



Engel & Völkers Hotel Consulting / HQ plus
Sentiment Report - Hotel Market Germany 2017

2nd March 2017

ENGEL&VÖLKERS HOTEL CONSULTING

 **HQ plus**

Germany evolves into one of the most attractive hotel markets in Europe

Trends hotel market Germany

- I Continued high transaction activity**
 - For 2017, remaining high demand is expected in the asset class hotel, especially as new investor groups have been entering this asset class. A continuing yield compression in the top locations appears to be likely
- II Consolidation of operating companies**
 - Small and medium-sized hotel chains remain attractive takeover targets for international market participants that are striving for growth given the prevailing shortage of supply and investment pressure
- III B and C locations are moving into the spotlight**
 - Excess demand for assets in A destinations and positive market developments throughout the segments are attracting investors and operators to B and C locations, leading to a growing pipeline
- IV Strong competition between concepts and segments**
 - Hotel groups are developing new concepts in trend segments such as budget-design or longstay. Good value for money within the budget segment puts pressure on established mid- and upscale products. International brands are increasing competition for privately run hotels
- V Increasing importance of white label operators**
 - The growth of hotel chains and value preservation of non-core investments are increasingly dependent on the quality of white label operators. International operators currently lacking presence in Germany will be looking for an entry. Opportunities of growth are takeovers and conversions of previously owner-operated or small- to medium-sized hotels

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Presentation of authors & objectives

ENGEL & VÖLKERS HOTEL CONSULTING

Engel & Völkers Hotel Consulting GmbH is the central point of contact within the Engel & Völkers network that combines the groups's global hotel activities. The company pursues a 360° consulting approach by providing a comprehensive support to investors, operators and developers throughout the hotel's life cycle. The central team of experts bundles more than 50 years of experience in international hotel consulting. Through the E&V network with >700 regional offices in 32 countries on four continents, the company assembles access into an unreached amount of local markets.



HQ plus supports hoteliers with precise real-time data to get an accurate overview of the most important distribution channels by combining all price, peer and demand-relevant data into one interface. This allows hotel operators to optimally align their pricing with the increasing competitive environment, react flexible to changes in the market and, according to demand, achieve the best possible price at a maximum occupancy. Through its integrated approach, HQ plus contributes decisively to the improvement of the revenue and earnings performance of hotels. Founded in 2012, the company today is the market leader in Europe and supports individual and chain hotels worldwide.

1

Merger of the two core competencies of hotel consulting and market data investigation into a sentiment indicator for the key German hotel locations

2

New and innovative perspective on the market development within the top 8 hotel locations in Germany in contrast to common benchmarking tools

3

Inclusion of future price policies of all market participants with a nearly 100% market coverage as well as comparison with historic data

Sentiment Report - Hotel Market Germany top 8 locations

Data base and survey methodology

Data base of Sentiment Report - Hotel Market Germany

For the Sentiment Report - Hotel Market Germany, the following data were collected and analyzed for the top 8 hotel locations in Germany (Berlin, Hamburg, Munich, Frankfurt, Düsseldorf, Cologne, Stuttgart, Dresden):



The data source is the online booking platform Booking.com



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The collected data cover around 91% of accommodation providers in the examined cities



Price analysis



- The room price details represents the first gross double-room price published for the day of the overnight stay, excluding breakfast (gross cost rate)
- The allocation of categories corresponds to the data of Booking.com / hotels without classification were only taken into account in the price level of the overall market*

*block rates were not taken into account

Rating analysis



- Source of guest ratings is the platform Booking.com. Considered are the factors "location", "cleanliness" and "value for money"
- All stated guest ratings of the top 8 hotel locations as of 1 January of each year are evaluated
- The result is presented in an average value between 1 and 10 (increasing quality)

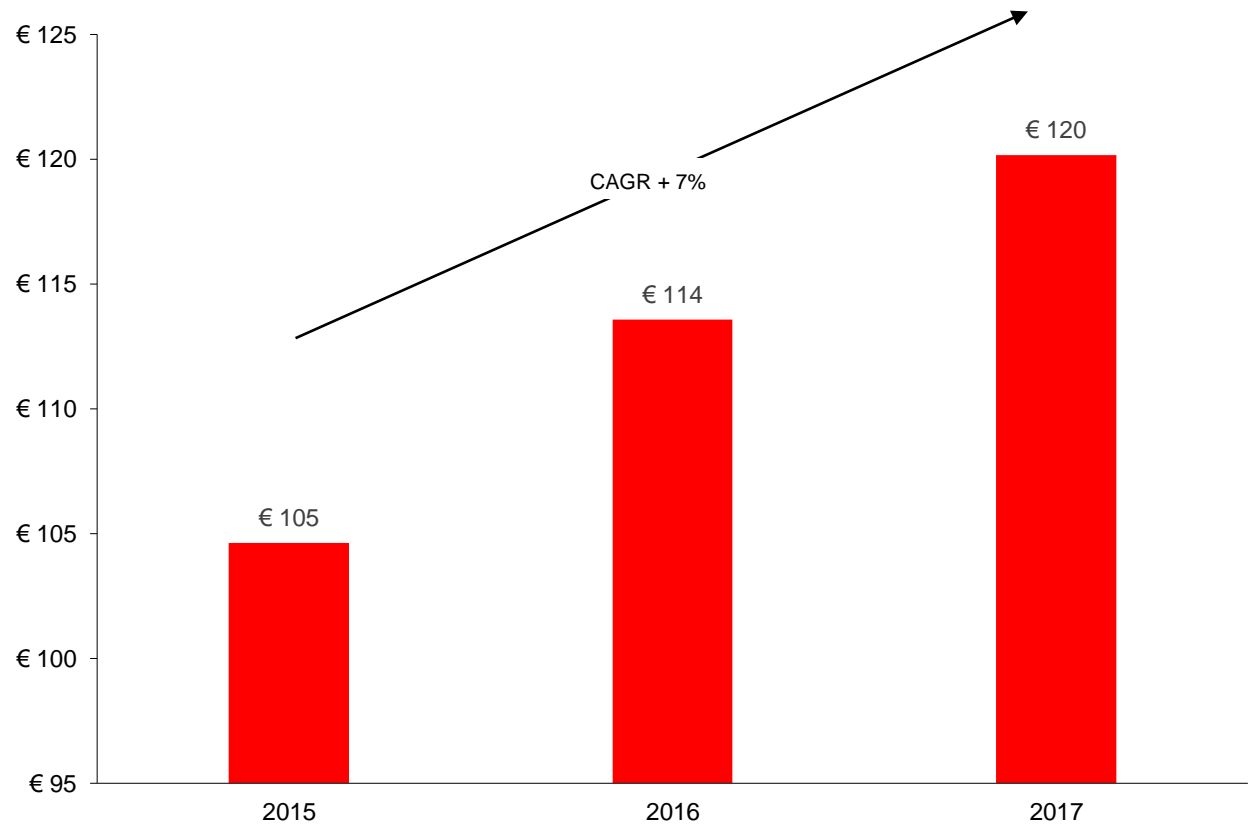
PLEASE NOTE: The information presented in this report do not provide information about the actual achieved prices in the respective hotel markets and is only an indication within the scope of a sentiment report

Positive outlook for the top 8 hotel locations for 2017

Overall development

Development of gross cost rates in the top 8 hotel locations in Germany across all segments

- The hotel room prices (gross cost rates) of the booking platform provide an early indication of how hotels and revenue managers project the development of room rates for the upcoming year
- An average gross cost rate of € 120 is envisaged this year within the top 8 hotel locations, which indicates the positive general market sentiment of operators – and a expected growth of 6% compared to the year before
- Correspondingly the compound annual growth rate between 2015 to 2017 is expected to amount to approx. 7%

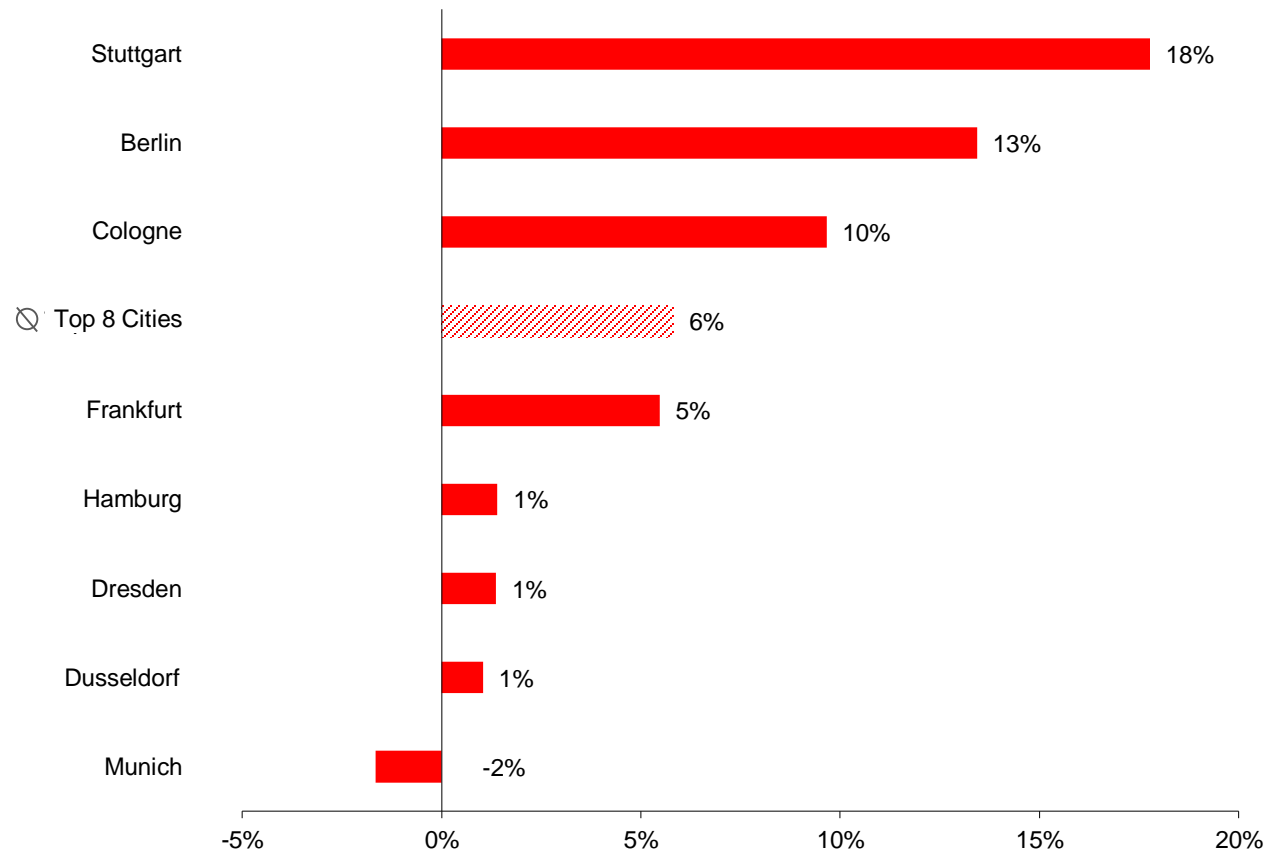


The most positive trend for 2017 is expected for Stuttgart and Berlin

Single survey of the top 8 locations

Development of gross cost rates in the top 8 hotel locations in Germany 2017 per location

- The individual observation of the locations reveals the highest increase in rates in Stuttgart of 18%, followed by Berlin with 13% and Cologne with 10%
- The cities of Hamburg, Dresden and Dusseldorf are apparently assessed more conservatively with only minor growth rates
- Munich heads the price ranking as the most expensive hotel market in Germany, however a decline in the hotel room price of approx. 2% is forecasted. This might be explained as an effect of a major trade fair which only takes place on a bi-annual basis

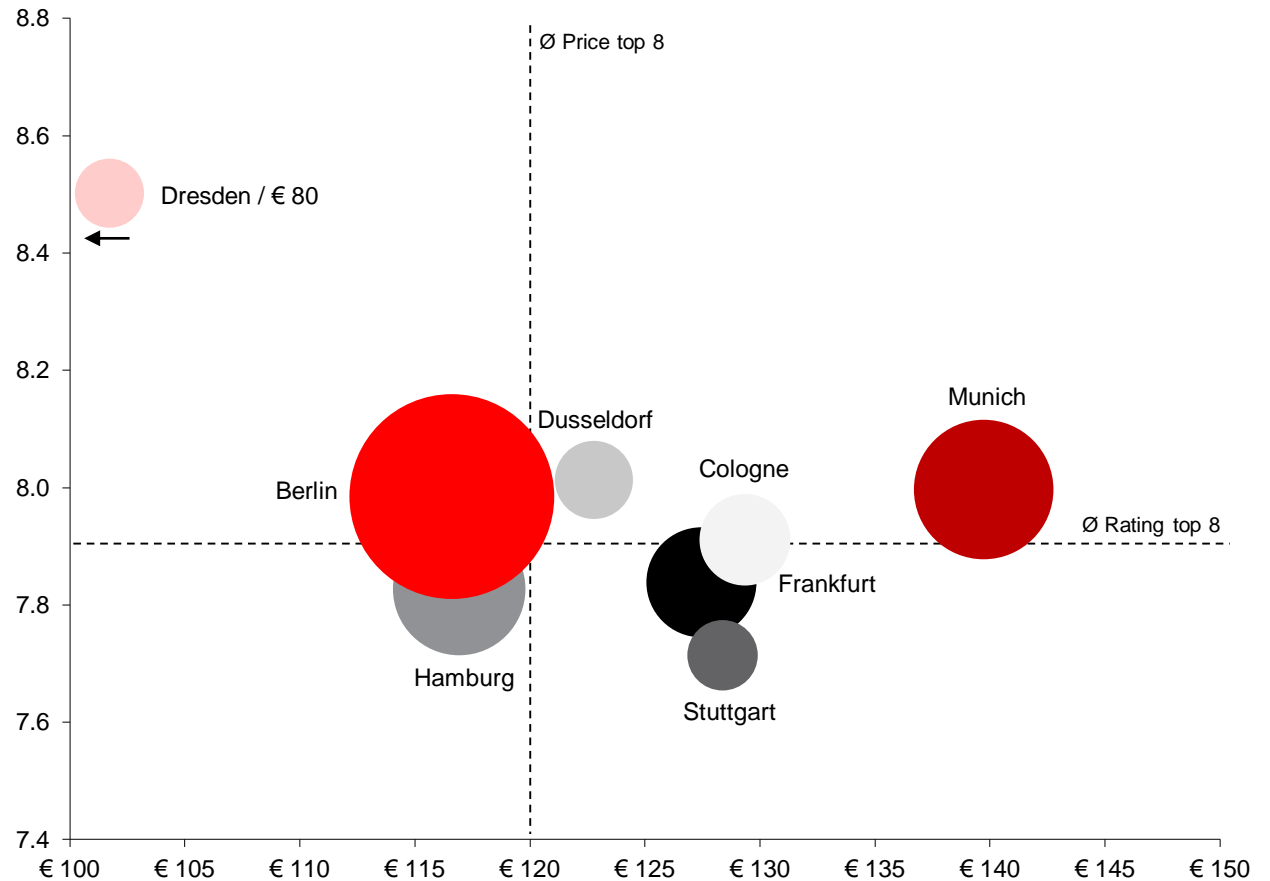


Munich heads the price rankings

Comparison of room prices and hotel ratings

Price-rating matrix of the top 8 hotel locations in Germany

- The price-rating matrix combines the average hotel room price (gross cost rate) of each location with the respective average guest ratings of the underlying booking platform (base year 2017)
- The bubble size reflects the number of overnight stays in the respective location
- As a result, Dresden receives the best guest rating of 8.5, followed by Munich, Berlin and Dusseldorf with 8.0 each (the average is 7.9)
- Overall, all examined locations have improved their rating compared to the previous year. This emphasizes the growing professionalism of the German hotel landscape
- As usual, Munich heads the price rankings. It is followed by Cologne, Stuttgart and Frankfurt

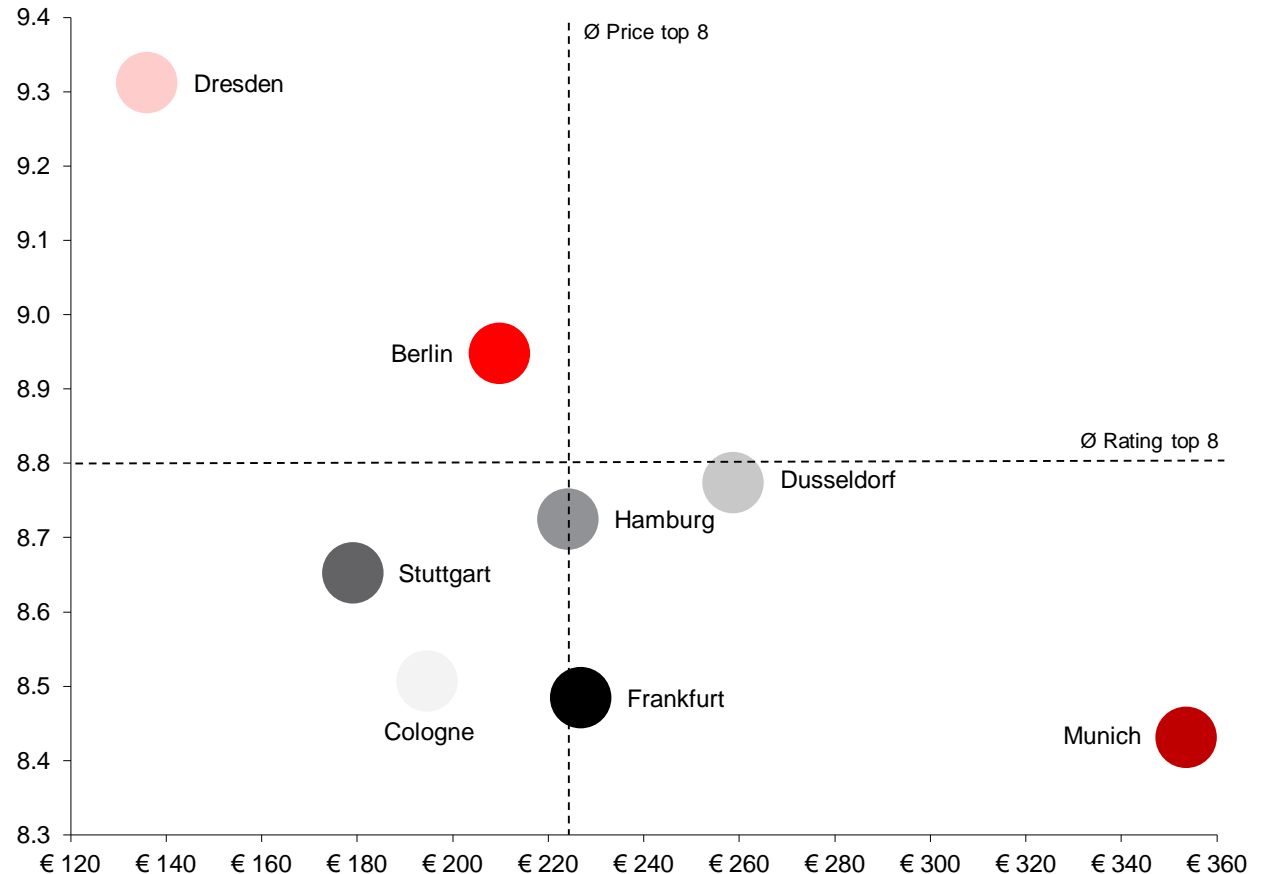


The biggest spread of gross cost rates is anticipated in the luxury segment

Comparison of room prices and hotel ratings in the luxury segment

Price-rating matrix of the top 8 hotel locations for the luxury segment in Germany

- The price-rating matrix combines the average hotel room price (gross cost rate) of a location in the segment „luxury“ (5-star category) and the average guest ratings of the underlying booking platform (base year 2017)
- Again, Munich traditionally leads the price rankings in the luxury segment, while Dresden shows the lowest average cost rate
- The gap to the second highest cost rate Dusseldorf is expected to be approx. € 100. Surprisingly, the Munich luxury hotels are rated the worst with 8.4 in the city comparison
- The average gross cost rate for the luxury segment is € 223 across all locations. Rated at 8.8 on average, the luxury segment attains the best customer ratings across all segments. Thus, the luxury segment is leading both parameters price and rating across to the segments mid- to upscale and budget
- Dresden has the best guest rating of 9.3 followed by Berlin with 8.9

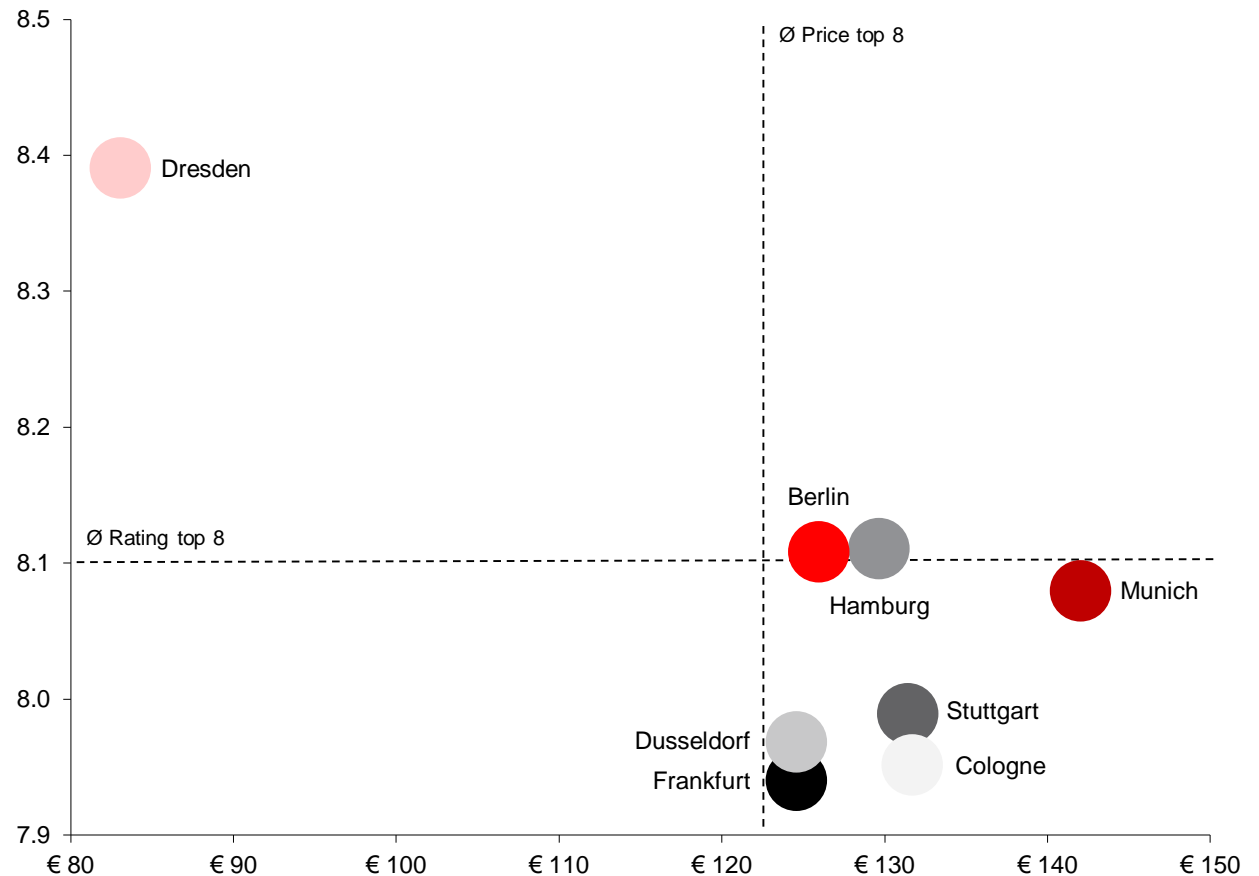


The mid- to upscale segment shows a predominantly homogeneous price level

Comparison of room prices and hotel ratings in the mid- to upscale segment

Price-rating matrix of the top 8 hotel locations for the mid- to upscale segment in Germany

- The price/ rating matrix combines the average hotel-room price (gross cost rate) of a location within the segment „mid-to-upscale“ (3 & 4-Star categories) and the average guest ratings of the underlying booking platform (base year 2017)
- The average gross cost rate for the mid- to upscale segment is expected to amount to € 124 across all locations next to a rating of 8.1 on average
- Except for Dresden (€ 83) and Munich (€ 142), all locations are in a relatively narrow range regarding expected gross cost rates (€ 125 to € 132)
- In the mid- to upscale segment, Dresden is the highest rated city among the top 8 locations, followed by Hamburg, Berlin and Munich, each with a rating of 8.1
- Frankfurt recorded the lowest rating of 7.9 in this segment

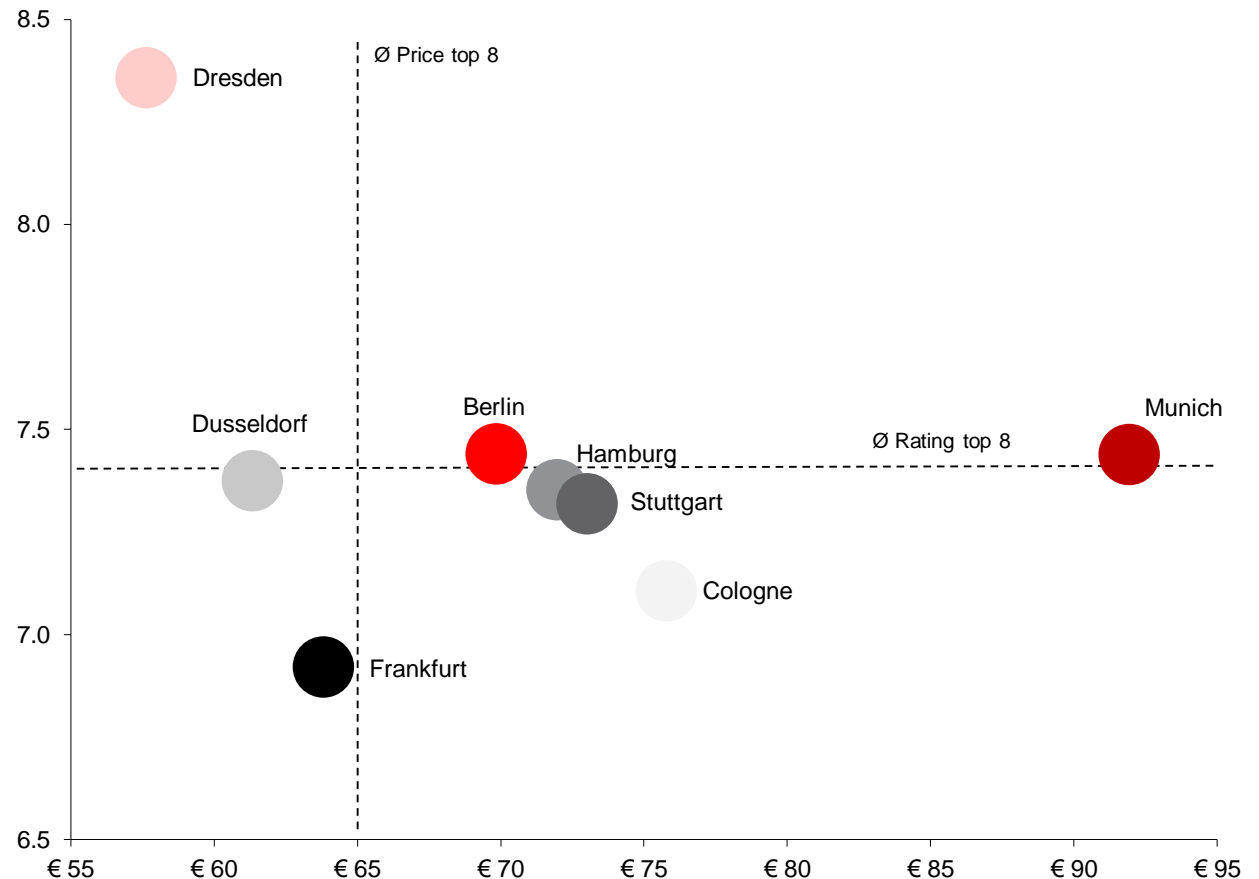


The budget segment records the lowest room prices and ratings

Comparison of room prices and guest ratings in budget segment

Price-rating matrix of top 8 hotel locations in Germany in the budget segment

- The price/rating matrix combines the average gross room price of a destination in the segment „budget“ (1 & 2 star categories) with the average guest ratings from the underlying booking platform (base year 2017)
- An average room price of € 65 is expected in the budget segment across the top 8 locations. The guest rating lies at 7.4 on average
- The price range in the budget segment ranges from € 58 (Dresden) to € 92 (Munich). In parts, the other destinations differ significantly as well. While a budget room in the „conference city“ Dusseldorf is seen at only € 61, a room price of € 70 is forecasted for the „budget capital“ Berlin
- A relatively homogeneous picture is presented regarding average guest satisfaction, disregarding Dresden and Frankfurt
- Overall, the budget segment is being rated the lowest by far



Your contacts

Contact details



Andreas Ewald
Managing Partner

Engel & Völkers Hotel Consulting GmbH
Licensee of Engel & Völkers Commercial GmbH
Stadthausbrücke 5, 20355 Hamburg, Germany

+49 40 / 36 88 10-150
andreas.ewald@engelvoelkers.com



Roland Hehn
CEO

HQ plus GmbH
Claire-Waldoff-Straße 1
10117 Berlin, Germany

+49 30 / 280 427 50
roland.hehn@hqplus.de

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