STR; Christie & Co

HOTEL MARKET – BERLIN

Berlin is Germany's largest city, capital, political centre and home to the headquarters of several multinational companies. It is the 4th most popular convention destination in the world, the 3rd most visited city in Europe and an important hub for fashion, culture and media. Overnights increased by 13,7% in 2021 compared to 2020 whereas both hotel and bed supply decreased by a CAGR of -3,2% since 2017 demonstrating the impact of the last two years on the Berlin hotel market. Nevertheless, the confirmed pipeline comprises c.11,000 rooms in over 60 projects. The largest project is the extension of the Estrel conference hotel with an additional 750 rooms, which are currently under construction.

Overview

Key highlights
- Population: 3.7m
- Unemployment rate: 9.8%
- Airport passengers: 9.95m
- Trade fairs & event visitors: 0.42m

Key companies
- Deutsche Bahn
- Charité
- Vivantes clinics
- BVG
- Siemens

Key attractions
- Brandenburg Gate
- TV Tower and Alexanderplatz
- Reichstag
- Kurfürstendamm
- Kaiser Wilhelm Memorial Church

Key transactions
- Development Premier Inn, 296 keys
- Holiday Inn Alexanderplatz, 153 keys
- Hotel Indigo Alexanderplatz, 153 keys

Supply

Hotels and B&Bs		Beds
-4,6%	CAGR	-3,3%
698	2021	135,821
731	2020	117,197
803	2019	150,346

Selected 2021 hotel openings
- Hotel AMANO Eastside, 174 keys
- Hotel ROMY by AMANO, 100 keys
- nena apartments Moritzplatz, 30 keys

Demand

Overnights CAGR +3%

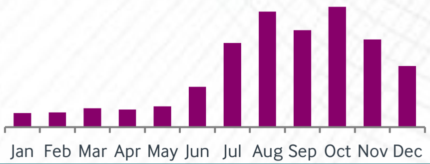
2019	2020	2021
34.1m	12.0m	14.0m

Performance

2021 (YoY Change) *Source: STR* [2]

ADR	-1,4%
Occ	+19,2%
RevPAR	+17,6%

Seasonality



Performance

The lack of events, festivals, as well as trade fairs in 2020 caused a significant decline in the arrivals and overnight stays. However, overnights increased slightly from 2020 to 2021 showing the impact of lifted regulation on travel bans. Similarly, Berlin is a popular destination for international leisure and business tourists and, depending on regulations, will probably have to forgo such international demand for longer.

Outlook – Positive

A relatively high percentage of domestic tourists will be a key driving factor during the recovery process. Berlin is the city in Germany with the highest YoY percentage increase in occupancy, 6,1% higher than in 2020. The new airport Berlin Brandenburg is also expected to drive international demand, a necessary factor for the full recovery of Germany's capital.

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HOTEL MARKET – DUSSELDORF

Dusseldorf is the heart of the economic powerhouse of the Rhine-Ruhr area and the 2nd largest banking and financial city in Germany. Besides, Dusseldorf is a key trade fair destination, thus demand is highly MICE/business-oriented with lower demand during weekends. Leisure demand is generated by, amongst others, the Königsallee, one of Germany's prime high streets. Due to the German hotel market still being subject to strict travel bans until May 2021, ADR and RevPAR performance were negatively impacted decreasing by -10,2% and 7,6% respectively. The pipeline remains strong with 4,461 rooms in 22 projects and will likely result in additional performance pressure for existing hotels.

Overview

Key highlights
- Population: 0.6m
- Unemployment rate: 7.8%
- Airport passengers: 8m
- Trade fairs & event visitors: 0.25m

Key companies
- Rheinmetall
- Daimler
- Henkel
- Vodafone
- Metro Group

Key attractions
- Old Town
- Königsallee
- Media Harbour
- Rhine Embankment
- Hofgarten

Key transactions
- Das Carls Hotel, 73 keys

Supply

Hotels and B&Bs		Beds
-0,3%	CAGR	+3,3%
216	2021	30,354
159	2020	22,028
218	2019	27,947

Selected 2021 hotel openings
- Holiday Inn Express Dusseldorf Main Train Station, 455 keys
- Ruby Luna, 206 keys
- Novotel Dusseldorf Airport, 210 keys
- The niu Tab, 438 keys

Demand

Overnights CAGR -20%

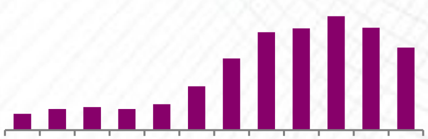
2019	2020	2021
5.0m	1.8m	1.9m

Performance

2021 (YoY Change) *Source: STR[2]*

ADR	-10,2%
Occ	+3,0%
RevPAR	-7,6%

Seasonality



Performance

Dusseldorf has been comparatively severely affected by the impact of the Covid-19-pandemic on tourism. This is due to the fact that the city is heavily dependent on the trade fair cycle, which happened to affect the city very positively in 2019.

The hosting of the Medica, with 46,000 visitors, 76% from abroad, brought a ray of hope for Dusseldorf's hoteliers and for the return of trade fairs and international demand in the future.

Outlook – Negative

The high number of rooms in the pipeline and the dependency on corporate demand indicate a relatively slow recovery for the hotel market.

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Sources: Statistical Office of each State; Trade fairs of each city; RCA; STR; Christie & Co

HOTEL MARKET – COLOGNE

Cologne is Germany's media and communications city and renowned for the world's 3rd largest carnival. The city is a leading hub and important transhipment centre for logistics via rail, air, road and river. Its economic strength is based on both its Rhine ports, which are amongst the most significant inland ports in Europe, as well as its geographical proximity to the Ruhr region. In the last 5 years, Cologne's hotel market has experienced further consolidation with an overall declining hotel stock, due to the opening of larger hotels. At the moment, there are 11 projects totalling about 1,700 rooms in planning or under construction.

Overview

Key highlights
- Population: 1.1m
- Unemployment rate: 9,3%
- Airport passengers: 4.25m
- Trade fairs & event visitors[1]: 0.47m

Key companies
- Deutsche Bahn
- REWE Group
- Ford
- AXA
- Lanxess

Key attractions
- Cologne Cathedral
- Hohenzollern Bridge
- Old Town Hall
- Rhine River Cruises
- Chocolate Museum

Key transactions
- Radisson RED Köln, 265 keys, part of the „Laurenz Carré"

Supply

Hotels and B&Bs		Beds
-4,7%	CAGR	+0,01%
242	2021	34,056
280	2020	34,048
280	2019	32,099

Selected 2021 hotel openings
- Adina Apartment Hotel, 171 keys
- Ruby Ella, 308 keys
- Motel One Köln Messe, 186 keys

Demand

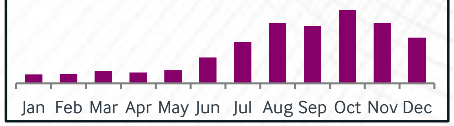
Overnights CAGR -16%

2019	2020	2021
6.0m	2.6m	2.8m

Performance

	2021 (YoY Change) Source: STR[2]
ADR	-1,9%
Occ	+1,7%
RevPAR	-0,2%

Seasonality



Performance

Cologne's excellent location along the Rhine represents a unique opportunity to attract a large number of leisure travellers on their way to other highly sought-after destinations in the Rhine Valley.

The second half of 2021 was promising with an increase in arrivals of 2,5% and an increase in overnights by 8,1% compared to 2020. This can mainly be attributed to higher traffic from nearby source markets and the city hosting several congresses and exhibitions throughout the autumn months.

Outlook – Positive

Among the top 9 cities in Germany, Cologne has historically shown the most sustainable development of the hotel market, as demand has increased significantly more than supply pre-pandemic. The overall high demand stability over the past years indicates a rather rapid recovery.

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Sources: Statistical Office of each State; Trade fairs of each city; RCA; STR; Christie & Co

HOTEL MARKET – LEIPZIG

As Germany's fastest-growing city, Leipzig is located in the state of Saxony, only 70 minutes away from the nation's capital, Berlin. Throughout the years Leipzig has become an important place economically, being home to companies such as DHL, Amazon, BMW, Siemens, Porsche and IT start-ups. 20'000 new jobs have been created in the city over the past 3 years. The city benefits from its own international airport Leipzig Halle, as well as Berlin's two airports, only 90-minute away by train. With 19 confirmed projects totalling nearly 2,500 rooms, Leipzig's hotel market will experience a 28% increase in its room supply in the following years.

Overview

Key highlights
- Population: 0.6m
- Unemployment rate: 6.3%
- Airport passengers: 0.67m
- Trade fairs & event visitors: 0.13m

Key companies
- Davaso
- DHL
- BMW
- Siemens
- European Energy Exchange

Key attractions
- Old Town
- St. Nicholas Church
- Monument to the Battle of the Nations
- Bach-Museum
- Zoo Leipzig

Key transactions
- Future Living Hotel (development), 224 keys
- Krystallpalast-Areal (development), 282 keys

Supply

Hotels and B&Bs		Beds
-0,2%	CAGR	+4.0%
138	2019	22.248
142	2017	21.097
139	2015	19.806

Selected 2021 hotel openings
- TH Hotel Leipzig Messe, 52 keys

Demand

Overnights CAGR -10%

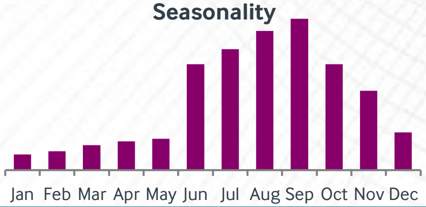
2019	2020	2021
3.0m	2.0m	2.3m

Performance

2021 (YoY Change) *Source: STR*[2]

ADR	-3,2%
Occ	+2,0%
RevPAR	-1,3%

Seasonality



Performance

After the lockdown, which lasted until the end of May 2021, Leipzig's tourism industry had recovered relatively quickly in the summer.

Offers to explore the Leipzig region, as well as trips for families and individual tourists, were particularly popular, which, with 368,339 overnight stays, even set a new record in August 2021. However, due to the ban on tourist overnight stays in the Free State of Saxony from the end of November 2021 and the cancellation of the Leipzig Christmas Market, there was a significant decline in December 2021 with only 73,433 overnight stays.

Outlook – Positive

A high percentage of domestic tourists will be a key driving factor during the recovery process. Due to its highly heterogeneous demand, a fairly speedy recovery is to be expected.

Notes: [1]Latest available data; [2]Republication or other re-use of this data without the express written permission by STR is strictly prohibited.
Sources: Statistical Office of each State; Trade fairs of each city; RCA; STR; Christie & Co

HOTEL MARKET – DRESDEN

Dresden, the capital of the German state of Saxony, ranking fourth in the area comparison of major German cities after Berlin, Hamburg and Cologne. The city stretches on both banks of the Elbe River and is nestled in the foothills of the Eastern Ore Mountains, the Elbe Sandstone Mountains and the Lusatian Granite Plate. Dresden is characterized by renowned art museums and the classical architecture of the reconstructed old town. Dresden is thus considered a city of art and culture, but also an important technology location. A network of research, business and culture has established itself in the city. There are a total of nine universities in Dresden. With approx. 37,000 students in November 2021, the Technical University is one of the largest universities in Germany. The currently confirmed hotel pipeline includes around 1,157 rooms in about 8 projects.

Overview

Key highlights
- Population: 0.6m
- Unemployment rate: 5.4%
- Airport passengers: 327.000
- Trade fairs & event visitors: 0.2m

Key companies
- Cyberport GmbH
- Globalfoundries
- Elbe Flugzeugwerke
- Auto Zentrum Dresden
- General Atomics Europe

Key attractions
- Hofkirche
- Semper Opera House
- Frauenkirche (Church of our Lady)
- Green Vault
- Zwinger Palace

Key transactions
- Motel One Dresden Palaisplatz, 228 keys
- Residential and commercial quarter Großhainer Straße (Development), 228 keys

Supply

Hotels and B&Bs		Beds
-3,8%	CAGR	-1,7%
163	2021	22,764
183	2019	23,933
180	2017	22,793

Selected 2021 hotel openings
- Moxy Dresden Neustadt, 185 keys
- Arcotel HafenCity, 183 keys

Demand

Overnights CAGR -16%

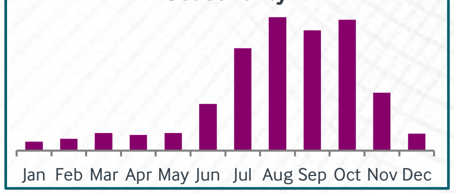
2019	2020	2021
4.7m	1.1m	2.2m

Performance

2021 (YoY Change) *Source: STR*[2]

ADR	+7,1%
Occ	-8,3%
RevPAR	-1,7%

Seasonality



Performance

In 2020 and 2021, the hotel market in Dresden suffered from the Corona pandemic: with 1.1 million overnights only in 2020 and 2.2 million overnight stays in 2021, the number of overnight stays had more than halved compared to 4.7 million in 2019. With the lift of regulation for the lodging industry for Germany in June, performance improved throughout the second half of 2021.

Outlook – Positive

With most restrictions lifted, Dresden as a tourist destination is in an above-average position to recover quickly from the Covid 19 pandemic and its aftermath. This is particularly due to the low proportion of international guests, who account for only 21% of total demand in 2019 and only 13% in 2021.

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HOTEL MARKET – FRANKFURT AM MAIN

Frankfurt is one of the world's most important financial markets and a leading business destination, recently crowned as Germany's most liveable city by the Economist Group. The city benefits from the largest airport in Germany, the 3rd biggest exhibition centre worldwide and the presence of numerous major companies and corporations. Insofar, Frankfurt's tourism is mainly characterised by business travellers during weekdays. Until 2018, demand outpaced supply growth, a trend which was reversed in 2019 with supply growing by 6.2% p. a. and overnights by 4.9% p. a. With c. 6,200 rooms in almost 30 confirmed projects, supply pressure is likely to remain high in the near future.

Overview

Key highlights

- Population: 750,000
- Unemployment rate: 6.6%
- Airport passengers: 24.8m
- Trade fairs & event visitors: 1.6m

Key companies

- Deutsche Bank
- DZ Bank
- Commerzbank
- KfW Bankengruppe
- ING

Key attractions

- Römerberg
- Museum District
- Old Opera House
- St. Bartholomew's Cathedral
- Goethe House and Museum

Key transactions

- Villa Kennedy Frankfurt. 163 keys
- Hilton & Hilton Garden Inn Frankfurt Airport, 583 keys
- Meininger Frankfurt Messe, 164 keys
- Atlantic Hotel Frankfurt, 374 keys

Supply

Hotels and B&Bs		Beds
+0,6%	CAGR	+0,4%
275	2021	55,702
270	2020	55,080
250	2019	47,944

Selected 2021 hotel openings

- Meliá Frankfurt City, 431 keys
- Dorint Parkhotel Frankfurt / Bad Vilbel, 180 keys
- Ruby Louise, 215 keys

Demand

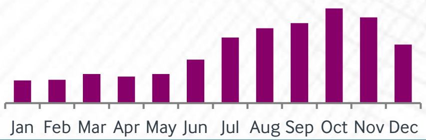
Overnights CAGR -14%

2019	2020	2021
10.3m	4.1m	4.2m

Performance

	2021 (YoY Change) *Source: STR*[2]
ADR	-10,0%
Occ	+4,7%
RevPAR	-5,8%

Seasonality



Performance

Frankfurt has seen a steady increase in arrivals and overnight stays over the last several years, a trend which unfortunately stopped in 2020. With the pandemic, corporate demand came to a grinding halt, reducing the number of overnight stays by 61% and arrivals by 65%. Frankfurt Messe, one of the world's largest trade fairs, relies on roughly 5 million yearly visitors.

While around 150 trade fairs and exhibitions "Made by Messe Frankfurt" were held worldwide prior to Corona, the preliminary key figures for the current 2021 financial year show that this figure was less than half.

Outlook – Negative

Ultimately, the return of international business demand, which has fallen by 70% in 2020 and decreased by another 2% in 2021, will be crucial for the hotel market recovery. As Frankfurt am Main is heavily dependent on Corporate, MICE, and international demand, the market will take comparatively longer to recover.

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HOTEL MARKET – STUTTGART

Stuttgart is the capital of the state of Baden-Württemberg and Germany's 6th biggest city with a population of just about 620'000 The most important industrial sector in the region is the automotive industry with the German brands Mercedes Benz and Porsche. In addition, international suppliers such as Robert Bosch GmbH and Mahle GmbH have their headquarters in Stuttgart. 2021 recorded similar overnights numbers as the previous year and the loss of trade fair visitors further enhanced pressure on KPI performance, with both ADR and RevPAR decreasing by nearly another 10% compared to 2020. The currently confirmed pipeline includes approximately 1,800 rooms in about 12 projects.

Overview

Key highlights
- Population: 0.6m
- Unemployment rate: 5,1%
- Airport passengers: 3.6m
- Trade fairs & event visitors: 0.25m

Key companies
- Mercedes-Benz Group AG
- Robert Bosch GmbH
- Porsche
- DEKRA
- Landesbank Baden-Württemberg

Key attractions
- New Palace
- Stuttgart TV Tower
- Mercedes-Benz Museum
- Cannstatter Wasen
- Staatsgalerie

Key transactions
- Future Motel One (development), 15m EUR
- Adina Hotel, 169 keys, 68m EUR
- Premier Inn, 260 keys, 69m EUR

Supply

Hotels and B&Bs		Beds
-0.6%	CAGR	-2,6%
168	2019	20.367
158	2017	19,629
171	2015	22,051

Selected 2021 hotel openings
- Hampton by Hilton Stuttgart City Centre, 157 keys
- MOXY Stuttgart Feuerbach, 238 keys
- Premier Inn City Nord, 144 keys
- Motel One Main Train Station, 410 keys

Demand

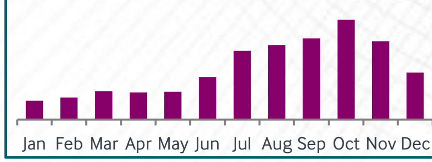
Overnights CAGR -16%

2019	2020	2021
4.1m	1.6m	1.6m

Performance

	2021 (YoY Change) *Source: STR [2]*
ADR	-9,6%
Occ	+0,1%
RevPAR	-9,5%

Seasonality



Performance

Traditionally Stuttgart's tourism landscape is driven by MICE demand due to its many business events, congresses and trade fairs. The city has a variety of venues such as the Stuttgart Trade Fair Center and the ICS. This dependency on business travel makes Stuttgart's tourism industry slower to recover, RevPAR still down 68% compared to 2019, mainly due to an occupancy of 60% less than pre-pandemic records. However, throughout the second half of 2021 the increasing number of overnight stays also show travellers increasing confidence in the lodging industry.

Outlook – Neutral

Most of Stuttgart's demand is domestic which will benefit the market's recovery and give it an advantage over cities more attracted by international source markets. The project pipeline envisages an increase of around 3,000 rooms in the next few years and could lead to an oversupply in the accommodation market in the medium term.

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HOTEL MARKET – MUNICH

Munich is a popular city destination and the most important business hub in southern Germany, profiting from the country's 2nd largest airport, one of the top-selling trade fairs worldwide as well as national and international enterprises, 6 of which are listed in Germany's blue-chip index DAX. From 2014 to 2019, demand evolved the most dynamic of all the top 9 cities analysed with overnights increasing by an average 7.6% p. a. Despite the significant drop in demand since March 2020 Munich's supply is expanding confidently. The fiercer competitive environment is unlikely to extenuate considering both pausing fairs and a pipeline, which remains considerable with more than 5,500 rooms in about 32 projects.

Overview

Key highlights
- Population: 1.6m
- Unemployment rate: 2.4%
- Airport passengers: 47.9m
- Trade fairs & event visitors: 2.5m

Key companies
- Allianz
- BMW
- Linde
- Munich Re
- Siemens

Key attractions
- Marienplatz and New Town Hall
- BMW World
- Cathedral Church of Our Lady
- Nymphenburg Palace
- Olympic Park

Key transactions
- Fattal Hotel Portfolio (Leonardo Hotel & Residence Munich, Leonardo Munich City West), 368 keys, 77m EUR
- Hotel Königshof, 105 keys
- INNSIDE by Melia Parkstadt Schwabing, 160 keys, 56m EUR

Supply

Hotels and B&Bs		Beds
+5,0%	CAGR	-12,0%
533	2021	57,191
483	2020	75,500
460	2019	84,000

Selected 2021 hotel openings
- Adina Apartment Hotel, 234 keys
- Schwan Locke, 151 keys
- The niu Brass, 276 keys

Demand

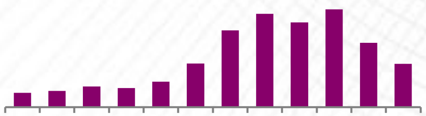
Overnights CAGR -14%

2019	2020	2021
17.2m	7.1m	7.9m

Performance

	2021 (YoY Change) Source: STR[2]
ADR	-0,5%
Occ	+15,6%
RevPAR	+15,0%

Seasonality



Performance

At the beginning of 2021, the global pandemic still caused a significant drop in arrivals and overnight stays. From June 2021 onwards, an upswing was recorded due to the loosening of restrictions for the lodging industry. The development throughout the second half of 2021 is a first positive sign for the recovery of the market, also represented in an overall increase in occupancy of 3.9pp for the whole year.

There was a notable shift in source markets from overseas to European guests. The driving source in the first half of 2021 were domestic visitors which made up 76% of all overnights.

Outlook – Positive

The tourism industry in cities like Munich was especially heavily impacted by the loss of business travellers, congresses and trade fairs. With the hosting of Expo REAL and most importantly the Oktoberfest for the first time in two years this fall, normality seems to return to Bavaria's capital.

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Sources: Statistical Office of each State; Trade fairs of each city; RCA; STR; Christie & Co

OUTLOOK

Bumpy road behind and ahead

Signs are now finally pointing to recovery: measures are being eased or withdrawn altogether, new vaccines are coming onto the market, and airport passenger numbers are on the rise again. In addition, some operators as well as investors remain on a targeted growth course and have chosen the German hotel market as an attractive investment. Uncertainties remain, however, regarding the spread of viral variants and whether business and MICE tourism will return as it did in pre-home office times. Additionally, the industry faces operational obstacles due to labour shortages, supply bottlenecks and rising inflation, making the hospitality space an even more tricky environment to operate in.

In addition to the impact of the Covid-19 pandemic, it remains to be seen how recent political events in Ukraine and Russia will unfold in the medium to long term. While travel and booking behaviour has also been affected in past crises and conflicts in a fundamentally more localized way, the economic consequences will be felt far more widely across the borders of the countries involved. For example, higher energy costs will also be reflected in price increases in the tourism sector.

The hotel development delays caused by the crisis could result in a record number of new openings in 2022, which would be in a glaring contradiction to the sharp drop in sales and overnight stays in the past two years and the expected changes in travel habits, especially for business trips. However, this must be offset by the closure or conversion of older stock, consolidation on the operator side, investments in digitization and flexibility, and the exploitation of additional business areas such as coworking or serviced apartments.

In the long term, we expect transaction volumes in the German hotel market to rise, despite current restraints. The lack of profitable interest rate investments continues to direct investment pressure into the real estate market and, in addition, new players are now also showing interest in the German hotel market. This assumption can be traced back to tourism key figures from the past as well as to recent trend studies.

In 2019, the World Tourism Organization recorded a travel volume of just under 1.5 billion travellers. The annual growth rate was 4.5% on the demand side, while hotel supply grew by only 2%. For the current year 2022, the trend study conducted by the hospitality group Accor in several European countries, including Germany, forecasts a huge increase in travel, which is associated with a recovery of the industry. Results of the study show that more than 80% of respondents are planning to travel this year and are willing to spend an average of 39% more on it than they did in 2019. We expect the success story of tourism and the hotel industry to continue in the future.

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