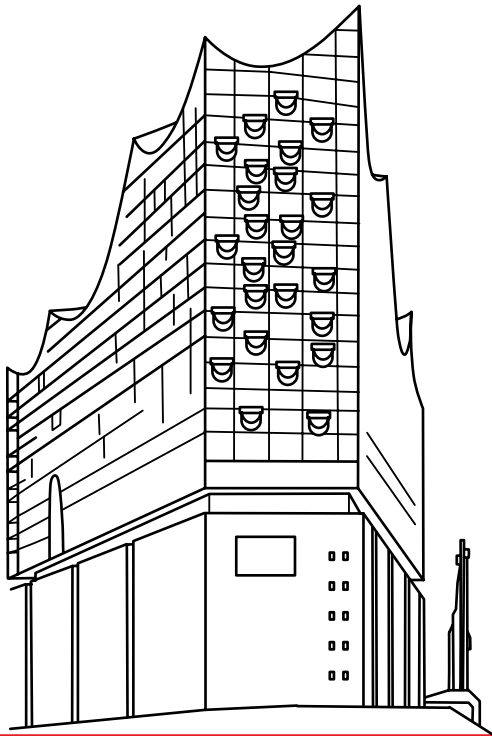


# HOTEL MARKET REPORT

GERMANY 2020



## GERMANY'S HOTEL INDUSTRY APPEARS ROBUST

Dear Readers,

February 2020

Alarming signs in the German hotel market are currently quite scarce. 2019 was, once again, a record-breaking year in many sectors. Overnight stays reached their 10th record year in a row. The pipeline is better filled than ever before as numerous new hotels are now also being developed beyond the top cities. The large number of new hotels boosted also the transaction volume to approximately EUR 4.9 billion in 2019 and reached almost the record level of 2016. In addition, yields are continuing to drift southwards. However, the yield compression is more intense in B- and C-locations than in A-locations.

Despite all these records, it must be mentioned that in many of the top locations, hotel performance is moving sideways. Hotels can no longer benefit from the rising tourism volume to the same extent as a few years ago. One main reason may be the continuous expansion of the product range. Now, it remains to be seen to what extent this trend will continue, as the majority of new openings is still pending. Moreover, serviced apartments are currently establishing themselves as a competitor for the traditional hotel industry.

The hotel market also continues to be characterized by the consolidation of operators on various levels. Traditional hotel companies are just as much a target for acquisitions as young, medium-sized companies. All mergers aim for the same – realization of synergies or the reaching of critical mass in order to stay competitive in an increasingly dynamic market.

As every year, together with our partners, HQ revenue and Fairmas, we are providing you an overview of the most recent information on the German hotel market. A solid database is the foundation for sustainable investment decisions and we are pleased to present you excerpts in this report.

We wish you many exciting insights!



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A handwritten signature in blue ink, appearing to read 'Matthias Hautli'.

Matthias Hautli

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# TRENDS AND DEVELOPMENTS

## OUTLOOK REMAINS POSITIVE



### ANOTHER DEMAND RECORD

At the beginning of 2020, no major reasons can be identified for a decrease in tourism flows in Germany. A stable economic forecast for the whole year and Germany's attractiveness as leisure destination are the main growth drivers. Furthermore, new concepts and brands are generating additional demand



### SIDEWAYS MOVEMENT IN PERFORMANCE

In the past two years supply has outpaced demand growth in most of the top destinations in Germany. As a result, hotel performance could not be increased in accordance to the demand record. This sideways movements may continue in 2020



### RECORD PIPELINE VS. SHORTAGE OF PLOTS

The hotel pipeline has never been so well filled. Currently more than 50 thousand new rooms are being built, which means that Germany ranks No. 1 in Europe. Considering the current shortage of inner-city plots, it remains unclear how long the acquisition departments of project developers and operators will be able to sign new businesses at a comparable pace



### FLEXIBILITY AND CREATIVITY REQUIRED

District developments, densification of existing properties, conversions - the realization of new projects requires creativity and flexibility on the operator's side. Fixed brand standards cannot be applied in all developments, especially considering the pressure on many developers



### TARGET-GROUP SPECIALISTS

The niche within the niche continues to evolve. After individual design alignments of concepts, the surrounding neighbourhood and businesses become part of the brand experience. To ensure authenticity and home-grown appeal it is crucial to employ locals as hosts

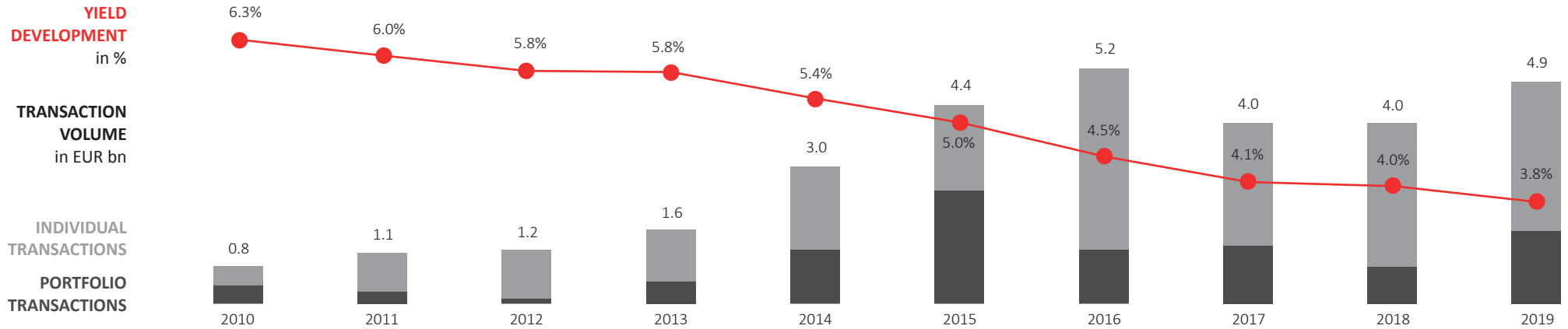


### LONG STAY LASTING LONG

New commercial residential concepts have been established on the market. In addition to independent providers, experienced project developers have created their own brands and entered the originally local market with nationwide concepts. This development is being supported by a growing target group of working nomads who appreciate the collaborative aspect of these concepts

# HOTEL TRANSACTION VOLUME

THE ASSET CLASS HOTEL CONTINUES TO ESTABLISH



## MARKET MOMENTUM

The transaction volume of approximately EUR 4.9 billion was not expected by all market participants. In particular, the resurgence of portfolio transactions has made a significant contribution to this result. Investors are also taking advantage of the continuing high market level for adjusting their portfolios or implementing asset-light strategies



## YIELDS AT AN ALL-TIME LOW

In A-locations the yield compression is slowing down. Prime yields are currently at approximately 3.8%. A sharper decrease in yields is expected in B- and C- locations. Based on the Sentiment Report 2019 | 2020 by Engel & Völkers Hotel Consulting, the premium for B- and C- locations is currently at 50 to 150 basis points

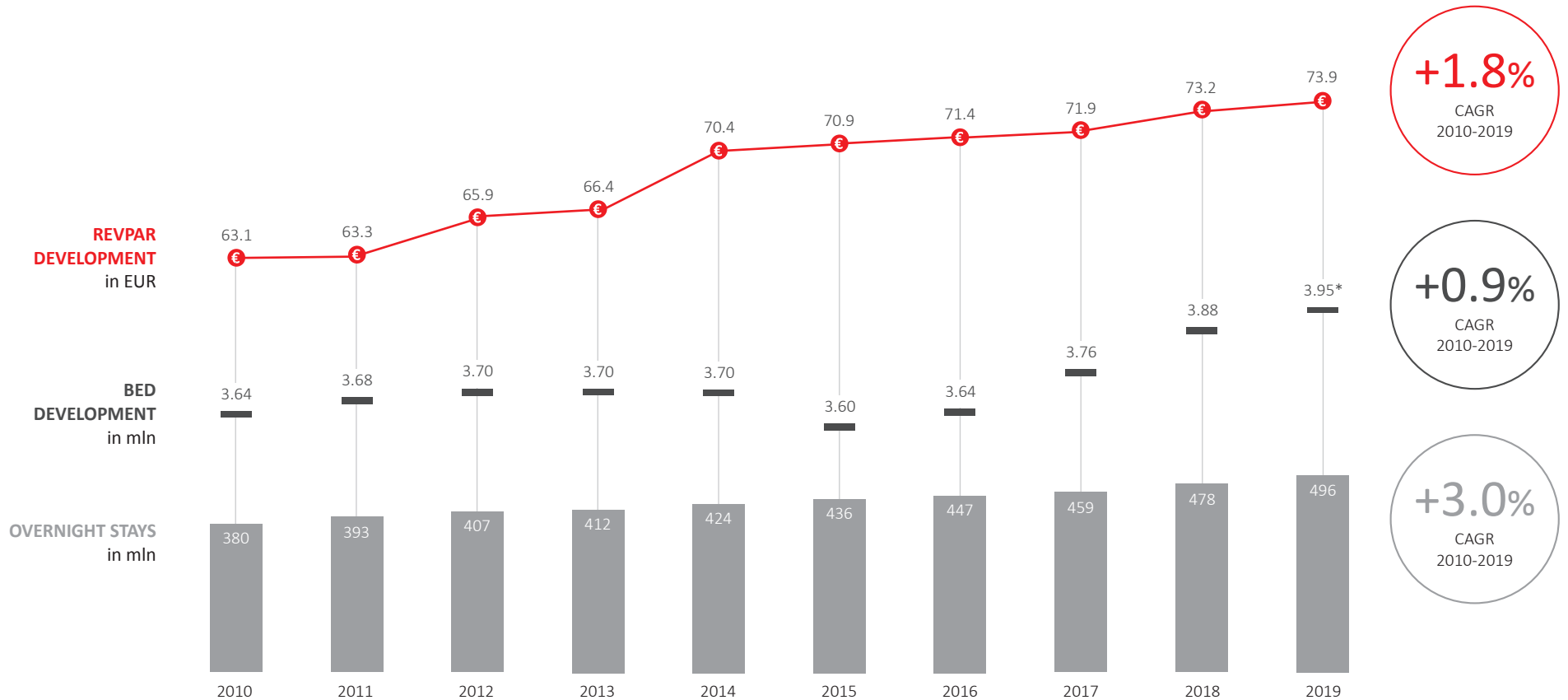


## FORECAST

According to Engel & Völkers forecasts, the hotel-transaction volume will also be above the EUR 4.0 billion mark in 2020. Forward deals as well as the realization of profit taking will ensure an appropriate range of products

# OVERVIEW HOTEL MARKET 2010 – 2019

CONSTANT UPWARD TREND

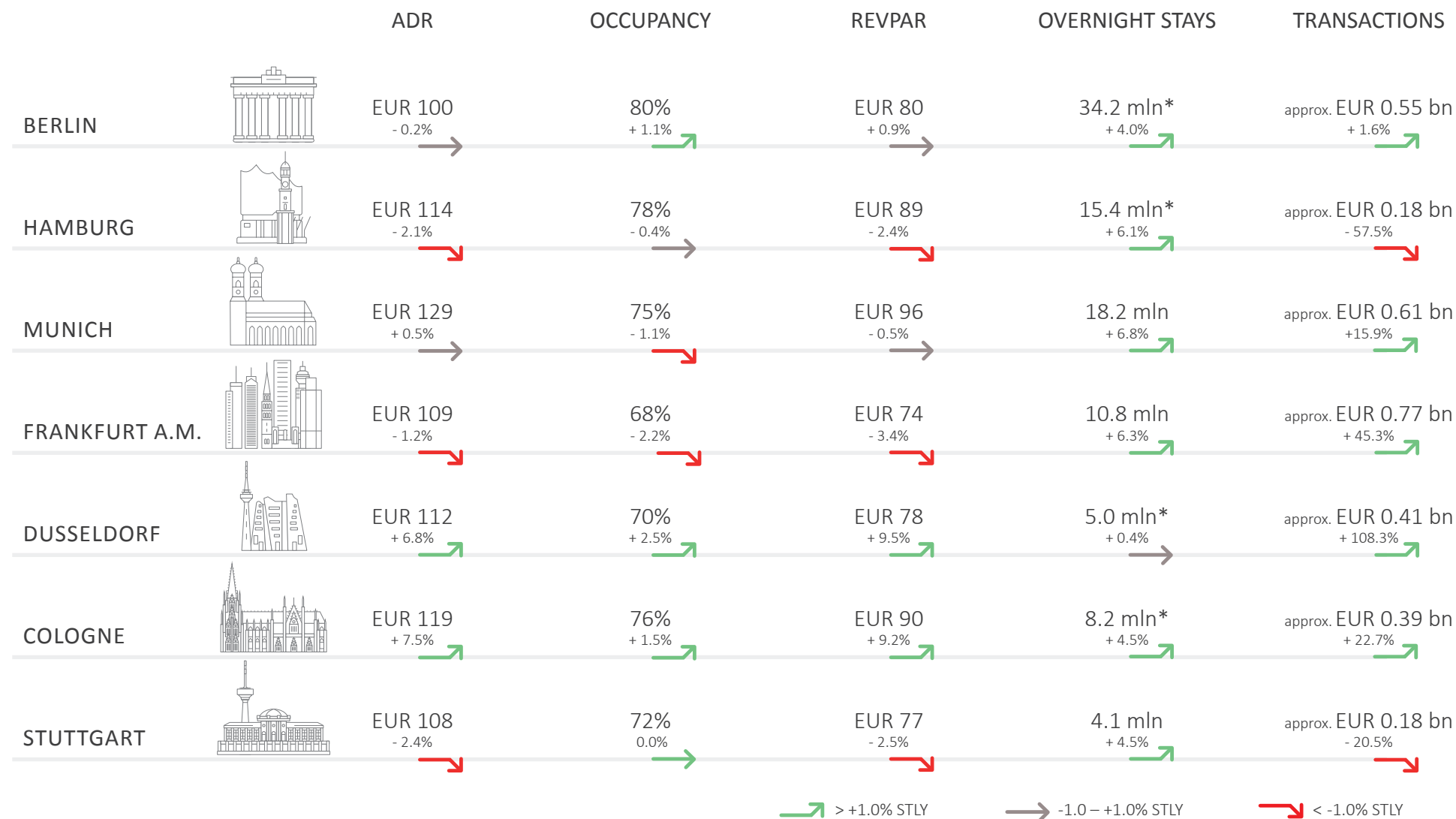


The development of the tourism KPIs over the past ten years shows, that the hospitality industry evolved extremely positive. Even though the additional beds are reflecting the large number of openings, the average annual growth of overnights (+3.0%) still outperforms the annual growth in supply (+0.9%). Similarly RevPAR has increased by 1.8% compared to the previous year reaching EUR 73.9 in 2019.

\*Value corresponds to Nov. 19

# TOP 7 CITIES OVERVIEW 2019

KEY PERFORMANCE INDICATORS COMPARED TO THE PREVIOUS YEAR



\*Includes extrapolation for unpublished months | Source: Fairmas, E&V Research, State Statistical Offices | STLY = same time period last year

“THE GERMAN HOTEL MARKET IS SET FOR GROWTH. ASIDE FROM THE MAJOR CITY DESTINATIONS, THE PIPELINE IS CONTINUING TO KEEP UP THE PACE. NEW DEMAND STIMULI ARE THE BASIC PREREQUISITES FOR THE FUTURE STABILITY OF THE MARKET.”



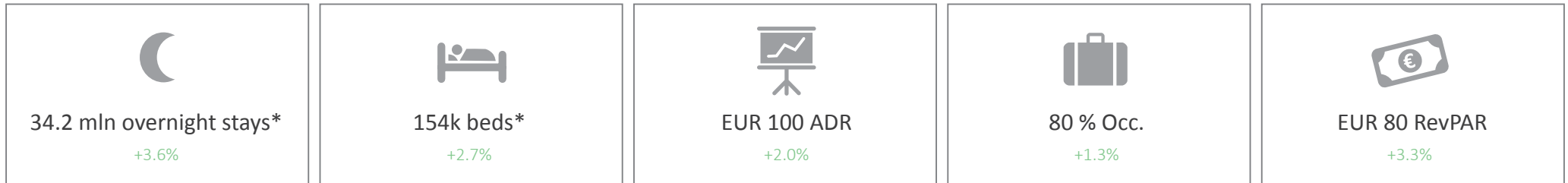
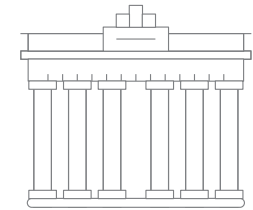


# CITY SNAPSHOTS – TOP 7 CITIES GERMANY



# BERLIN

PERSISTENT HIGH DEMAND IN THE CAPITAL CITY



## GERMANY'S OVERNIGHT CAPITAL

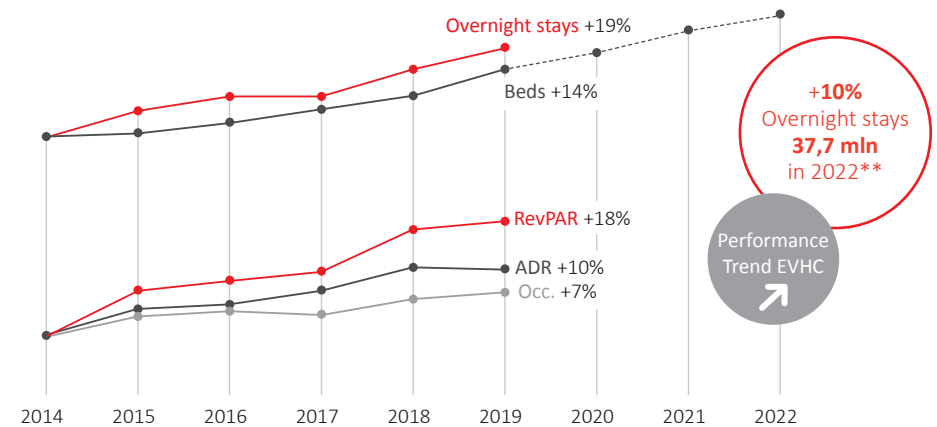
The tourism demand in Berlin continues to grow unabated. With 34.2 million overnight stays, the capital is the undisputed leader of the top seven city destinations in Germany, thus strengthening its position as one of the world's most important tourism metropolises.

Berlin's demand generators are diverse and cover both business and leisure segments. Leading international exhibitions such as the ITB, Fashion Week and Berlin's largest trade fair, "International Green Week", have generated substantial numbers of overnight stays in the first quarter of 2019. Additional events like the May Airlift Festival on the former Tempelhof airport and the 30<sup>th</sup> anniversary of the fall of the Berlin Wall were responsible for a constant flow of tourists.

## SUSTAINABLE SUPPLY DEVELOPMENT

In a five-year comparison, bed supply has developed in a sustainable relation compared to demand. Regarding the existing hotel pipeline, it can be assumed that the increase in demand will keep also pace with the growth in supply. In order to maintain or improve current hotel performance, about 34.2 million overnights will be required to fill the additional approx. 18 thousands beds in the next three years. This would be equivalent to an average annual growth in overnights of about 3.3% per year, which would be slightly below the trend of the last five years.

## PERCENTAGE DEVELOPMENT '14 – '19



Note: Percentages shown above correspond to CAGR 2014 – 2019 | \*Includes extrapolation for unpublished months | \*\*Based on the assumption of a constant occupancy rate in relation to the pipeline | Source: Fairmas, State Statistical Office, HQ revenue

## RATE LEVELS WITH FURTHER GROWTH POTENTIAL

### CONSTANT TRANSACTION VOLUME

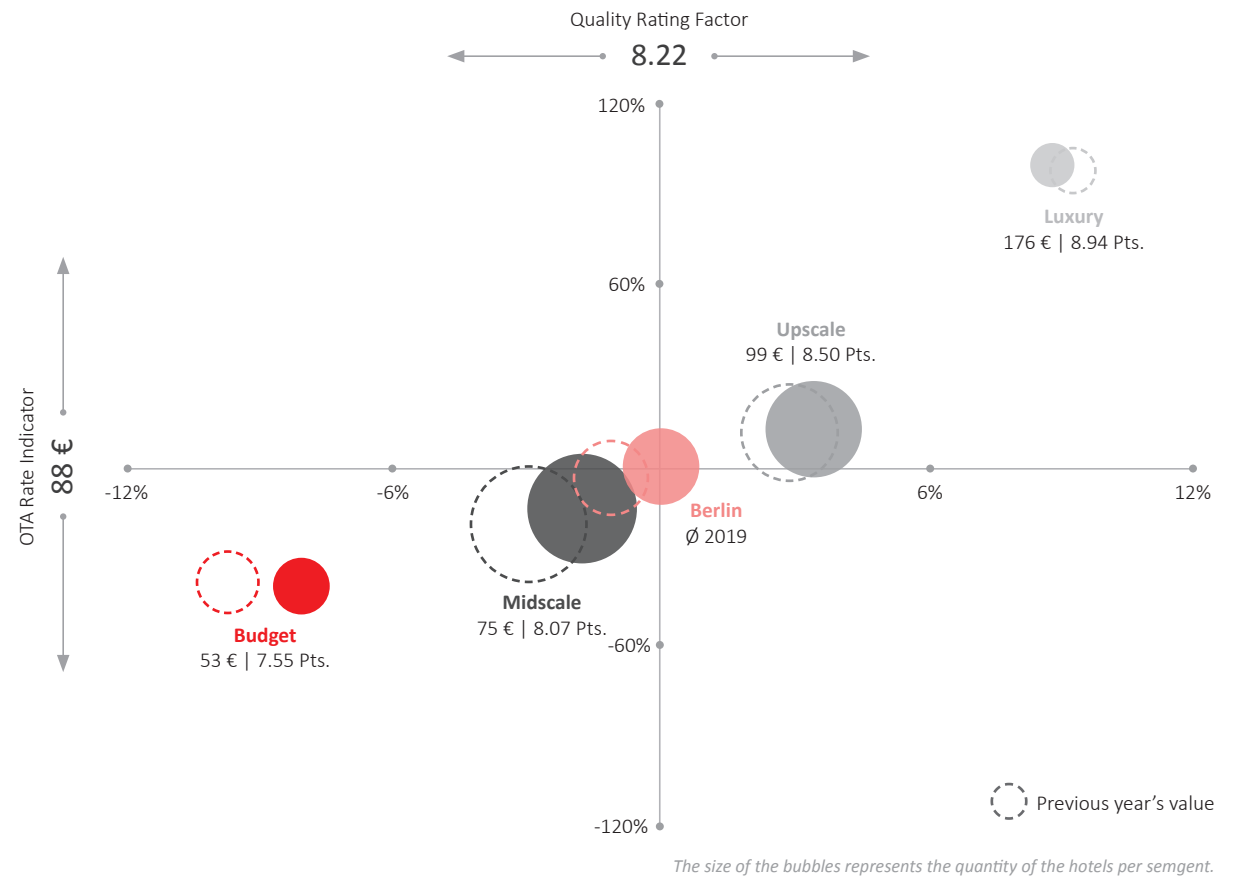
Compared to the previous year, Berlin was able to marginally increase its transaction volume. The Hotel de Rome, a Rocco Forte Hotel, was sold by an institutional German investor to a singaporean sovereign-wealth fund as part of an off-market deal and was one of the largest deals of the past year.

### HIGH PERFORMANCE REMAINS

Also due to the sustainable development of supply and demand, hotel performance has also increased steadily. In a five-year comparison, both ADR (+10%) and Occ. (+7%) developed very positively. As a result, RevPAR could be improved by 18% and reached a new record of EUR 80 in 2019. Compared to the top seven cities, RevPAR reaches only a position in the lower midfield.

### MIDSCALE TO LUXURY BENEFIT

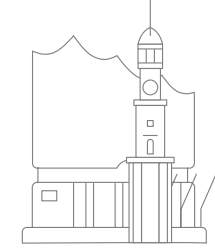
The OTA rate indicator shows an improvement of 4% compared to the previous year for the total Berlin market with 475 analyzed properties. Apart from budget hotels, all segments benefited from this positive development. In comparison with the most important German city destinations, it is noticeable that the rate level still offers potential, particularly in the upscale and luxury segment.



The well balanced mix of demand from business and leisure guests, leading international trade fairs as well as congresses and the constantly growing attractiveness allows a positive demand prognosis. The announced hotel pipeline is in an appropriate relation to the demand outlook, which is why the hotel market in Berlin can be considered sustainable. Further growth in performance can be assumed.

# HAMBURG

## SUPPLY GROWTH BREAKS RATE DEVELOPMENT



### HAMBURG'S DEMAND IS BOOMING

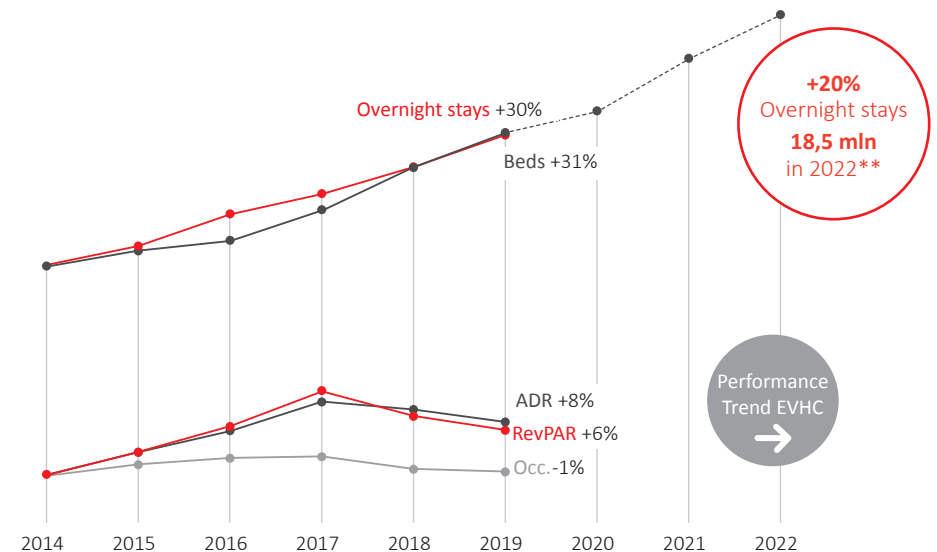
Tourism booms in Germany's harbour capital – demand is increasing significantly. Particularly noteworthy is the growth in tourist demand. With 15.4 million overnight stays in 2019, the Hanseatic city now ranks third among the top seven cities in Germany.

Besides the strong business tourism segment, the Hanseatic city has also managed to achieve a constant increase in the number of overnight stays by offering additional tourist attractions. Besides the Elbphilharmonie and musicals, major events such as the Port Anniversary or the Cruise Days are generating further demand. Compared to the previous year, a further increase in overnight stays of 6.1% was recorded in 2019.

### SUPPLY GROWS FASTER THAN DEMAND

After it happened for the first time in 2018, supply kept outpacing demand in 2019. Looking at the impressive hotel pipeline, it remains to be seen whether this development will continue. Currently, around 16 thousand beds are being planned or built, which will create an additional demand of overnight stays of 18.5 million (+20%) until 2022. Especially in 2021, many new hotel developments will open their doors, not only in the city center but also in more decentralized locations.

### PERCENTAGE DEVELOPMENT '14 – '19



Note: Percentages shown above correspond to CAGR 2014 – 2019 | \*Includes extrapolation for unpublished months | \*\*Based on the assumption of a constant occupancy rate in relation to the pipeline | Source: Fairmas, State Statistical Office, HQ revenue

## GUESTS MORE AND MORE SATISFIED WITH THE HOTEL OFFER

### WEAK TRANSACTION YEAR 2019

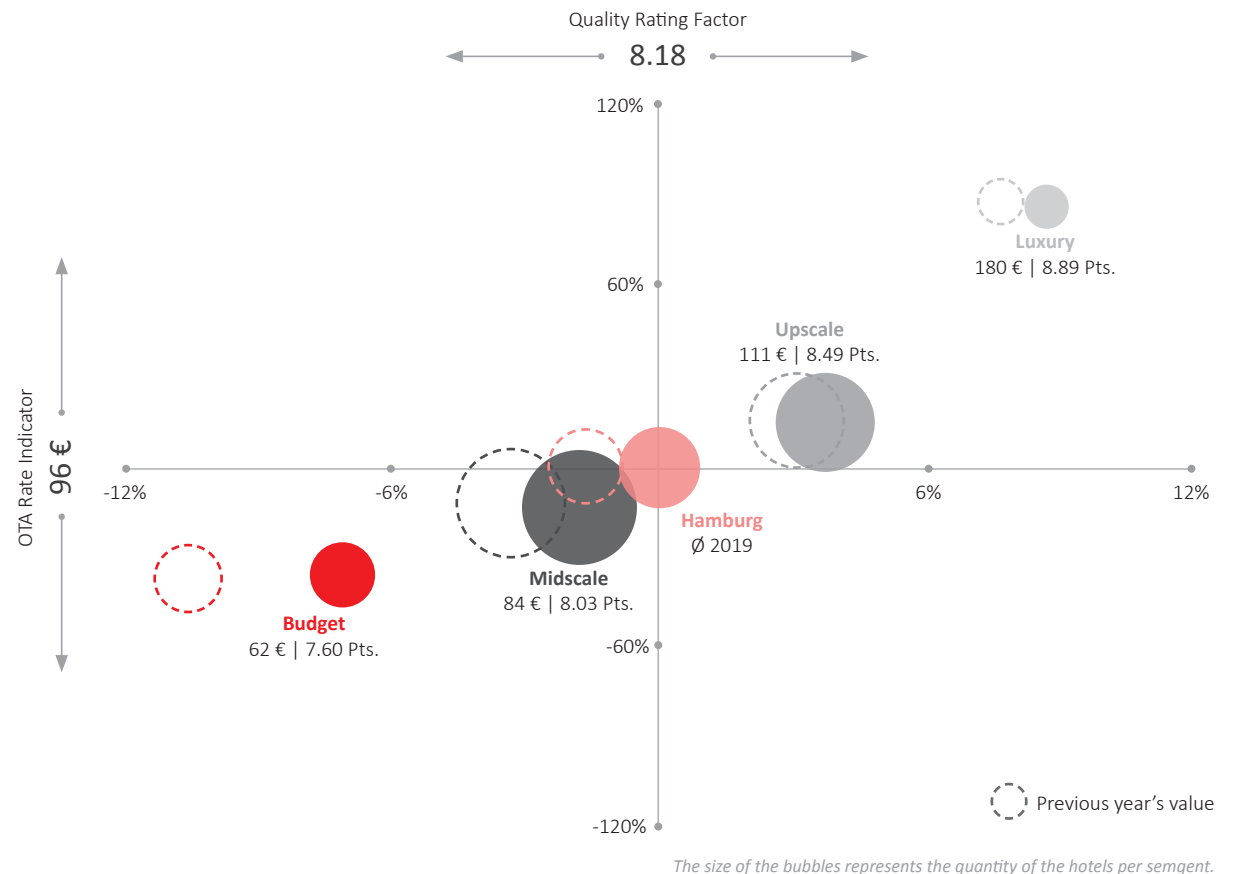
2019 was a weak year for the Hamburg hotel investment market. A single-digit number of transactions was responsible for a volume of around EUR 0.18 billion. The most significant transaction was a forward deal of the 192 rooms hotel “the niu Bricks” in Hamburg Eppendorf. With the current project pipeline and the continuing attractiveness of the entire Hamburg real estate market, a significantly higher transaction volume can be expected again in 2020.

### PERFORMANCE WITH SIDEWAYS MOVEMENT

Despite the fact that the five-year analysis shows a positive development, the performance could not be further enhanced in the last two years. Declines in occupancy as well as ADR were recorded. Nevertheless, the current RevPAR of EUR 89 ranks third among the top seven city destinations in Germany.

### CONSTANT RATE, QUALITY INCREASES

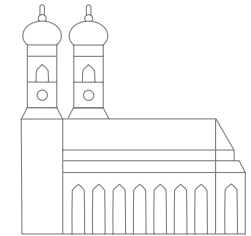
The rate and quality analysis of about 280 Hotels in Hamburg indicates a sideways movement in the Hanseatic city. Slight rate declines were recorded in the midscale and luxury segment, while the OTA Rate Indicator for the budget and upscale segment remained at the previous year’s level. It should be emphasized that the quality awareness from the guest’s point of view has improved significantly compared to 2018. This refers to all segments, whereas, in comparison, guest ratings in the budget segment showed the most positive development. Traditionally, hotels in the luxury segment maintain the highest level of satisfaction among their guests.



The Hanseatic city is one of the most distinguished hotel markets in Germany and is being visited by more and more guests due to its stable business landscape as well as its broad tourism offerings. In August 2020, the modernized CCH congress center will reopen and provide an essential contribution to the tourism sector. Considering the numerous new hotel developments and a stagnating performance at hotel level, demand must be further increased in the coming years in order to ensure the sustainability of the hotel market.

# MUNICH

## SUPPLY DEVELOPMENT OVERTAKES DEMAND



### NO DISRUPTION OF GUEST FLOWS

The Bavarian capital Munich shines again with its accumulated tourism balance for 2019. A new record of 18.2 million overnight stays was achieved last year. Compared to the previous year, tourism volume rose by another 6.8%. Thus, Munich strengthened its position as the second most popular city destination in Germany.

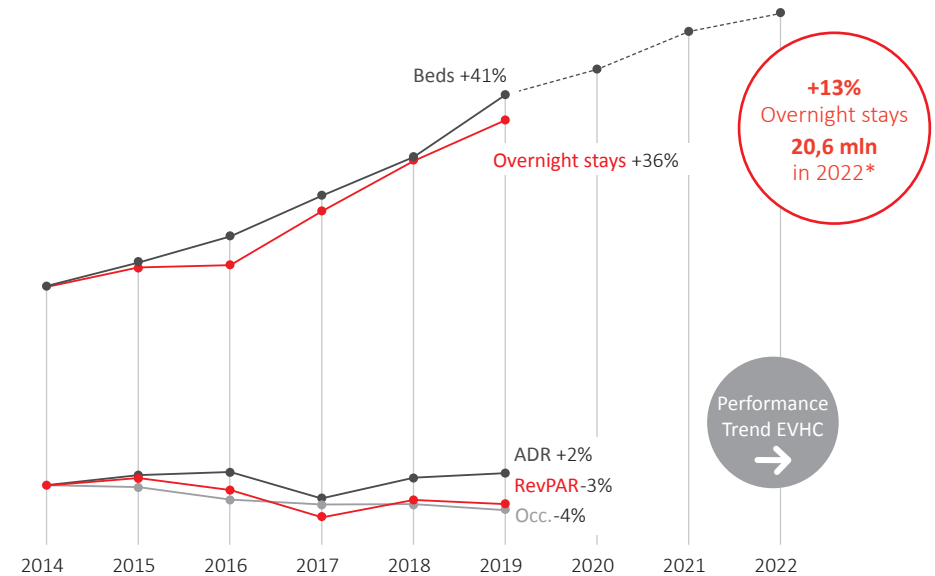
In 2019, the city benefited in particular from a favorable trade fair schedule. The two major international trade fairs BAU in January and ISPO in February boosted the overnight stay statistics for the first quarter. Hence, Munich can continue to expect a distinctive business tourism paired with a strong demand for leisure tourism.

### PIPELINE STILL WELL STOCKED

The highest room rates in Germany as well as the constantly increasing demand, has led to many additional developments in Munich. The lack of plots in central locations forced hotel developments to expand into new areas around Parkstadt Schwabing, the East Station and the Munich Trade Fair Center.

Considering the currently published project developments until 2022, the growth of supply will be slightly lower than in previous years.

### PERCENTAGE DEVELOPMENT '14 – '19



Note: Percentages shown above correspond to CAGR 2014 – 2019 | \*Includes extrapolation for unpublished months | \*\*Based on the assumption of a constant occupancy rate in relation to the pipeline | Source: Fairmas, State Statistical Office, HQ revenue

# RATE PREMIUM REMAINS UNCHANGED

## TRANSACTION VOLUME INCREASES

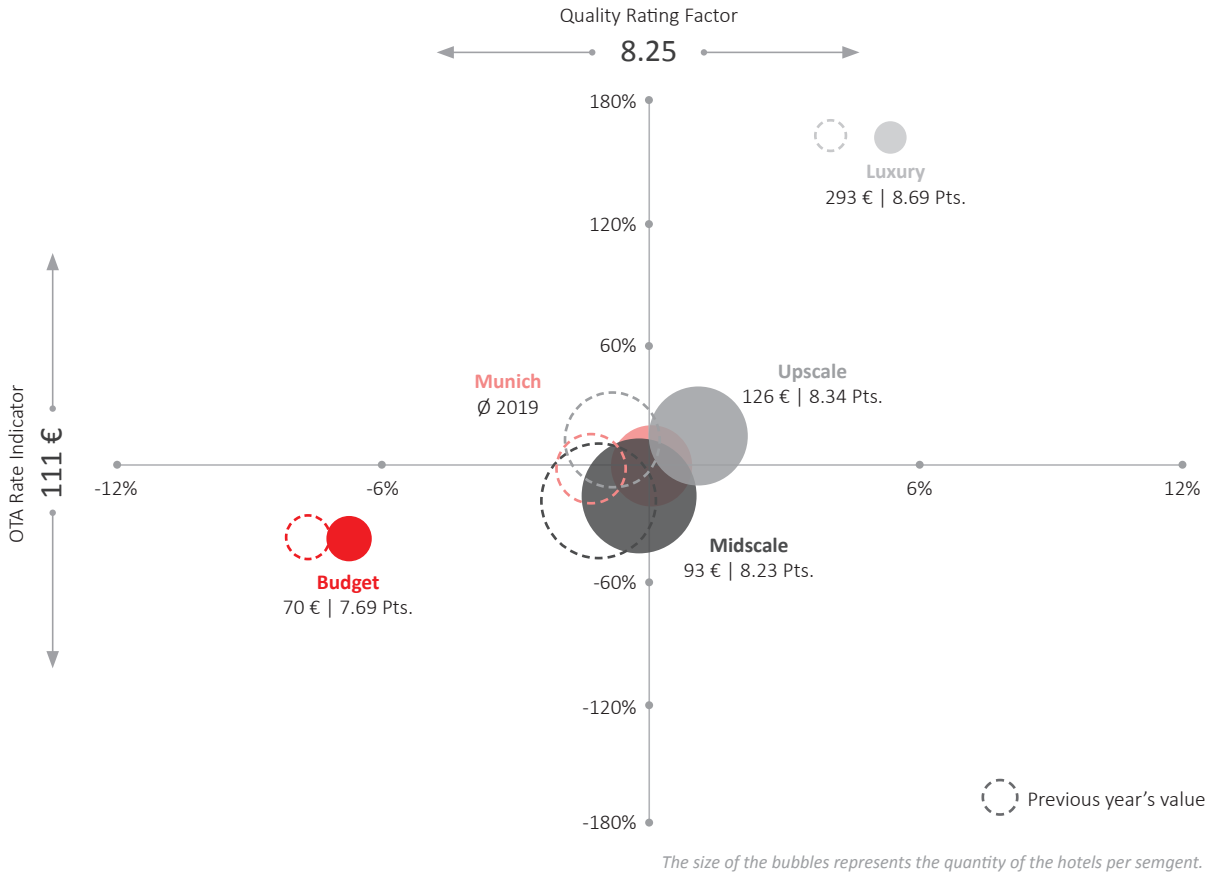
The investment volume for Munich in 2019 amounted to approximately EUR 0.61 billion. The largest single transaction was the Hilton Hotel Munich Park, which is part of a mixed-use scheme and was sold to a German institutional investor. In terms of the transaction volume per room, Munich remains the most expensive hotel market for investors in Germany. This can be explained by higher lease levels and low prime yields compared to the top seven hotel destinations.

## STAGNATION ON A HIGH LEVEL

Since 2014, the relative increase of supply has overtaken the development of demand. In line with other city destinations in Germany, this has led to a sideways movement in hotel performance. While the ADR has increased slightly in the past five years (+2%), the additional supply has had a particular impact on room occupancy (-4%). For this reason, Germany's highest RevPAR of EUR 96 is currently approximately -3% below its value in 2014.

## GERMANY'S RATE CHAMPION

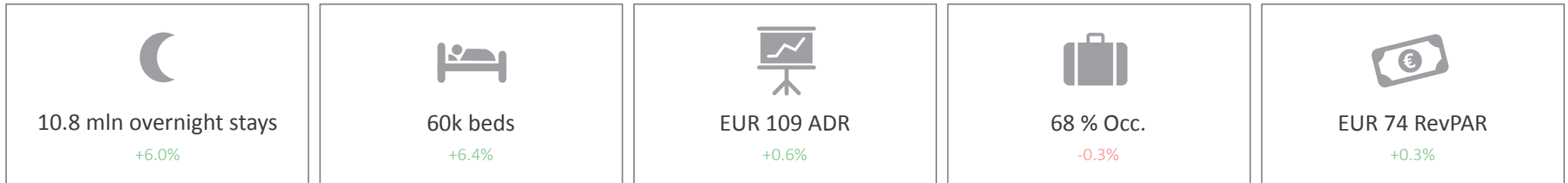
The rate and quality analysis of around 330 hotels in the Munich hotel market shows analogies to the ADR development. The OTA Rate Indicator rose slightly to EUR 111 in 2019, representing an increase of 2.7% over the previous year. In absolute numbers, this is the highest score in a nationwide comparison. The above average rate levels become visible in particular when analysing the luxury segment. At EUR 293, the rate is about 39% above the top seven locations.



The Munich hotel market remains very stable. On the demand side, a positive forecast can also be given due to its various tourism pillars. At the same time, the development of new "hotel areas" will push the growth of beds. However, the sideways movement of the performance is an indication that even within the Munich hotel market, new supply is not leaving the existing hotels unaffected. Nevertheless, Munich will still be able to achieve the highest room rates by far in Germany.

# FRANKFURT

## PERFORMANCE DROP DESPITE DEMAND RECORD



### FRANKFURT'S TOURISM MARKET 2019

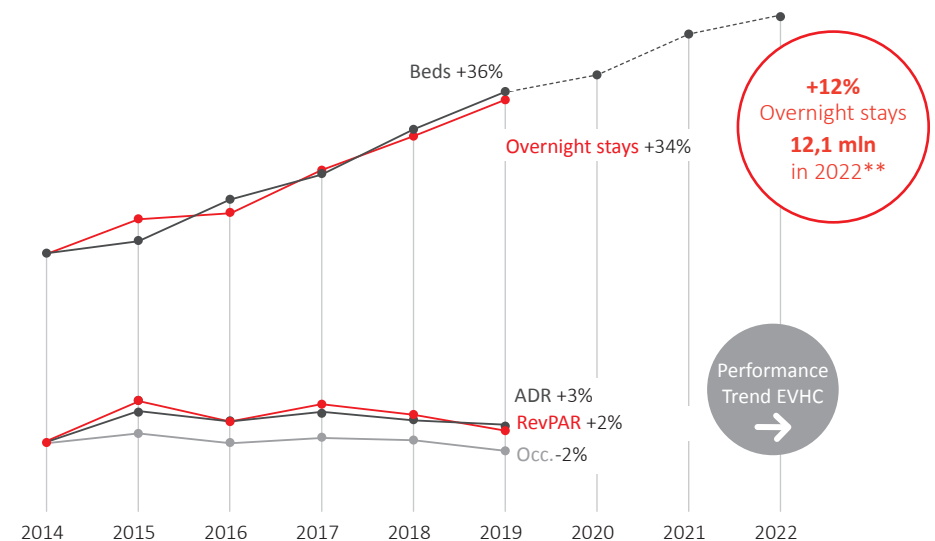
The Frankfurt tourism has continued its record ten-year run. Overnight stays in 2019 increased by another 6.3% year-on-year to 10.8 million. In a nationwide comparison, Frankfurt am Main thus occupies the fourth place behind Berlin, Munich and Hamburg.

Despite a weaker exhibition year, another record of overnight stays could be achieved. Compared to the previous year, trade fairs such as Heimtextil and the IAA have seen a decline in the number of visitors. The disappearance of the latter will cause hoteliers in Frankfurt even greater worries in the future.

### PIPELINE REMAINS HIGH

Since 2014 there has already been a significant increase in bed capacities in the Frankfurt urban area of around 36%. This trend will continue, whereby a slight decline in new openings is discernible based on the currently announced openings. Analyzing the city of Frankfurt, the hotel market surrounding the Frankfurt airport and the business district Eschborn must also be taken into account. Statistically the two sub markets are not included in the statistics of Frankfurt. In the coming years Frankfurt will welcome several new hotels, such as the NH Collection, which will be part of the skyscraper development The Spin.

### PERCENTAGE DEVELOPMENT '14 – '19



Note: Percentages shown above correspond to CAGR 2014 – 2019 | \*Includes extrapolation for unpublished months | \*\*Based on the assumption of a constant occupancy rate in relation to the pipeline | Source: Fairmas, State Statistical Office, HQ revenue



## MARGINAL RATE INCREASE

### TRANSACTION WITH FURTHER GROWTH

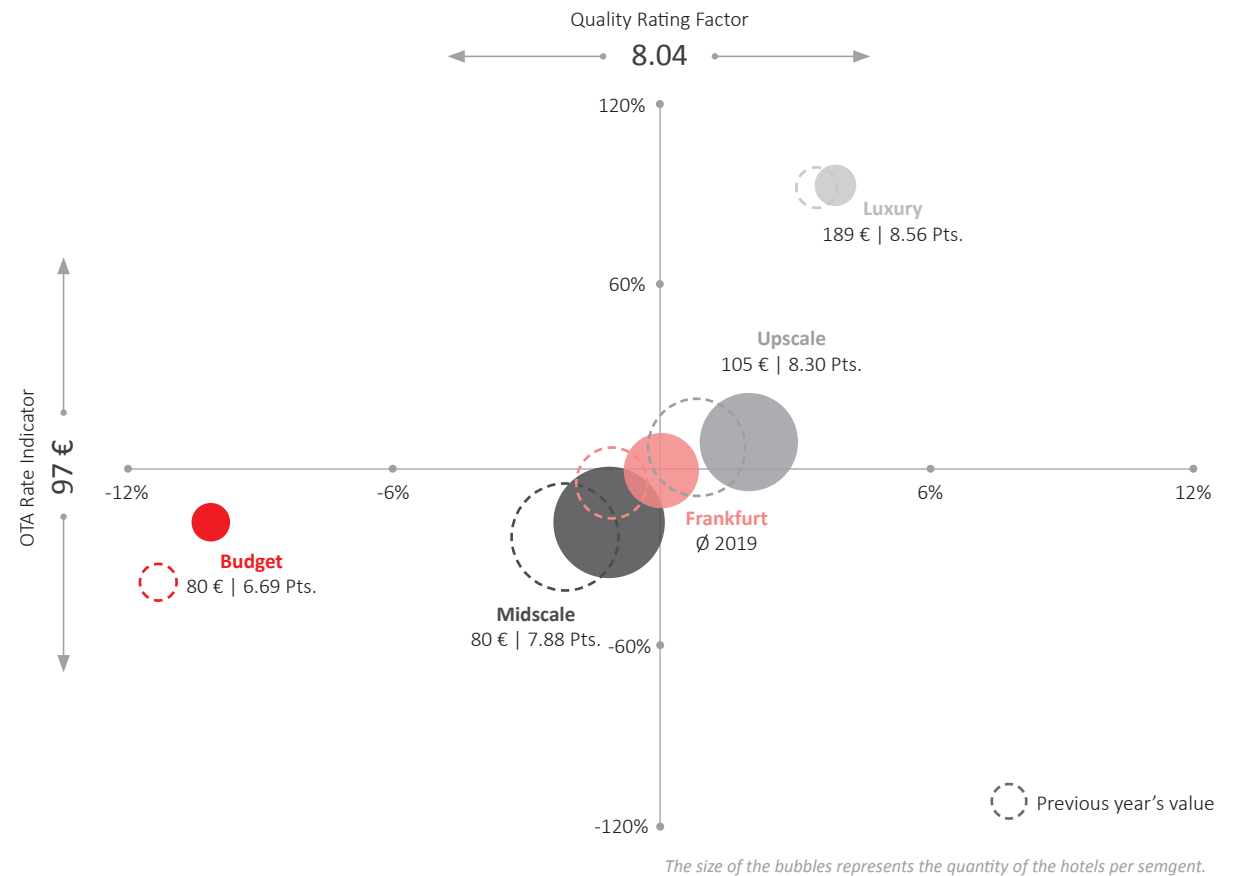
The investment volume in 2019 amounted to approximately EUR 0.77 billion, which represents a 45% increase compared to the previous year. The transaction volume comprises not only sales in the city area such as the Roomers Hotel or the project development “The Spin“, but also several transactions near Frankfurt Airport, e.g. the double-branded Hilton hotel at The Squire, the Mercure Frankfurt Airport as well as the Moxy Frankfurt Airport changed hands in 2019. Also in 2020 Frankfurt will remain one of the most interesting hotel investment markets in Germany, contributing a significant share of the overall investment volume in Germany.

### PERFORMANCE 2019 WEAKENED

Since 2014, the relative increase in supply has outpaced the development of demand in Frankfurt. The opening of additional 2 thousand rooms in 2019 combined with the weaker trade fair year had particularly an impact on the room occupancy rate which dropped by two percentage points. As a result RevPAR declined to EUR 74. Within the top seven locations, Frankfurt traditionally has the weakest room occupancy which fell in 2019 below the 70% threshold for the first time.

### RATE LEVEL IN MIDFIELD

The rate and quality analysis of around 220 hotels within Frankfurt shows a stable development parallel to the ADR level of the city. The OTA Rate Indicator reached EUR 92 in 2019. Frankfurt is thus positioned in the midfield of the top seven locations in Germany. Moreover, the budget segment showed the strongest rate development compared to the other segments.



Frankfurt is one of the most important financial marketplaces in Europe and can traditionally rely on strong business tourism. However, this dependency is reflected in the absence of major trade fairs such as the International Motor Show, which has been a reliable income source for Frankfurt's hoteliers until now. New demand generators must therefore be identified, as the Main metropolis will not turn into a leisure destination in the medium term.

# DUSSELDORF

FUTURE SUPPLY WILL SHAPE THE HOTEL MARKET



## EXHIBITION SCHEDULE SHAPES TOURISM

The development of demand in the state capital Dusseldorf has been constantly positive since 2014. However, the growth in 2019 was not nearly as high as in previous years. Overnight stays only increased by 0.4% in comparison to 2018. Tourism demand in Dusseldorf is strongly influenced by the recurring trade fair schedule and registers additional overnight stays in even-numbered years.

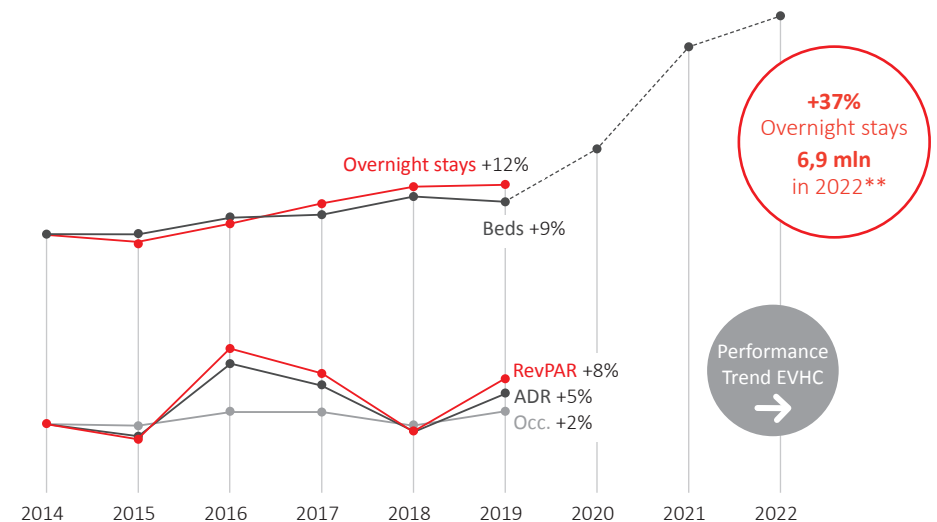
Among the top seven cities in Germany, Dusseldorf occupies the sixth position in terms of the volume of overnight stays.

## CHALLENGING PIPELINE

The development of supply over the last five years is still in a sustainable relationship with the growth in overnight stays. With regards to the pipeline until 2022, a considerable growth in supply is noticeable. The pipeline comprises around 11 thousand beds, which will require 6.9 million additional overnight stays (+37% compared to 2019) in the next three years. This corresponds to a relative annual increase in demand of about 11%, which lies significantly above the CAGR of the last five years (about 2.2%).

Looking at the current pipeline, especially budget to midscale hotels will enter the market. Hence, it is likely that the competitive pressure within these segments will increase.

## PERCENTAGE DEVELOPMENT '14 – '19



Note: Percentages shown above correspond to CAGR 2014 – 2019 | \*Includes extrapolation for unpublished months | \*\*Based on the assumption of a constant occupancy rate in relation to the pipeline | Source: Fairmas, State Statistical Office, HQ revenue

## POSITIVE, SEGMENT-SPECIFIC RATE DEVELOPMENT

### SIGNIFICANT INCREASE IN TRANSACTIONS

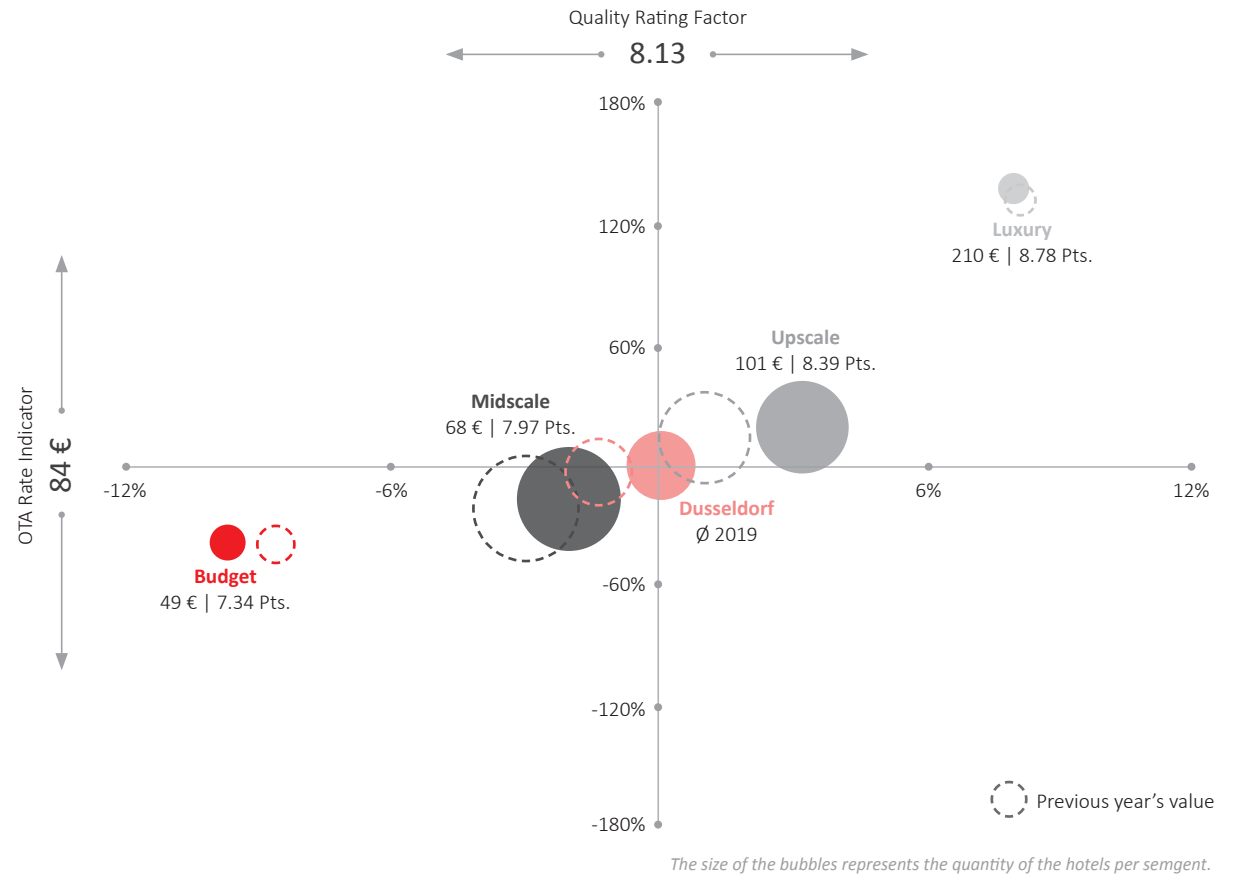
In 2019, the capital of North Rhine-Westphalia managed to more than double (+108%) its hotel transaction volume to EUR 0.41 billion. The Maritim Hotel at the Dusseldorf Airport, which was sold as part of a sales-and-lease-back transaction, made a notable contribution to the high transaction volume. Also worth mentioning is the sale of the Holiday Inn Express Hotel, which will be rebranded as a Premier Inn in the upcoming years.

### ADR ACCOUNTABLE FOR SLIGHT REVEPAR GROWTH

Due to fair cycles, the historical performance development is characterized by high volatility. While room occupancy has not improved noticeably, the ADR has risen by approximately 5% since 2014. In a five-year comparison, the RevPAR was increased by around 8% but is still below the all-time high of 2016 at EUR 78. Compared with the top seven city destinations in Germany, Dusseldorf is located in the lower midfield.

### RATE LEVEL SLIGHTLY RISING

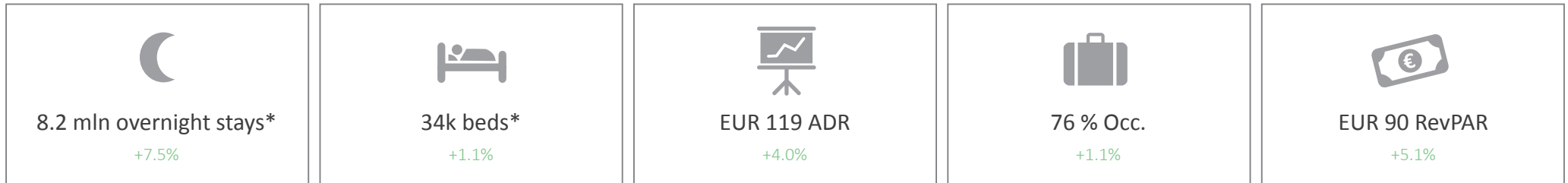
The rate and quality analysis examined almost 180 accommodation facilities in Dusseldorf and confirms the positive rate trend. While the budget segment was able to achieve only a marginal higher rate, the other segments obtained substantial increases. After Munich, the capital of North Rhine-Westphalia has the second highest rate level in the luxury segment in Germany.



Due to the strong influence of the exhibition schedule on tourism demand and the disproportionately large hotel pipeline until 2022, the performance of the hotel market in Dusseldorf will be severely challenged. It remains to be seen to what extent existing and future demand generators will be able to generate additional demand for overnight stays. A minor downward trend in performance can be expected in the future.

# COLOGNE

STRONG DEMAND GROWTH MEETS MODERATE PIPELINE



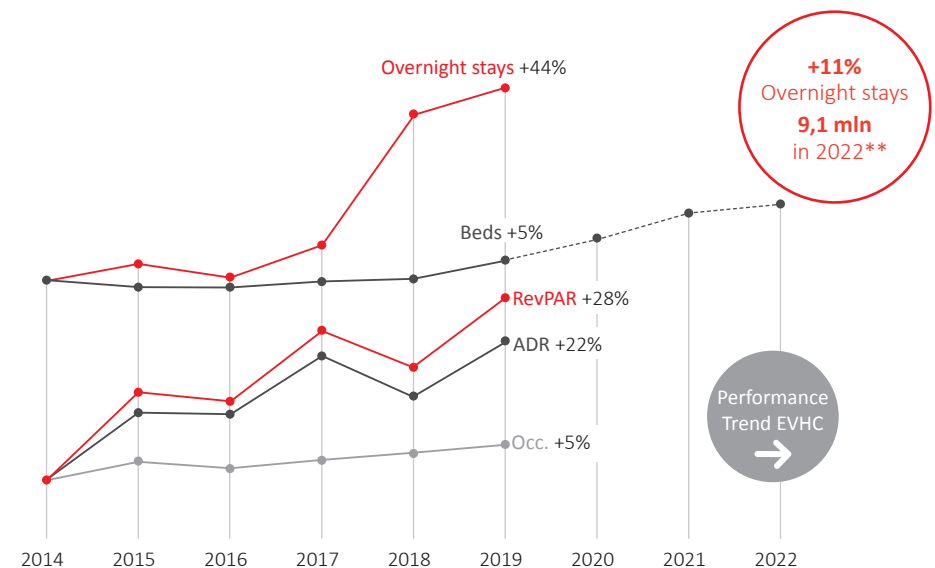
## STEADY GROWTH IN OVERNIGHT STAYS

The positive development of Cologne continues. With around 8.2 million overnight stays, a new all-time record could be achieved. Since 2017, Cologne has experienced a massive rise in demand and was able to increase its overnight stays by 44% in the last five years. This growth is based on a balanced demand from both domestic and foreign guests as well as business and leisure travelers. The proportion of business and leisure travelers is also balanced through major events such as Carnival or Christopher Street Day and a wide range of cultural attractions.

## MANAGEABLE BED PIPELINE

In relation to the high increase in demand, the bed supply developed only marginally with a growth of 5% since 2014. Analyzing the current hotel pipeline, supply will only change moderately until 2022. In order to keep the occupancy rate at a constant level, demand must be increased by around 11% to approx. 9.1 million overnight stays. It is expected that the demand trend of the past few years will continue and the performance will not suffer from the additional hotel supply.

## PERCENTAGE DEVELOPMENT '14 – '19



Note: Percentages shown above correspond to CAGR 2014 – 2019 | \*Includes extrapolation for unpublished months | \*\*Based on the assumption of a constant occupancy rate in relation to the pipeline | Source: Fairmas, State Statistical Office, HQ revenue

## POSITIVE RATE DEVELOPMENT THROUGH GROWING DEMAND

### RISING TRANSACTION VOLUME

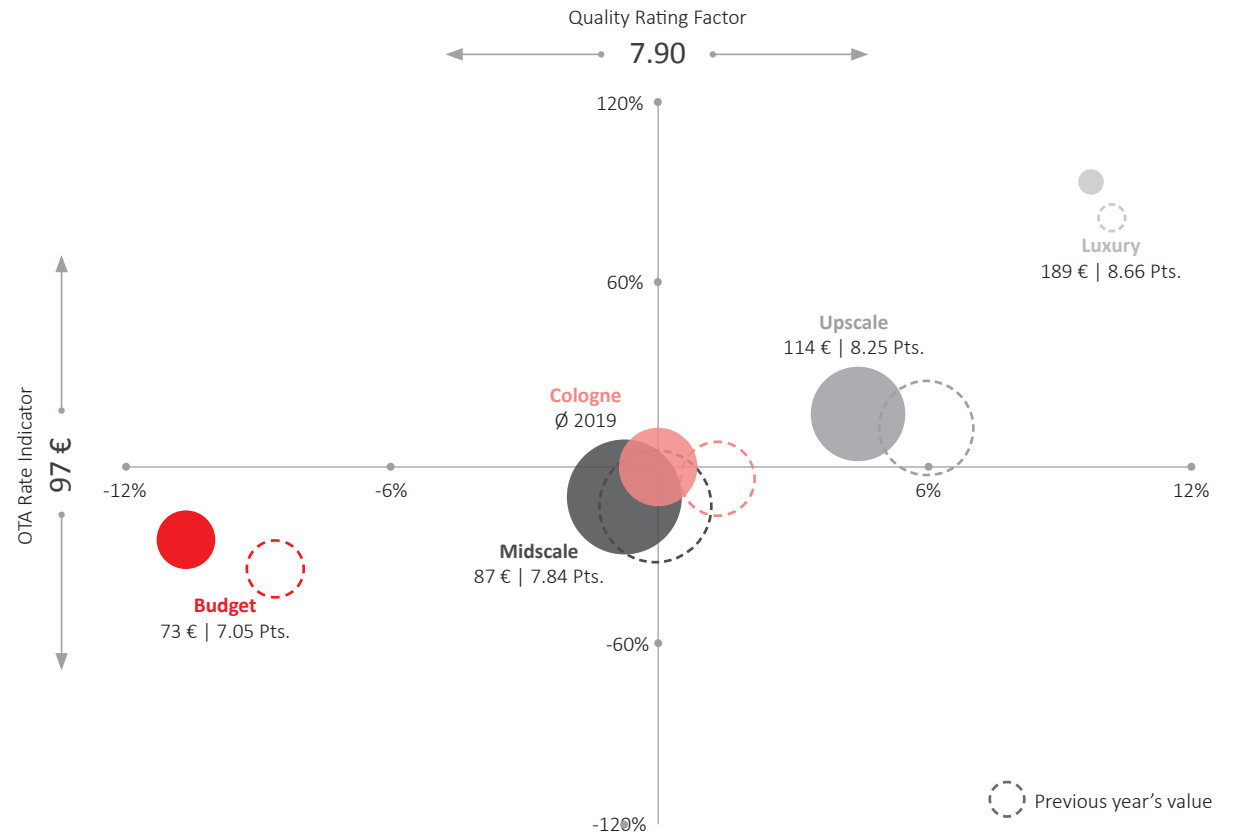
Cologne was able to improve its transaction volume by around 23% year-on-year to EUR 0.39 billion. Notable transactions included a pan-European portfolio of eleven hotels, including the Hotel Mondial am Dom MGallery and the NH Hotel changed hands. Furthermore, the Marriott Hotel Bonn, near Cologne, has changed its owner in a sale-and-lease-back transaction. Presumably, the interest of investors in the Cologne hotel market will continue in the coming years.

### COLOGNE ATTRACTS TOURISTS

Cologne's RevPAR showed the strongest growth compared to the top seven city destinations in the past five years of around 28%. Despite the significant growth in demand, room occupancy rose by only 5% whereas the ADR recorded an increase of around 22%. Besides the importance of exhibitions and business tourism, the Cologne hotel market has also established itself as a popular destination for leisure travelers.

### HIGHER RATES DUE TO MORE OVERNIGHTS

The Price & Quality Matrix analyzes nearly 190 hotels and confirms the positive rate trend in Cologne. The OTA Rate Indicator increased by 4.5% year on year to EUR 97. Growth was seen across all segments, but most notably in the budget and luxury segment. If the development of tourism remains on a positive course, Cologne will also be able to improve further in terms of rate levels and in comparison to the top seven locations.



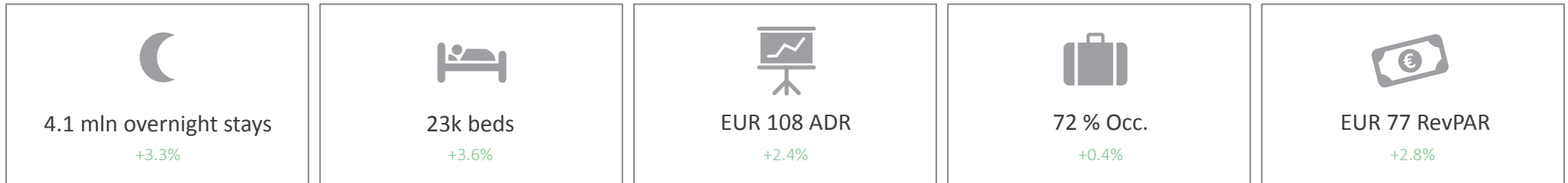
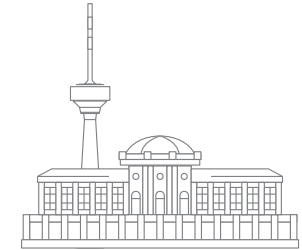
The size of the bubbles represents the quantity of the hotels per segment.



The significant increase in overnight stays combined with a balanced demand structure constitute the foundation for a positive market forecast. The moderate hotel pipeline also supports the sustainability of the hotel market. Based on the current growth trend of supply and demand in recent years, the development of the performance indicators is also assessed positively. The interest in the Cologne hotel market will continue in the coming years due to their encouraging indicators.

# STUTTGART

TOURISM GROWTH ACCOMPANIED BY LARGE PROJECT PIPELINE



## UPSWING IN STUTTGART

Overnight stay records characterize the Stuttgart hotel market. This trend continued in 2019 with a further increase in overnights of 4,5% to 4.1 mln overnight stays. The past year was marked by an overall weaker exhibition frequency, which however did not affect the positive development.

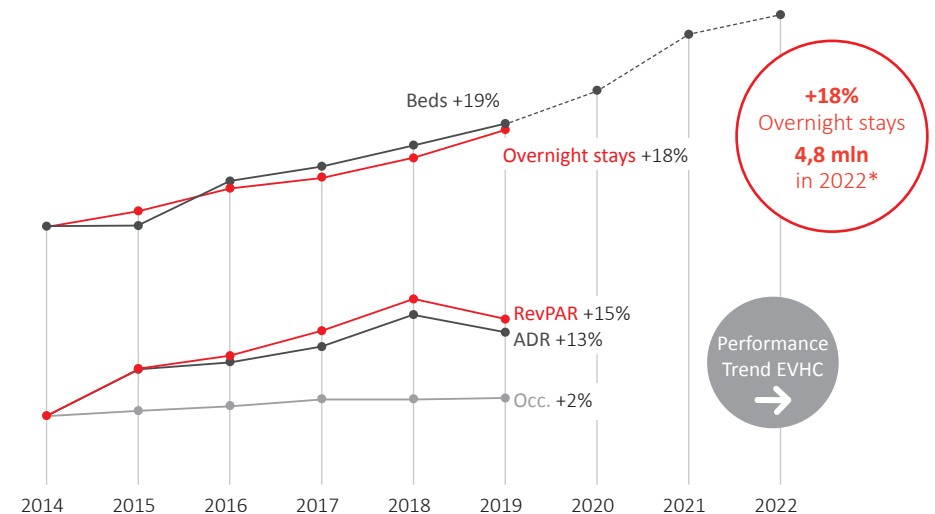
Compared to the top seven city destinations in Germany, demand has not developed with the same growth rate. Since 2014 overnights increased by only 18%, which represents an average annual growth of 3,3%.

## OUTSTANDING PIPELINE GROWTH

Stuttgart will face a significant growth of hotel capacities in the next years. Additional four thousand rooms in the next three years will become a challenge for hoteliers in Stuttgart. This is equivalent to a growth in supply of around 18%. Moreover, there will be several new developments around the airport of Stuttgart.

All new hotel projects can be assigned to strong national or international brands. Predatory competition is therefore to be expected especially for privately managed hotels.

## PERCENTAGE DEVELOPMENT '14 – '19



Note: Percentages shown above correspond to CAGR 2014 – 2019 | \*Includes extrapolation for unpublished months | \*\*Based on the assumption of a constant occupancy rate in relation to the pipeline | Source: Fairmas, State Statistical Office, HQ revenue

## SEGMENT DEPENDENT RATE DEVELOPMENT

### TRANSACTION VOLUME EXPANDS

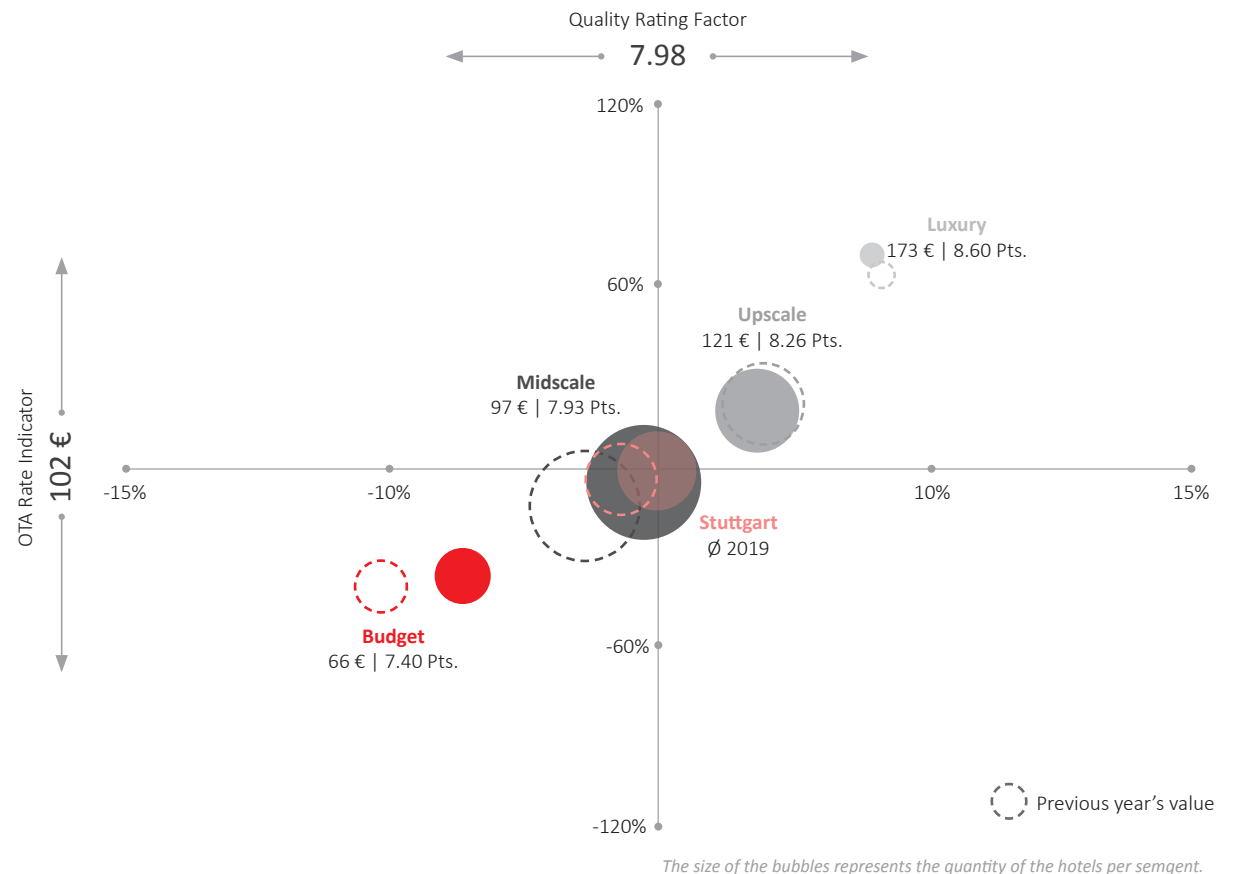
The investment volume for Stuttgart in 2019 amounted to EUR 0.18 billion which is below the previous year. The largest single transaction was the disposal of the Pullman Hotel as part of a Germany-wide portfolio deal. In addition, two new “the niu” hotels were sold by developers to institutional investors. Due to the large number of developments, a constant transaction volume is also anticipated for 2020.

### PERFORMANCE DECLINES FOR THE FIRST TIME

From 2014 to 2018, a continuous improvement in performance figures was recorded, although supply and demand growth proceeded almost in parallel. The positive RevPAR development was entirely driven by rising ADR levels. In 2019 the Average Daily Rate declined for the first time, reaching EUR 108. In light of the current project pipeline, it remains to be seen to what extent the occupancy can be maintained above 70%.

### RATE LEVEL IN MIDFIELD

The rate and quality analysis of around 110 hotels in the Stuttgart hotel market shows a more stable situation compared to the performance figures. The OTA Rate Indicator for the overall market amounted to EUR 102 in 2019, which is EUR 4 above the previous year. Stuttgart is positioned in second place within the top seven locations in Germany. Especially the budget and midscale properties developed positively which can be seen when analyzing the performance of the segments.



Stuttgart has presented itself as a very dynamic and well-functioning hotel market in recent years. If the hotels in the pipeline around Stuttgart Airport are taken into account, the pipeline is relatively one of the strongest in Germany compared to the top seven locations. The future prosperity of hotels is heavily dependent on further growth in demand. This must be covered in particular by business travels, as the capital of Baden-Wuerttemberg is not considered as a typical leisure destination, in spite of selected events such as the Cannstatter Wasen festival.

# DATA BASIS & METHODOLOGY

## PERFORMANCE HOTEL MARKETS



### Overnights and bed supply

Statistics of overnight stays and bed supply were taken from the corresponding regional statistic office. Due to the availability of data at the time the report was generated, some of the data for 2019 could only cover the months January to November.



### Hotel pipeline

The amount and capacities of future hotel projects were determined on the basis of an Engel & Völkers research for each location.



### Forecasted overnights

Based on a constant bed occupancy rate, the overnight stay requirement was forecasted according to the increase in capacity on the assumption of 2019. Hotel openings during the year were also taken into account.



### Performance benchmarking

The performance indicators for the German hotel market as well as the top seven cities were provided by Fairmas GmbH, specialist for financial planning, management reporting and solutions as well as benchmarking.

## PRICE-QUALITY-MATRIX



### Data collection

The booking platform Booking.com was used as a data source for pricing. The quality ratings are derived from approx. 20 rating platforms on one reference date. With this method of data collection, high market coverage is achieved and thus, a representative outcome for the entire market can be displayed.



### Data analysis

The OTA Rate Indicator is derived from publicly available prices that are collected and analyzed via an algorithm. The calculated value is displayed excluding VAT and indicates the achieved rates of the market as well as on segment level. The Quality Rating Factor is generated by calculating the statistical mean of published guest ratings on all major rating platforms for every hotel included in the sample.



### Matrix

The center of the matrix is the mean of the OTA Rate Indicator and the Quality Rating Factor respectively of the entire market. Based on this, the variance of the segments is displayed using its percentual deviation. The prior-year figures for the entire market are shown in filled circles, while the individual segments are shown with dashed lines.



# INTRODUCTION OF OUR PARTNERS



## HQ revenue

HQ revenue is a tech company that aggregates and analyzes market and business data in real-time. Hotels and Hostels—from boutique properties to global chains—use our software to boost their revenue and save time on market monitoring and BI. HQ revenue is a cloud-based software that processes and visualizes accurate real-time data on the market, competition, and operations. We supply our customers with high-quality information about the major online distribution channels, competitors' room prices as well as events, holidays, weather forecasts, and reviews, ensuring highly effective marketing, sales and pricing strategies to achieve an optimal market positioning. HQ revenue was created by hoteliers for hoteliers: our team brings a powerful combination of industry experience in hospitality and tech excellence in the theory and practice of our software, creating a complete and compelling product with knowledgeable customer service and seamless usability. With over 10,000 satisfied users around the globe, we thrive on our customer satisfaction and great partnerships.

### HQ PLUS GMBH

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## FAIRMAS

Fairmas GmbH, headquartered in Berlin, develops hotel-specific financial planning, controlling and management reporting solutions, as well as daily benchmarking (only in Germany). Fairmas's web-based solutions are easily incorporated into the hotel's existing IT software environment and efficiently integrate with other third party systems including property management systems (PMS), accounting systems and document management systems, among others. Fairmas has been a strong partner to the hospitality industry since 2003. Currently, there are over 11,000 satisfied users in more than 4,000 hotels worldwide – from privately owned hotels, to leisure hotels and global chains. Thanks to a combined team of 43 hotel and IT specialists, experienced managers from within the industry ensure hospitality expertise for Fairmas' innovative solutions, while IT specialists continuously develop and maintain the tailor-made software. Alongside its extensive range of software products, Fairmas also implements individual process solutions oriented towards meeting specific, internal company requirements.

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# ENGEL & VÖLKERS HOTEL CONSULTING

CENTRAL POINT OF CONTACT WITHIN THE ENGEL & VÖLKERS NETWORK

## OPERATOR ASPECTS

- Operator search
- Renegotiation of lease contracts
- Operator performance
- Market and competitor analysis

## MOBILIZING VALUES

- Mobilization of hotel real estate and portfolios
- Mergers & Acquisitions
- Due Diligence

## DRIVING PERFORMANCE

- Performance improvement of properties | platforms
- Portfolio structuring
- Concept and market positioning

## PROVIDING ALL SERVICES

DURING THE **LIFE CYCLE OF A HOTEL**



## CREATING VALUES

- Feasibility study and second opinion
- Highest- and best use analysis
- Concept and brand development
- Market price appraisal

# IMPRINT

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