

BERLIN, GERMANY
Hotel Market Snapshot

'All In' in Berlin

February 2015





HIGHLIGHTS

With a population of around 3.5 million, Berlin is the second most populated city in the European Union. The German capital is home to numerous tourist attractions, historical sights and political infrastructures. Since its reunification in 1989, the city has undergone a dynamic development and transformed into the country's most important political, economic and cultural centre. The steady growth of overnight stays over the past decade has positioned Berlin among the **top 3 European destinations** for both leisure and business tourism.

Our Hotel Market Snapshot provides a presentation of the German capital's current hospitality market.



Berlin's cityscape (Source: © rudi1976 - Fotolia.com)

BERLIN - Key facts and figures (2013)

Population	3 517 424
GDP	€ 109 186 million
GDP per capita	€ 30 642
GDP growth	3.8%
Unemployment	11.7%
Tourism Arrivals	11 324 947
Overnight Stays	26 942 082
% Domestic Tourism	57.1%
% International Tourism	42.9%
Number of hotels*	635
Number of hotels rooms*	55 114

*Includes hotels, guesthouses and bed & breakfast properties
Source: Amt für Statistik Berlin-Brandenburg, Statistisches Landesamt Baden-Württemberg, Stuttgart

WHAT'S NEW? WHAT'S COMING UP IN BERLIN?

- Under construction since 2006, the new Berlin-Brandenburg International airport (BER) is scheduled to open in the second half of 2017.
- In March 2014, Berlin's new state-of-the-art conference and exhibition centre, the CityCube, was inaugurated. The new venue with a surface of 33 000 m² and a capacity of up to 11 000 attendees is replacing the International Conference Centre (ICC) which was closed beginning of 2014. To date, it is unclear whether the ICC will be renovated or not.
- In 2015, Moxy, Marriott's new budget lifestyle brand, will enter the German market with two different properties in Berlin.
- Ekkehard Streletzki, founder of the Estrel Hotel, has announced an additional 814 rooms to the already existing 1 125 rooms of Germany's largest hotel. The construction of the new Estrel tower should be completed in 2017 and will include, besides the new guestrooms, two event venues with a capacity of up to 5 200 people.



Source: © Compuinfo - Fotolia.com

ACCESSIBILITY

Berlin disposes of two airports, the Schönefeld Airport, located 22 km South of the city centre, and Tegel Airport which is situated at a 15 minutes' drive from the centre. In 2014, Berlin's airports welcomed a total of 28 million passengers, which represents a growth of +6.3% compared to 2013.

A tremendous **increase in International passengers was observed at Berlin's airports** over the last 10 years. While the number of domestic arrivals remained stable, the number of international arrivals has increased at a compound annual growth rate (CAGR) of +10.4% since 2010.

The Berlin Brandenburg Airport (BER), whose opening was delayed several times, has been under construction for the past 9 years and is expected to finally come into service before the end of 2017.



Berlin Central Station (source: © kreativtraum - Fotolia.com)

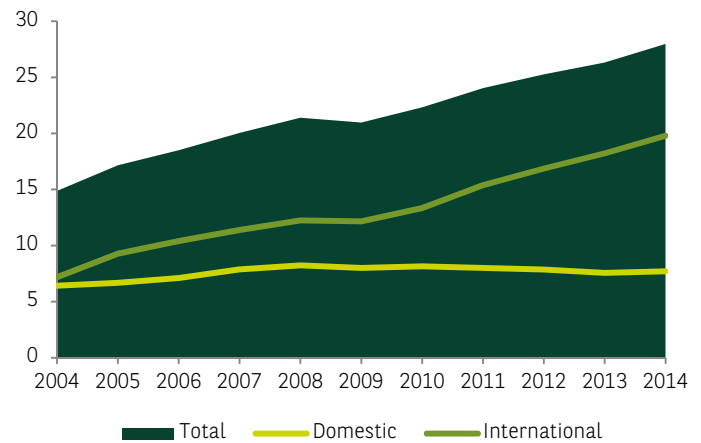
DEMAND

Equally popular for leisure and business, Berlin registered in 2013 the 3rd highest number of overnight stays in Europe after London and Paris. Renowned for its diversity and its good value for money, the capital experienced a record development of its tourism industry over the past decade.

Over the last 10 years, the number of arrivals has more than doubled; an increase from 5 million in 2003 to 11.3 million in 2013 was registered by Berlin's statistical office. With a growth of +8.2% from 2012 to 2013, Berlin's overnight stays exceeded for the first time the 25 million mark.

The capital's tourism industry is **dominated by its domestic clientele which accounts for 57.1%** of total overnights. However, Berlin represents a growing appeal to the international market whose number of overnight stays increased at a CAGR of +8.6% over the 2008-2013 period, much faster than overnights realised by domestic travellers.

Berlin Airports - Number of passengers by origin 2004-2014 (in millions)



Source: Berlin Airport

Berlin Central Station is one of the most spectacular architectural projects in the capital. After undergoing 11 years of construction, the central station opened in 2006 as the largest and most modern connecting station in Europe. **The ICE high speed train network facilitates access to major European destinations such as Amsterdam, Brussels, Paris, Copenhagen and Zurich.**

Evolution of number of tourists and overnight stays 2006-2013 (in millions)

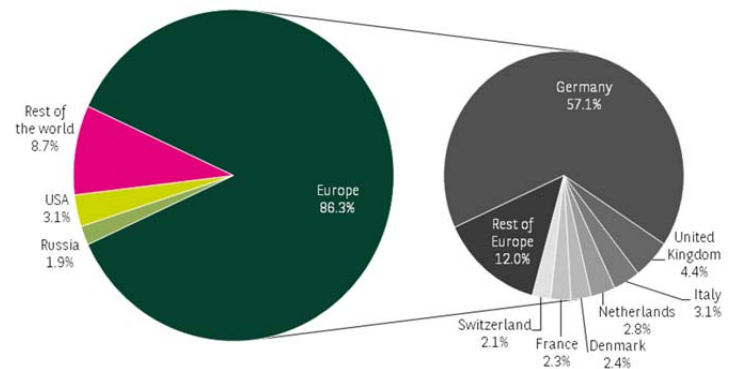


Source: Amt für Statistik Berlin-Brandenburg

In terms of international source markets, the United Kingdom generated the most important share of overnights in Berlin with a total of 4.4%, followed by the United States (3.1%) and Italy (3.1%). Overall, the **European market is the major driver of international demand**, accounting for almost 30% of total overnights, excluding Germany.

In 2013, the markets recording the strongest increases were Russia, with a +13.7% growth and the United Kingdom with an increase of +10.9% compared to 2012.

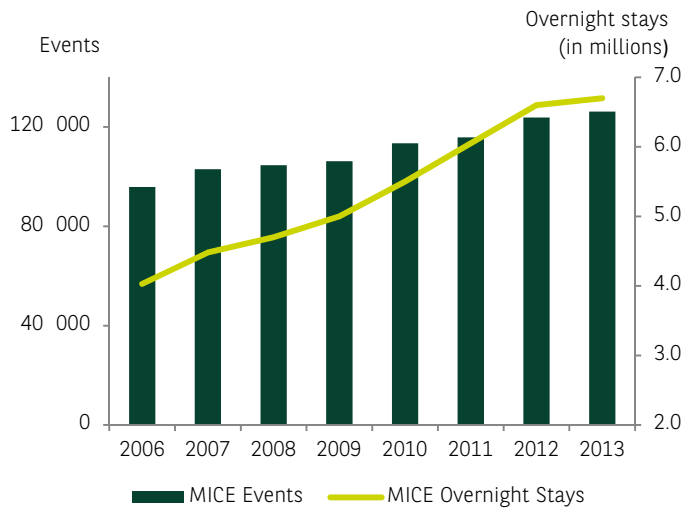
Main international feeder markets (Overnights) 2013



Source: Amt für Statistik Berlin-Brandenburg

Business and MICE Tourism

Overnight stays by number of MICE events 2006-2013



Source: Berlin Convention Office

The MICE sector accounts for a tremendous part of the business travel to Berlin. With around 178 international exhibitions and conferences, **Berlin ranked 5th in the International Congress and Convention Association (ICCA) ranking*** in 2013. Besides the international events, the Berlin Convention Office registered a total of 126 200 events with a total of 10.6 million participants in 2013.

Over the past decade, the capital recorded a strong development of the events and conference sector with +60% growth in the number of events hosted and an increase of +70% in participants.

**It should be noted that the ICCA ranking should only be considered as a benchmark tool, as it only includes international meetings which rotate in a minimum of three different countries.*

With an annual revenue of over 2 billion in 2013, Berlin's congress segment is a driving force in the capital's business tourism industry.

The new conference and exhibition centre, the CityCube, enhances Berlin's attractiveness as a business destination. Nevertheless, with the closing of the ICC, the new venue might not be sufficient to cope with the demand if the latter remains rising.

In 2015, 12 major trade shows (>10 000 visitors) are scheduled with around 1.2 million expected visitors. Among the most popular events are the International Green Week with 400 000 annual visitors and the IFA ("Internationale Funkausstellung", an electronics fair) which takes place every September.



The CityCube (Source: Messe Berlin)



Gendarmenmarkt (Source: © licht75 - fotolia.com)

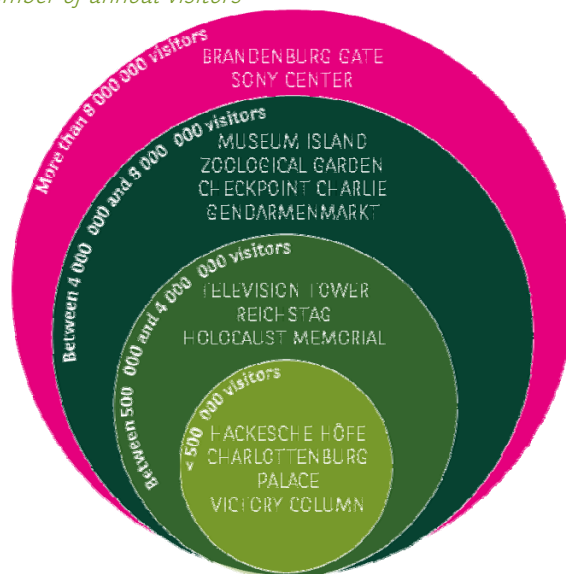
Leisure Tourism

Benefiting from a diversified environment, Berlin offers a very broad span of leisure activities ranging from historic sights to 21st century creations such as the Sony Center. Among the most popular attractions are the Brandenburg Gate, the UNESCO World Heritage classified Museum Island, the Zoological Garden and the Television Tower.

The city's image as a creative, cultural and nightlife hotspot has further helped Berlin to become one of the most popular European urban leisure destinations over the past decade. Renowned for its excellent value for money, the implementation of the City Tax since the beginning of 2014, applicable for leisure tourists only, could however slightly impact the positive outlook for future growth in this segment.

Main tourist attractions

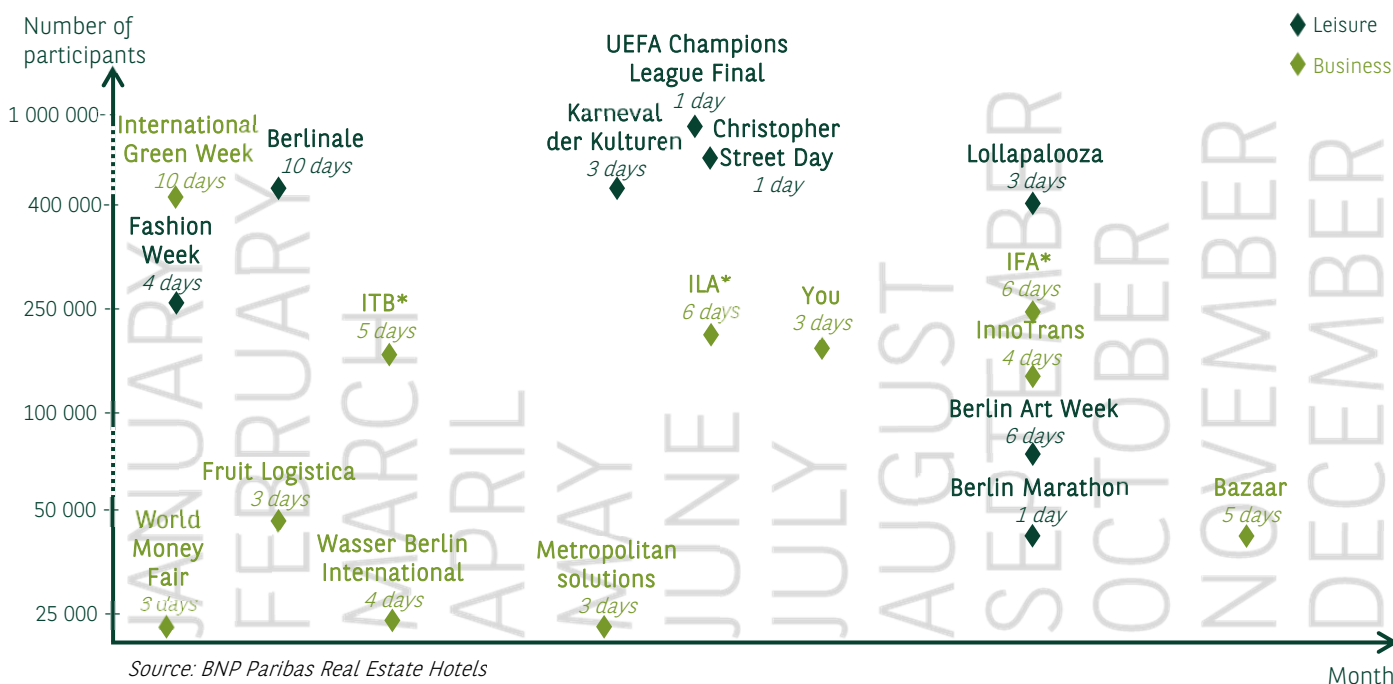
Number of annual visitors



Source: Visit Berlin, BNP Paribas Real Estate Hotels

Main recurrent annual events

Length and number of participants in 2014

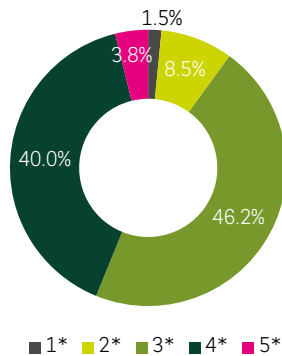


Source: BNP Paribas Real Estate Hotels

*ITB - Internationale Tourismus Börse (International tourism fair)
 *ILA - Internationale Luft- und Raumfahrt ausstellung (international aerospace air show)
 *IFA - Internationale Funkausstellung (trade show for consumer electronics and home appliances)

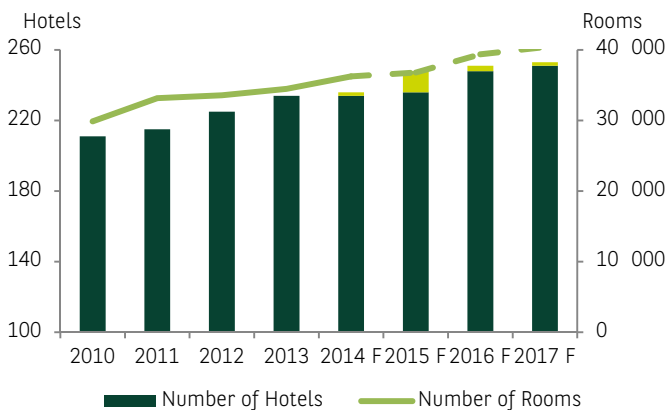
SUPPLY

Hotel rooms per category
2014



Source: DEHOGA Berlin
* It should be noted that 40% of the accommodation in Berlin are unclassified and are not taken into account.

Hotel supply evolution
2010-2017 forecast



Source: Amt für Statistik Berlin-Brandenburg

Most of the upcoming hotel developments will take place in the Mitte district, but various hotels are also scheduled to open in the vicinity of the new BBI airport. Nevertheless, those projects need to be reconfirmed due to several delays in the scheduled opening of the airport. The majority of future developments belong to the midscale and upper midscale segment. In terms of room capacity, the Hampton by Hilton Alexanderplatz (350 rooms), the Hotel Riu Plaza Berlin (375 rooms), the Titanic Business Hotel Berlin (376 rooms) and the Motel One Upper West (582 rooms) represent the most significant additions to Berlin Mitte's market. Furthermore, with its extension of 814 new guestrooms, the Estrel Hotel aims to attract a significant share of Berlin's business clientele to the Neukölln district.

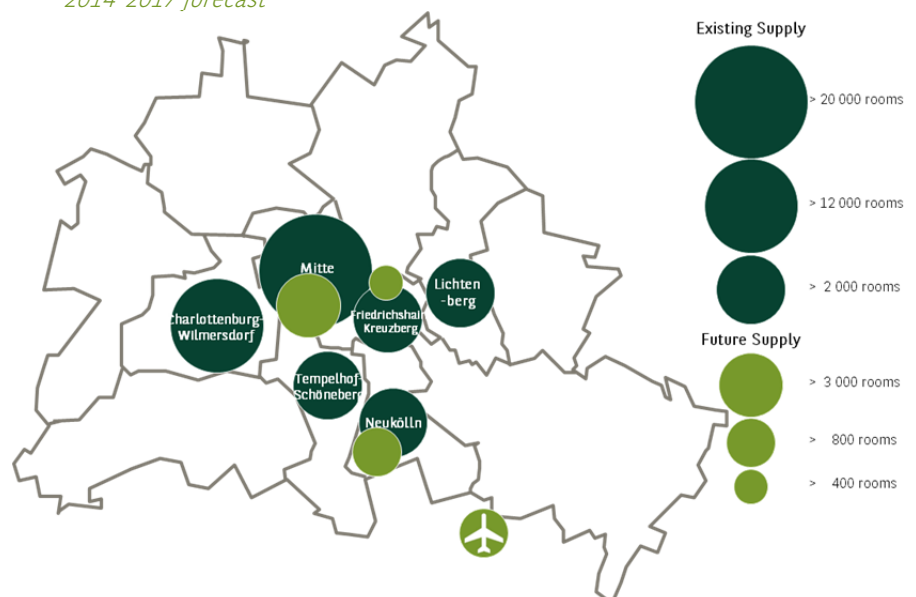
In 2014, Berlin's hotel market is dominated by the mid- and upper midscale market, 86.2% of the classified room supply consisting of 3- and 4-star properties. 5-star hotels represent only 3.8% of the total offer. Meanwhile, the 1-star market represents the smallest share of total room supply; nevertheless, the budget segment is completed by a variety of non-classified properties.

Between 2010 and 2014, the total number of hotels increased at a CAGR of +3.5%, from 197 properties to 234. Meanwhile, the total supply of rooms increased at a CAGR of +5.0%, from 29 882 rooms in 2010 to 36 257 in 2014. The capital's hotel market is characterised by medium to large capacity properties as 50% of the hotels have 120 rooms or more.

The increasing popularity of Berlin, on a national as well as on an international scale, has placed the focus of multinational brands on the German capital's hotel market. While the main chain operator in Berlin remains Accor, other groups are planning to open properties in Berlin, notably Steigenberger Hotel & Resorts, Marriott International, AYG Group and AMANO Group. Consequently, with many new entrants to the market, hotel supply growth is forecasted to remain strong at least until 2017.

Regarding location, most of the hotel supply is situated in the centre of Berlin, close to the major sights and attractions. Indeed, the Berlin Mitte district holds around 40% of the total room supply, followed by the Charlottenburg-Wilmerdsdorf district (21%).

Hotel room supply by geographic area
2014-2017 forecast



Source: Amt für Statistik Berlin-Brandenburg, BNP Paribas Real Estate Hotels

Recent hotel openings

2014

Year	Category	Hotel	Rooms	District
2014	5*	Steigenberger Hotel Am Kanzleramt	339	Mitte
2014	4*	Leonardo	310	Mitte
2014	NC	25hours Hotel Bikini Berlin	149	Mitte
2014	3*	Holiday Inn Berlin City East Side	217	Friedrichsheim-Kreuzberg
2014	NC	Motel One	231	Mitte
Total Rooms Recently Opened			1 246	

Source: Visit Berlin, BNP Paribas Real Estate Hotels

Future hotel openings

2015-2017 forecast

Year	Category	Hotel	Rooms	District
2015	5*	Titanic Comfort Hotel Berlin Mitte	208	Mitte
2015	4*	Titanic Business Hotel Berlin	376	Mitte
2015	4*	Four Points by Sheraton	253	BBI Airport
2015	4*	Hotel Oderberger	72	Pankow
2015	4*	Hotel Riu Plaza Berlin	375	Mitte
2015	4*	Stadtpalais Klosterstraße	250	Mitte
2015	TBC	Moxy	190	Friedrichsheim-Kreuzberg
2015	TBC	Moxy	266	BBI Airport
2015	3*	Grimm's Hotel	110	Mitte
2015	3*	Hotel AMANO Grand Central	250	Mitte
2015	TBC	Novum Style	60	Charlottenburg-Wilmersdorf
2015	2*	Ibis Berlin Hauptbahnhof	173	Mitte
2016	3*	Hampton by Hilton	350	Mitte
2016	3*	Hotel AMANO	100	Mitte
2016	NC	Motel One	582	Mitte
2017	4*	Steigenberger BBI Airport Hotel	322	BBI Airport
2017	4*	Estrel Berlin ¹	814	Neukölln
Total Rooms in the Pipeline			4 751	

¹Room extension

Source: Visit Berlin, BNP Paribas Real Estate Hotels



Holiday Inn Berlin - City East Side (Source: Hotel)

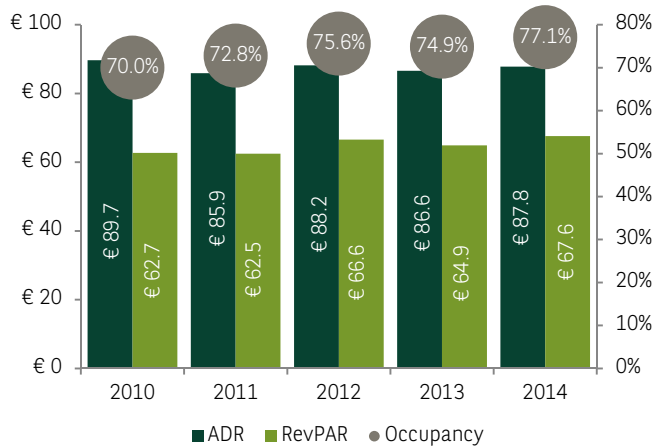
In addition to the relatively strong supply growth recorded over the past years, several properties have been subject to major renovations and/or rebranding, some examples of which are presented below:

Year	Category	Hotel	Rooms	District
2014	5*	Sheraton Berlin Grand Hotel Esplanade (former Grand Hotel Esplanade)	394	Mitte
2014	5*	Sofitel Berlin Kurfürstendamm (former Hotel Concorde Berlin)	311	Mitte
2014	4*	Dormero Hotel Berlin Ku'damm (former Brandenburger Hof Hotel)	72	Mitte
Total Rooms Renovated/Rebranded			777	

Source: Visit Berlin, BNP Paribas Real Estate Hotels

HOTEL PERFORMANCES

Hotel trading performances 2010-2014



Source: MKG Hospitality Database

The opposite graph shows a comparison of the RevPAR levels for five key cities in Germany and Europe, including Berlin.

Despite Berlin's positive RevPAR development in recent years, the capital still registers the lowest RevPAR.

While Hamburg's RevPAR is only slightly higher than Berlin's, most of the European cities clearly outperform Berlin in terms of RevPAR. The graph also reveals that Berlin, despite its status of capital, is definitely not the most competitive German city, Munich's RevPAR being about 30% higher. Berlin's relatively weak RevPAR performance is explained by the fact that its ADR is significantly below compared to other major European destinations which can partially be explained by the high number of economic and midscale properties.

INVESTMENT MARKET

The German hotel investment market as a whole registered a record growth of +20.0% in 2013. In particular, the increasing popularity of the German capital among travellers over the past years has fostered an increasing demand for hotel investment.

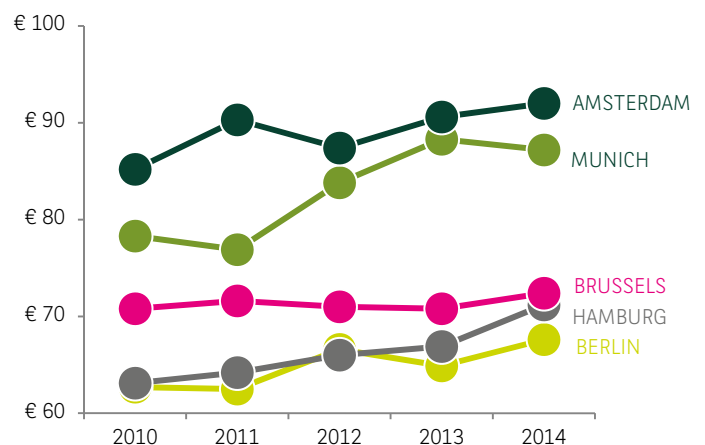
The hotel investment market in Berlin has seen **a lot of movement in the past two years with at least 11 single asset transactions**, among which 3 relate to properties under development.

The sale of the office, hotel and retail project "Upper West" for € 250 million can be considered as the most significant recent single asset transaction. The hotel which will be operated by Motel One comprises 582 rooms and will open in 2016.

The German capital, with its diversified demand base, registers little seasonality, although **Berlin's demand for hotel rooms stands in close relation to its corporate and meeting activities**. In the months from November till March, arrivals to the city are the weakest. Despite low occupancy, prices remain rather stable during this time of the year. On the contrary, when arrivals are at their highest during the summer, ADR drops remarkably.

Since 2010, occupancy rose progressively - except for 2013 when it lost -0.7 point - to reach a peak in 2014 with an average of 77.1%. ADR and RevPAR have been subject to fluctuations over the past years and reached € 87.6 and € 67.6 respectively in 2014.

Key cities - RevPAR evolution 2010-2014



Source: MKG Hospitality Database

Foreign investors are major actors on the Berlin market. Examples include the Qatar-based holding Al Rayyan Tourism and Investment Company who acquired two properties in Berlin Mitte in 2013, the Grand Hyatt Berlin (342 rooms) and the Maritim Berlin (505 rooms).

In addition, the French real estate investment firm Foncière des Murs recently acquired the Motel One Berlin Mitte and has also bought through its subsidiary FDM Management another 9 Motel One properties, one of which located in Berlin Dreilinden, that will be rebranded Première Classe, signing the launch of Louvre Hotels' budget brand in Germany.

The following table illustrates recent major hotel transactions recorded over the past four years in Berlin:

Year	Cat.	Hotel	Rooms	Price (€)	Price per room (€)	Seller	Purchaser
2012	4*	IHG Hotels (Holiday Inn Alexanderplatz, Indigo Alexanderplatz)	395	60 000 000	152 000	Azure Property Group	Invesco Real Estate
2012	4*	Scandic Berlin Potsdamer Platz	217	107 000 000	190 731	SNS Property	Wenaasgruppen
2012	4*	Nhow Berlin	304	58 000 000	191 000	Nippon Development	Jesta Group
2012	4*	Maritim Berlin	505	180 000 000	350 000	SEB Management	Al Rayyan Tourism and Investment Company
2013	5*	Grand Hyatt Berlin	342	100 000 000	292 000	SEB Management	Al Rayyan Tourism and Investment Company
2013	4*	art'otel Berlin Mitte, art'otel Berlin Kudamm	619	Not disclosed	Not disclosed	Not disclosed	A subsidiary of PRHE Group
2013	4*	Scandic Hotel Potsdamer Platz	561	107 000 000	190 731	SNS Property Investment	Wenaasgruppen
2013	4*	Adrema Hotel	130	20 000 000	154 000	Not disclosed	EB Group
2013	4*	Holiday Inn 02 Arena	217	16 000 000	73 733	Strauss & Partner	VW Landesärztekammer Hessen
2013	3*	Hotel Aurum	41	9 500 000	232 000	Not disclosed	Adler Real Estate AG
2013	NC	Motel One Berlin-Bellevue	248	15 500 000	63 000	AXA Investment Managers Deutschland	FLE SICAV FIS
2014	4*	Mercure City Hotel Berlin	245	26 000 000	106 122	ActivumSG	INTERNOS Global Investors
2014	3*	Holiday Inn Express	256	20 000 000	78 125	Ivanhoé Cambridge	Apollo Global Management
2014	3*	Holiday Inn Express	158	21 000 000	132 911	Foremost Leisure Real Estate	Deka Immobilien
2014	TBC	Office, hotel and retail project "Upper West"	582	250 000 000	Not disclosed	Strabag	RFR-Holding
2015	NC	Motel One Berlin Mitte (part of portfolio transaction)	450	34 000 000	75 555	Motel One	Foncière des Murs
2015	NC	Motel One Berlin Dreilinden (part of portfolio transaction)	Circa 750	Circa 49 000 000	Circa 65 300	Motel One	FDM Management

Source: BNP Paribas Real Estate Hotels

OUTLOOK

Renowned as a trendy and affordable European capital, and a lively place to visit, Berlin has recently emerged as a **highly dynamic tourism destination in Europe**. Numerous budget hotel brands as well as affordable luxury hotels made the most of the city's development by opening new properties in the German capital.

At the same time, Berlin is also improving its tourism infrastructures in order to remain competitive and to strengthen its leisure and MICE segments. This is illustrated by the long awaited opening of the BER airport in 2017 and the recent opening of the CityCube conference and exhibition centre. Nevertheless, the quite uncertain reopening of the Berlin ICC conference centre has forced local tourism authorities to question the capability of the city to increase the MICE and business segments due to the limited capacity of the existing facilities.

Despite high occupancy rates reflecting the strong demand throughout the year, Berlin's ADR remains low given the significant part of the hotel supply in the economic segment, resulting in **relatively low levels of RevPAR**. Moreover, considering the substantial number of recent openings and planned developments until 2017 which will add another 4 751 rooms to the city, a RevPAR growth is expected to stay moderate over the short term, as the market will need some time to absorb the additional supply.

However, the strong fundamentals of the country and the stability of the German economy provide a favourable setting for hotel investors and operators. Indeed, **the investment market is expected to stay strong in Berlin** and Germany.



25hours Hotel Bikini Berlin (Source: Hotel)

Hong Kong



U.A.E



USA



- Our locations
- Our alliances



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