

THE GERMAN HOTEL MARKET

Overview of 6 key cities

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christie.com



Hotel Market Overview Germany

Two decades in review

20 years ago, Christie & Co expanded its hotel brokerage and consulting business into Germany – a hotel market that has been and continues to be very exciting, stable and impressive. What has happened in Germany and its 6 key cities in the last 2 decades? Analysis of nationwide demand since 1999 shows decline was only recorded in 2001/2002, where Germany suffered from a market downturn fuelled by global events such as 9/11 and in 2009 following the global financial crisis. In 2009, overnights declined by less than 1 percentage point only to rebound to record levels in 2010. The predominantly MICE/ business destinations such as Frankfurt and Dusseldorf have shown to be especially prone to economic fluctuations, whereas cities with a well-balanced guest mix such as Berlin, Munich and Hamburg have proven to be very resilient. These cities were completely unaffected during the global financial crisis and continue to welcome more guests and registering more overnights every single year since 2001/2002. While overnights in Germany have increased by circa 90% since 1999, they more than doubled in Munich, Frankfurt, Cologne, Dusseldorf and almost tripled in Hamburg and more than tripled in Berlin. Supply increased as well although lagging behind demand growth, which ultimately resulted in increasing occupancy rates in all markets, recording increases between 2 and 9 percentage points, except Frankfurt, which displayed roughly the same occupancy in 2018 than it did 2 decades ago. Frankfurt's stagnating occupancy is likely due to the largest increase in number of hotels compared to the other key cities. Although Berlin and Hamburg saw higher growth rates in terms of bed supply, demand growth was more dynamic.

Although supply evolved more slowly than demand and occupancy increased in most markets, the competitive environment prevented hoteliers from increasing prices beyond inflationary levels, except for Munich. The weakest markets have been Cologne, Dusseldorf and Berlin, where hotel prices have increased by less than 1% each year. Growth could have been even worse had it not been fuelled by the reduction of the VAT rate in 2010.

What will the future bring for Germany's prime hotel markets? Pipelines remain full and investments are still highly sought after. It remains to be seen whether the pork cycle will result in an oversupply in hotel stock should the economic cycle come to an end. History has shown that even if the pipelines are filled, supply will likely be absorbed at the cost of lower prices. The markets will continue to see consolidation, become more efficient and see a higher degree of digitalisation in order to remain competitive in an environment of increasing labour cost.

Although some cities saw performance decline in 2018, 2019 promises to be a smooth ride with continued growth, given no external shock hits the markets. See for yourself how Germany's key hotel markets are developing. We hope you enjoy reading our update on Germany's 6 key hotel markets.



Lukas Hochedlinger
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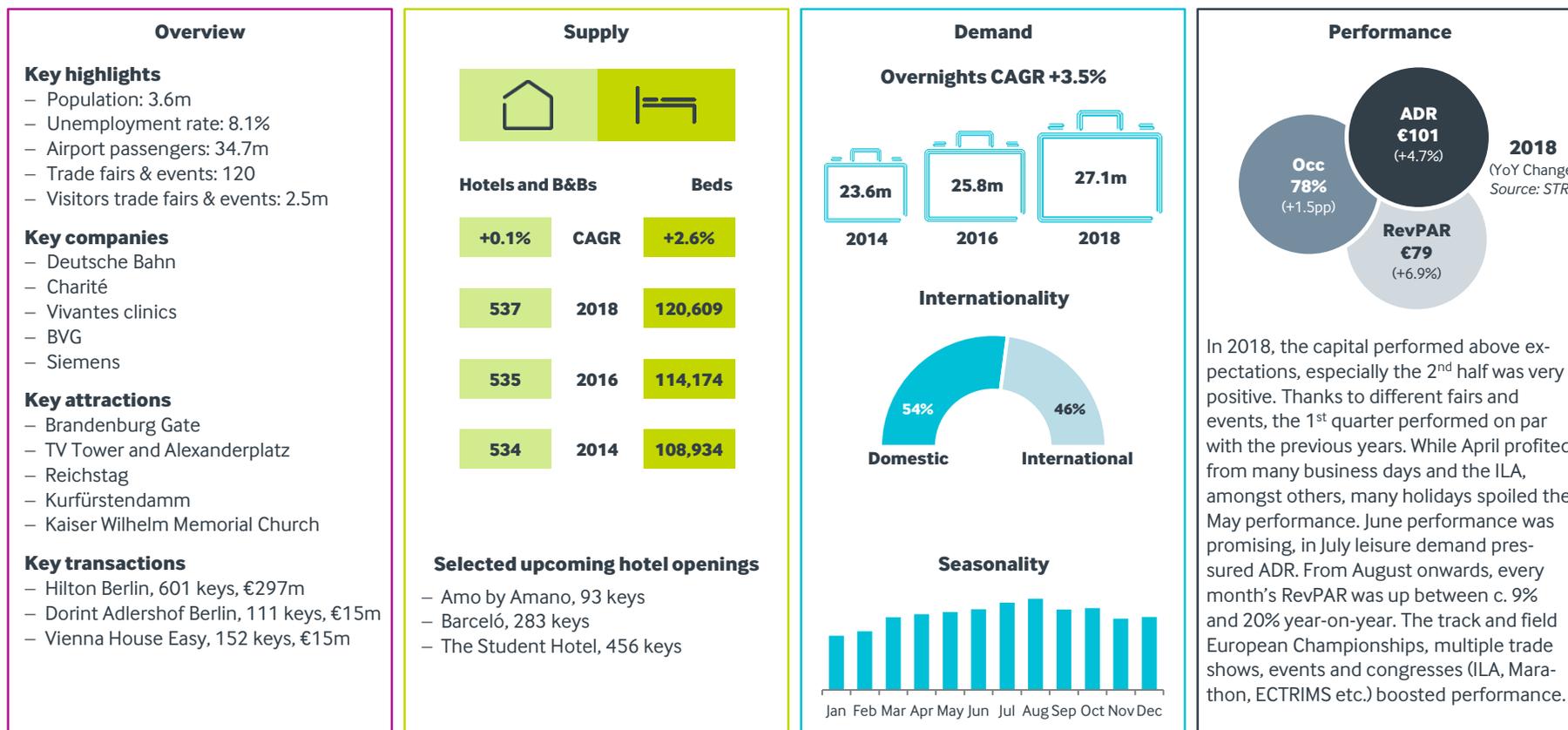


Patrik Hug
Senior Consultant
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Hotel Market Berlin

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. In the last 5 years, demand growth outpaced additions to supply, indicating a healthy market development. As such, overnights increased by 14.9% whereas bed supply grew by +10.7%. The pipeline currently comprises c. 12,000 rooms (including projects under construction, in planning and rumoured projects) and remains one of the country's largest which will likely keep future ADR growth in check.

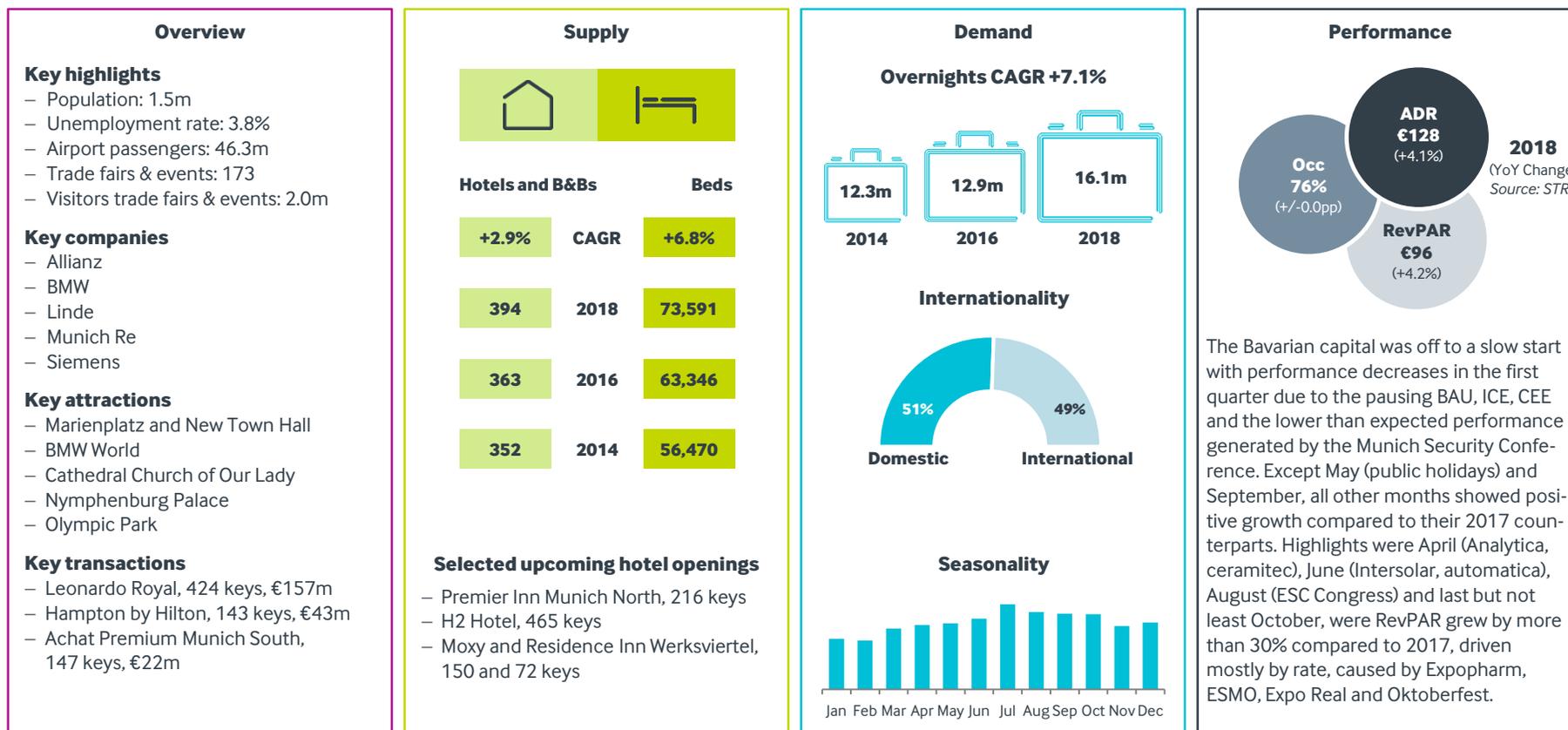


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Sources: Statistical Offices of each state; Trade fairs of each city; ADV; RCA; STR; Christie & Co



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. Since 2014 demand has developed very positively especially during the last 2 years showing each a double-digit overnight growth for hotels and B&Bs. Compared to 2014, the city's bed supply increased by almost a third, however demand kept up. With a pipeline of more than 9,000 rooms, performance is likely to deteriorate temporarily in 2020 after an expected performance spike in 2019 due to the BAU/Bauma fairs.

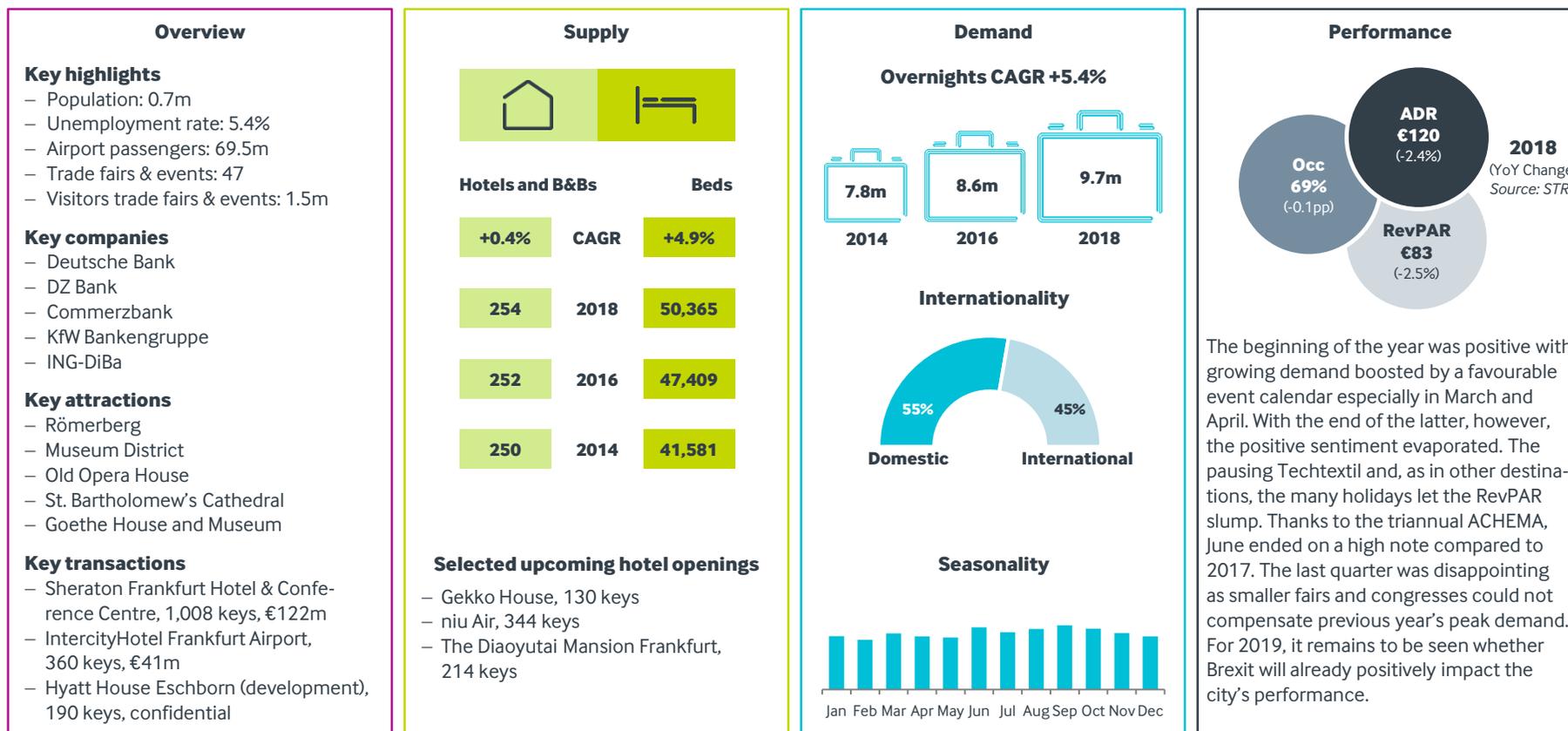


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Hotel Market Frankfurt am Main

Frankfurt is one of the world's most important financial markets and a leading business destination. 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. Since 2014 demand growth for hotels & B&Bs outpaced supply growth – overnights increased by +23.3% whereas bed supply grew by +21.1%. In the next years, more than 7,000 rooms are expected to be realised, the majority belonging to the upscale segment.



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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 2014, demand for hotels and B&Bs has shown a strong growth of 20.1%, which however, remained below the 21.4% increase in bed supply, indicating that new supply has not yet been completely absorbed by the market. While supply continues to grow (c. 12,000 rooms in the pipeline), performance KPIs are likely to come under pressure in the medium term.

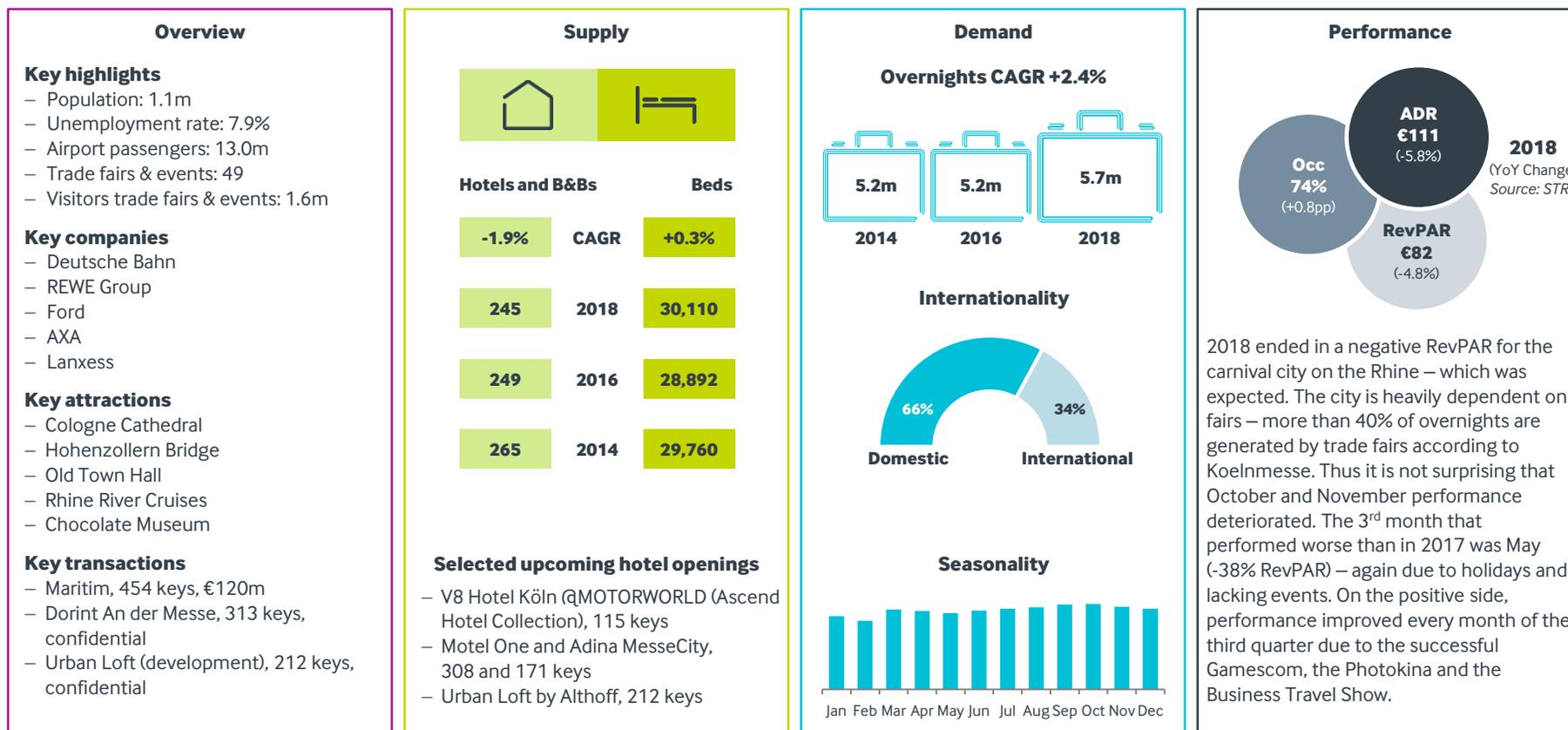


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Hotel Market Cologne

Cologne is Germany's media and communications city and renowned for the world's 3rd largest carnival. Cologne is a leading hub and important transshipment centre for logistics via rail, air and 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 a declining hotel stock, however more beds due to the opening of larger than average hotels. At the same time, demand saw a total increase of 10%. In the next years, only c. 1,700 new rooms are expected to enter the market.

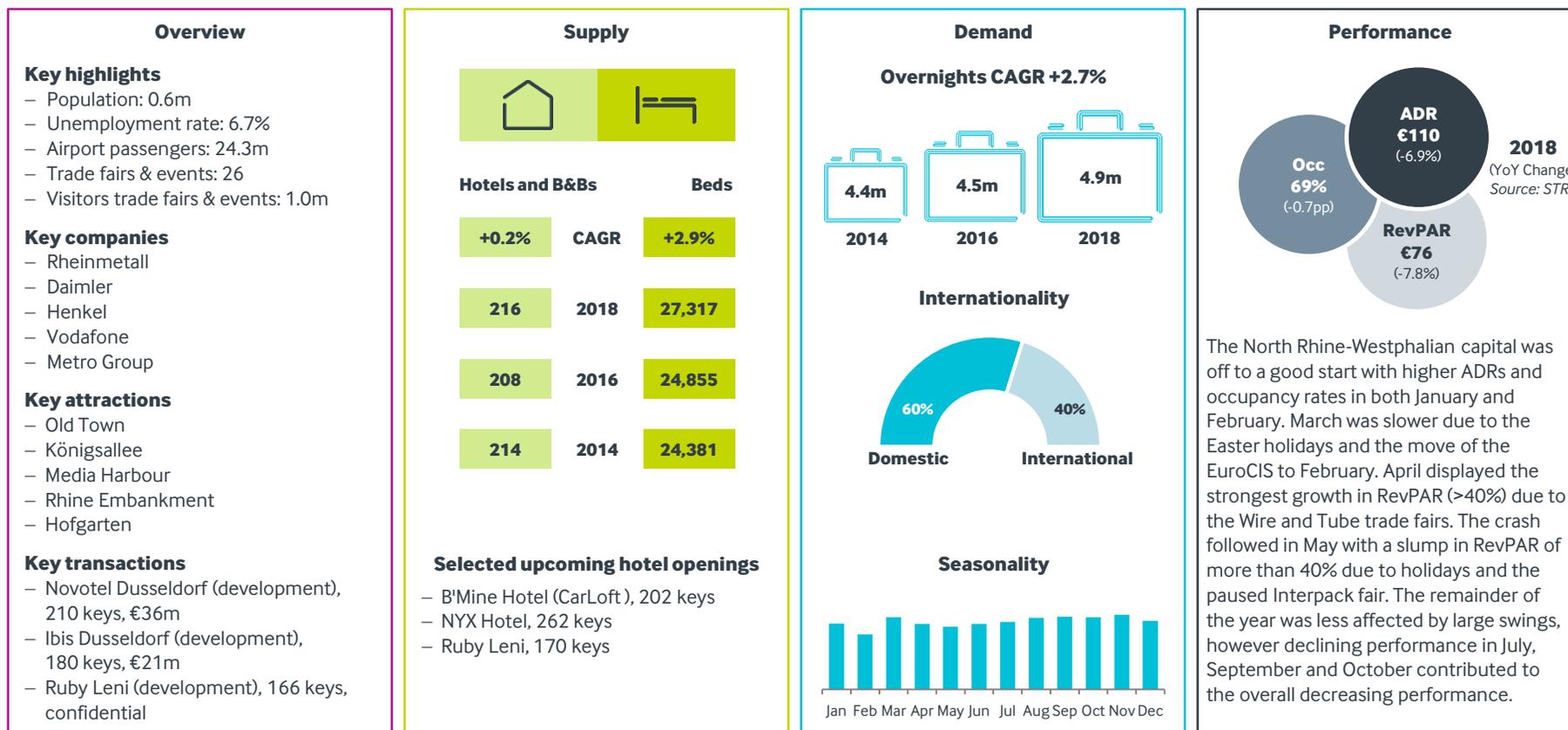


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Hotel Market Dusseldorf

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. Even if hotel supply has remained quite stable, bed supply has increased by 12% in the last 5 years – at a faster pace than demand, which only grew by 11.4% in the same period. Even though the pipeline seems manageable, performance KPI's are likely to keep reacting sensitively on both changes in supply as well as the trade fair calendar.



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Christie & Co

Range of consulting and brokerage services



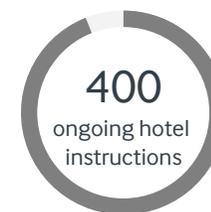
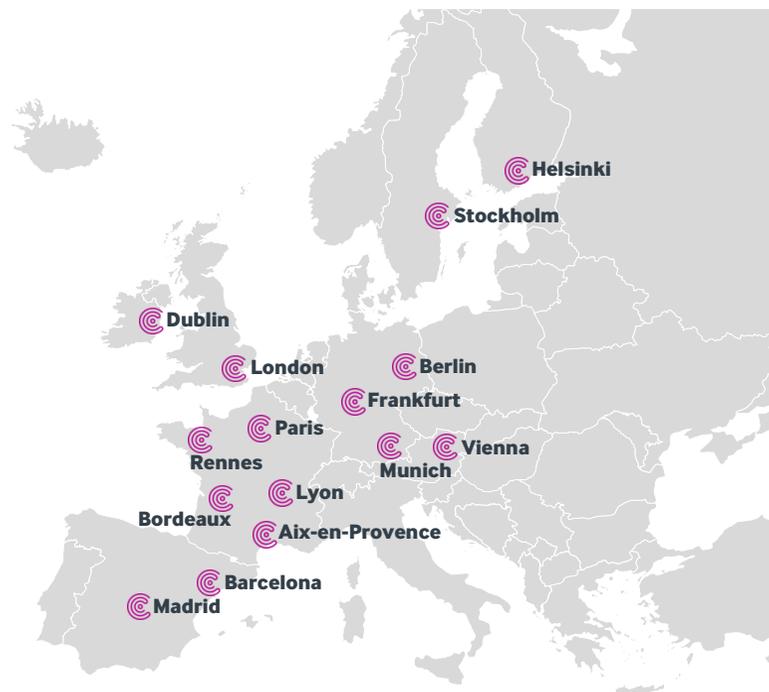
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Christie & Co – The German Hotel Market

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