



MUNICH, GERMANY
Hotel Market Snapshot

Will Munich score again?

October 2015





HIGHLIGHTS

Renowned worldwide for its famous Oktoberfest, Munich, located in the south-east of Germany, is also the third city in the country in terms of population after Berlin and Hamburg.

With a diversified and balanced demand regarding the origins and the purpose of visit of tourists, Munich's hotel market is based on good fundamentals that operators and investors did not fail to notice. The capital of the Bavarian state records higher hotel market performances than the two largest German cities, benefiting amongst other assets from a rich fair activity.

While Munich was recently under the spotlight during its traditional annual beer festival, we figured it was about time we took stock of the city's hotel market in a new Market Snapshot.

MUNICH - Key Facts and Figures (2014)

Population	1 420 000
GDP	€ 87 482.0 million
GDP per capita	€ 61 607.0
GDP growth	1.8%
Unemployment	3.5%
Tourism Arrivals	6 593 883
Overnight Stays	13 448 024
% Domestic Tourism	50.5%
% International Tourism	49.5%
Number of hotels	399
Number of hotel beds	62 333

Source: Bayerisches Landesamt für Statistik, Muenchen.de, BNP Paribas Research

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

- From 22 to 24 July 2016, Munich will host the 500 year anniversary of the 'Reinheitsgebot' (German Purity Law). The law to regulate the production of beer (ingredients, process and quality) was introduced in 1516. More than 100 Bavarian breweries will exhibit their specialities to the 100 000 expected visitors.
- In 2017, the Hotel Königshof will be the subject of a complete demolition and reconstruction. The historical property will be transformed into a state of the art lifestyle hotel comprising 95 rooms and suites and a modern imposing façade. It should reopen in 2019.
- Originally built to host the 1972 Summer Olympics, the Olympiastadium, located in the north-east of the Bavarian capital, will benefit from a € 76 million renovation programme. The timing and exact scope of the refurbishment have not been announced yet; however, the stadium will undergo a substantial makeover in order to host major open air festivals.



City Panorama (Source: © Messe München International)



Source: © Stenzel Washington - Fotolia.com

ACCESSIBILITY

Munich International Airport is located 28.5 km north-east of the city centre and is **Germany's second busiest airport** after Frankfurt. It is the secondary hub of Lufthansa and offers flights to more than 220 destinations in 66 countries and operated by 82 airlines.

After a decrease in 2009, the airport recorded a continuous growth of its total number of passengers – even though the increase flattened from 2012 onwards – achieving a compound annual growth rate (CAGR) of +2.3% over the 2008-2014 period. The number of passengers reached the record figure of 39.7 million in 2014, a +2.7% increase compared to 2013, driven by international travellers whose number rose by +3.6%, while domestic passengers numbers showed a downward trend recording a minor decrease of -0.1% in 2014.

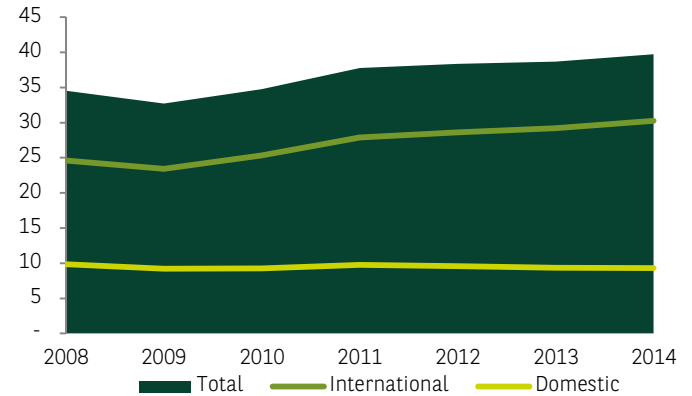
Under construction since 2012, a **new Terminal 2 satellite is scheduled to open in April 2016**. The expansion which will be connected to Terminal 2 by a 400-metre underground line is expected to handle 11 million additional passengers annually.

Furthermore, in 2016 Condor Airlines will add 6 new long-haul destinations from Munich including Halifax, Namibia or Tanzania while Germania will add Beirut to its direct destinations.



Munich Airport at night (Source: © weseetheworld - Fotolia.com)

Munich Airport - Number of passengers
2010-2014 (in millions)



Source: Munich Airport

Regarding rail transportation, Munich counts three main train stations. Among these, the central station, the **'Hauptbahnhof'**, with more than 350 000 passengers each day, is the **second busiest station in the country** after Hamburg Central Station and serves domestic as well as international destinations.

A high-speed rail line between Berlin and Munich is under construction, which will bring Munich within less than 4 hours of the German capital by December 2017 (compared to 6 hours currently).

In the long term, the regional train network ('S-Bahn') should be significantly improved by the construction of a second tunnel under Munich's city centre which should help to decongest the current routes. The project foresees a new line from West to East connecting the 'Hauptbahnhof' with 'Marienhof' and the 'Ostbahnhof'. The construction of the tunnel has not yet started and is subject to further approvals from the city.



Munich Hauptbahnhof (Source: © Andy Ilmberger - Fotolia.com)

DEMAND

Tourism demand in Munich grew exponentially over the last years as can be seen in the opposite graph. The number of arrivals and overnight stays increased by respectively +36.5% and +36.6% between 2008 and 2014 to reach close to 6.6 million tourists who generated more than 13.4 overnights. This corresponds to a CAGR of +5.3% for both arrivals and overnight stays over the period. It should be noted that Munich is the second most visited city in Germany after Berlin.

Munich's demand is characterised by a **balanced mix between domestic and foreign** tourists who realised respectively 50.5% and 49.5% of overnight stays in 2014. International demand is very diverse. The second most important source country after Germany, the USA, accounted for 5.6% of total overnights, followed by Italy and the United Kingdom (3.8%), Russia (3.5%) and Switzerland (3.1%). Overall, European markets represented 75.2% of overnight stays in 2014.

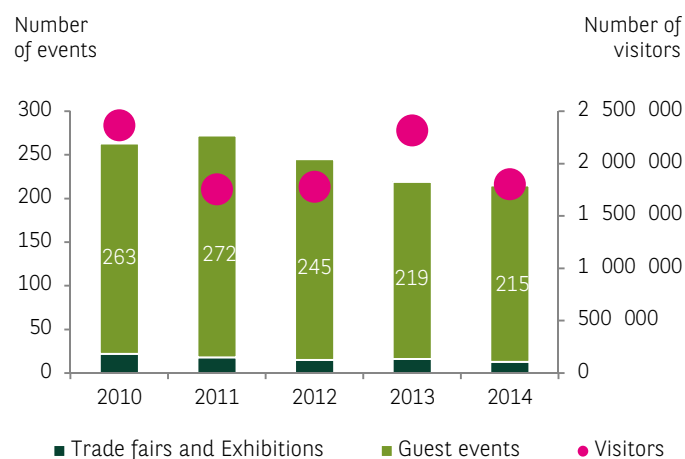
In the same year, the most significant increases in overnight stays were recorded by the Arab Gulf States and China (+16.7% and +16.3% respectively), while overnights realised by Russians, strongly affected by the collapse of the ruble, fell by -9.9%.

The average length of stay in Munich remained stable in 2014, at 2.0 days.

Regarding the purpose of visit, the mix is relatively well balanced between leisure and business visitors, each category generating approximately half of the overnights recorded.

Business and MICE Tourism

Number of events and visitors at Messe München 2010-2014



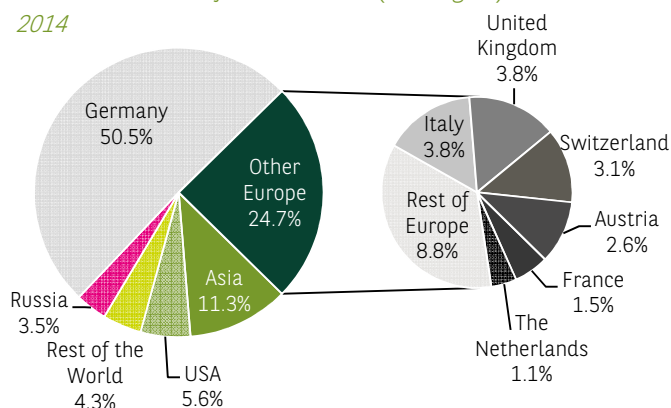
Source: Messe München

Evolution of arrivals and overnight stays 2008-2014 (in millions)



Source: Muenchen.de

Main international feeder markets (Overnights) 2014



Source: Muenchen.de

Munich is one of the main economic hubs in the European Union and the second financial centre in Germany after Frankfurt. The city is home to the highest number of DAX-listed companies in the country, hosting for example the headquarters of Allianz, BMW and Siemens.

Besides being a first-class business location, the Bavarian capital is also a prime trade fair destination.

Messe München, located within the Trudering-Riem district in western Munich, offers 180 000 m² of covered exhibition space in 16 halls and 425 000 m² of outdoor space. It also comprises within its premises the ICM ('Internationales Congress Center München') which can host up to 6 000 people for meetings, events and conventions.

In 2014, Messe München welcomed more than **1.8 million visitors** attending 13 trade fairs and exhibitions as well as 202 events. This represents a decrease of -22.1% in the number of visitors compared to the year 2013, but the latter was driven by an extremely strong calendar including the Bauma fair (the world's leading trade fair for construction machinery and equipment) held every three years in Messe München and which attracted more than 535 000 participants in 2013.

From 2015 (November) onwards, Munich will benefit from the relocation of Airtec (the International Aerospace Supply Fair), historically held in Frankfurt, thanks to the higher degree of flexibility of Munich's exhibition centre.

In order to accommodate the growing demand, two new halls offering 20 000 m² of additional indoor exhibition space will be added to Messe München as well as a new flexible conference centre comprising 2 000 seats. The total investment amounts to € 105 million and construction works should start in summer 2016 for an expected opening by 2018.

Leisure Tourism

From cultural sights such as the Cathedral Church of our Lady ('Frauenkirche'), the 'Marienplatz' or the English Gardens to sports-related leisure attractions (Allianz Arena, Olympiapark, BMW World), the city proposes a broad offer of leisure sights attracting millions of visitors annually.



Allianz Arena (Source: © Messe München International)

Other main MICE infrastructures in Munich include the Gasteig München (capacity of up to 2 390 people in its philharmonic hall), the Hanns Seidel Foundation conference centre (460 people) and the 'Haus der Bayerischen Wirtschaft' (Bavarian house of commerce) conference centre (250 people).

With 81 international exhibitions and conferences, Munich ranked 26th in the International Congress and Convention Association (ICCA) ranking* in 2014. It is the second German city in the ranking after Berlin in the 4th place.

**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.*



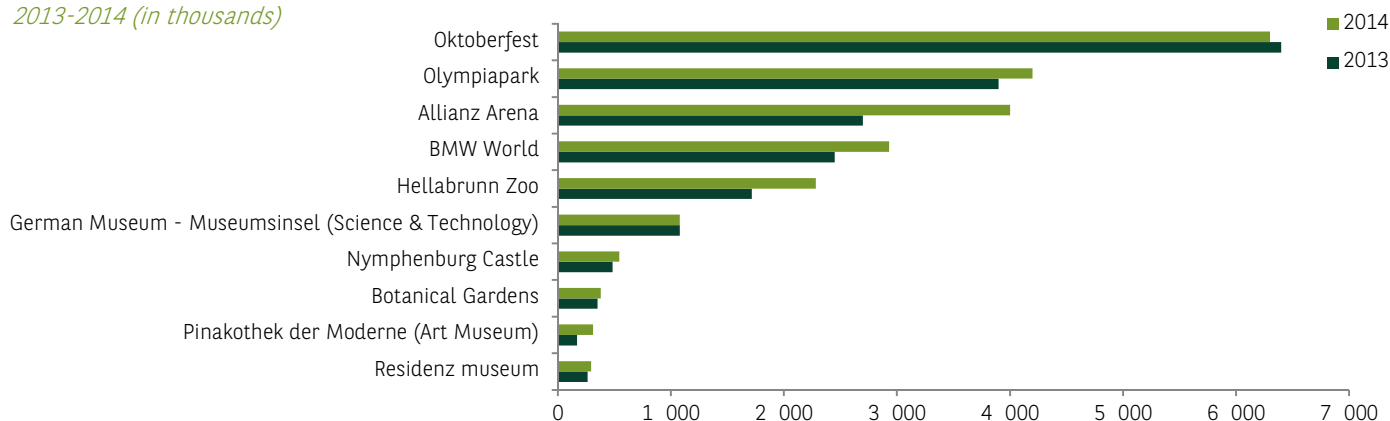
Messe München (Source: © Messe München International)

Every year from mid-September to beginning of October, **millions of tourists attend the famous Oktoberfest**, a beer festival and fun fair hosted since 1810 at the 'Theresienwiese' located 5 km from Munich's city centre. In 2014, visitor numbers reached 6.3 million, a slight decrease of -1.6% compared to 2013.

The Olympiapark Munich welcomed 4.2 million visitors in 2014. The park, a listed sight, hosts numerous concerts and events and it features extensive sport infrastructures accessible to the public. In addition to the renovation of the stadium, studies to transform the old-fashioned ice skating rink into a concert hall are currently being conducted.

The Allianz Arena, home to the city's football club FC Bayern München, was the most visited sight in Bavaria in 2014.

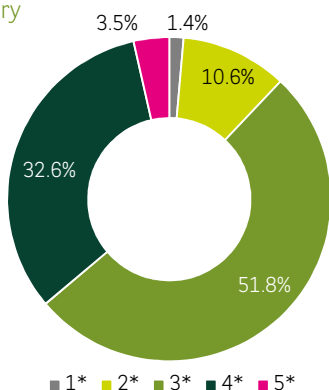
Main tourist attractions / events - Visitors 2013-2014 (in thousands)



Source: BNP Paribas Real Estate Hotels

SUPPLY

Hotels per category
2014



Source: Bayern Tourist GmbH

Hotel supply evolution

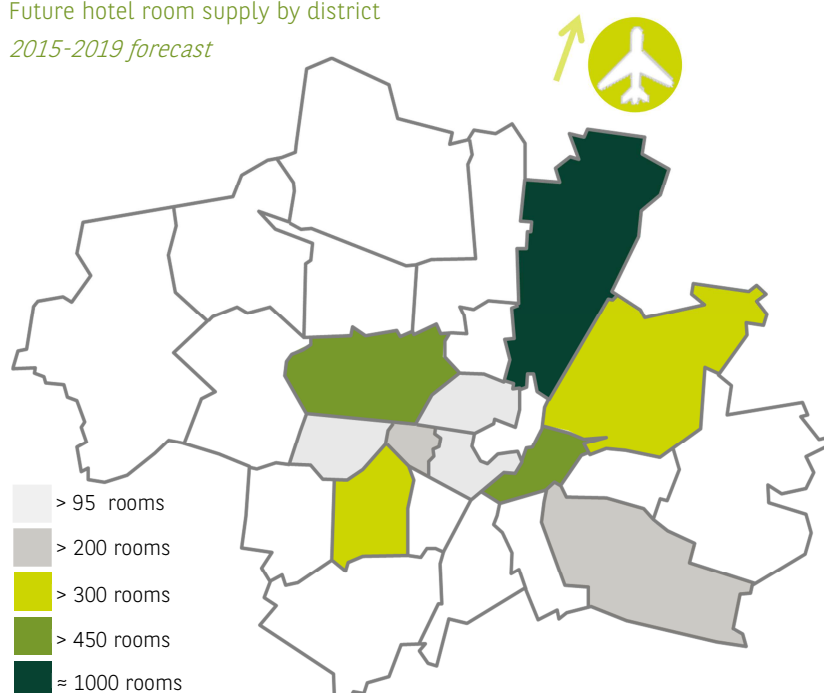
2010-2019 forecast



* Future bed supply estimated based on the number of rooms identified
Source: Bayerisches Landesamt für Statistik, BNP Paribas Real Estate Hotels

Regarding location, projects are mainly located in the **central districts of the city**; but the **Schwabing-Freimann** district, located North, having undergone a gentrification process and having benefited from various developments over the last years, definitely offers new opportunities for hoteliers and should count around 1 000 additional hotel rooms by 2017.

Future hotel room supply by district
2015-2019 forecast



Source: Landeshauptstadt München, BNP Paribas Real Estate Hotels

Munich's hotel market is clearly dominated by the 3-star segment accounting alone for more than half of the total hotel supply. The 4-star segment ranks second with nearly a third of the supply, followed by the 2-star category amounting to 10.6%. The 5-star and 1-star hotel supply represent only minor shares in Munich's hotel market, with respectively 3.5% and 1.4% of the total supply.

The hotel supply (including guesthouses) in Munich has remained steady over the last five years, increasing only from 394 hotels in 2010 to 399 in 2014. Over the same period however, the number of beds increased by +13.2%. The most significant addition was observed in 2011 with a +6.0% increase in bed supply, while in the following years supply increased at a slower pace before taking off again in 2014 to reach 62 333 beds (+4.2% compared to 2013).

After the openings of 6 hotels in 2014, our research listed 11 hotel openings in 2015, adding this year more than 1 650 rooms to the Bavarian capital. The trend is expected to **accelerate over the next few years** since Munich also has a very dense pipeline of future supply, showing the growing interest of operators and investors.

The future supply includes **numerous German hotel chains** (25hours, Steigenberger, Meininger), but international chains will also reinforce their presence. Notably, upcoming hotel projects in Munich include the first Andaz hotel (luxury boutique hotel brand of the Hyatt group) in Germany.

Recent hotel openings

2014-2015

Year	Category	Hotel	Rooms	District
2014	4*	Ramada Hotel & Conference Center München Messe	331	Trudering-Riem
2014	3*	H2 Hotel München Messe	205	Trudering-Riem
2014	2*	LetoMotel	110	Trudering-Riem
2014	1*	Ibis Budget Muenchen City Olympiapark	162	Milbertshofen-Am Hart
2014	1*	Ibis Budget Muenchen Airport Erding	106	Airport
2014	Apert.	Adagio Access München City Olympiapark	160	Milbertshofen-Am Hart
2015	4*	Novotel Muenchen City Arnulfpark	185	Maxvorstadt
2015	4*	Aloft Hotel München	184	Ludwigsvorstadt-Isarvorstadt
2015	4*	H'Otello B'01 München	56	Ludwigsvorstadt-Isarvorstadt
2015	3*	Ibis Muenchen City Arnulfpark	204	Neuhausen-Nymphenburg
2015	3*	Nordic Pure Hotel München	192	Bogenhausen
2015	3*	Bavaria Motel	136	Aubing-Lochhausen-Langwied
2015	3*	Star Inn Hotel München Premium Domagkstrasse	130	Schwabing-Freimann
2015	3*	Harry's Home Hotel Munich Moosach	125	Moosach
2015	3*	Vi Vadi Hotel Bayer 89	114	Maxvorstadt
2015	2*	Ibis Muenchen City Ost	167	Berg am Laim
2015	2*	A&O Hotel & Hostel München Laim	160	Laim
Total Rooms Recently Opened			2 727	

Source: Landeshauptstadt München, BNP Paribas Real Estate Hotels

Future hotel openings

2016-2019 forecast

Year	Category	Hotel	Rooms	District
2016	5*	Roomers Munich	290	Schwanthalerhöhe
2016	4*	Leonardo Hotel	220	Sendling-Westpark
2016	4*	25hours Hotel München	170	Ludwigsvorstadt-Isarvorstadt
2016	3*	Moxy Munich Airport	317	Airport
2016	3*	Holiday Inn Express Munich City West	302	Neuhausen-Nymphenburg
2016	3*	Leonardo Hotel	159	Sendling-Westpark
2016	2*	Super 8 Hotel Munich North	205	Schwabing-Freimann
2016	2*	Super 8 Hotel City West	168	Laim
2016	2*	Bold Hotel München Zentrum	TBC	Ludwigsvorstadt-Isarvorstadt
2017	5*	Andaz Hotel Schwabinger Tor	274	Schwabing-Freimann
2017	4*	Ramada Bogenhausener Tor	344	Au-Haidhausen
2017	4*	Steigenberger Hotel München	292	Schwabing-Freimann
2017	4*	AMERON Hotel München	149	Schwabing-Freimann
2017	3*	Leonardo Hotel Neuperlach	220	Ramersdorf-Perlach
2017	3*	Cosmopolitan Hotel München (demolition and reconstruction)	75	Schwabing-Freimann
2017	2*	Meininger Hotel München Olympiapark	173	Neuhausen-Nymphenburg
2018	4*	Holiday Inn Munich City East	118	Bogenhausen
2018	4*	Residence Inn by Marriott	72	Au-Haidhausen
2018	3*	Holiday Inn Express Munich City East	189	Bogenhausen
2018	3*	Moxy	150	Au-Haidhausen
2019	5*	Hotel Königshof München (demolition and reconstruction)	95	Maxvorstadt
Total Rooms in the Pipeline			3 982	

Source: Landeshauptstadt München, BNP Paribas Real Estate Hotels



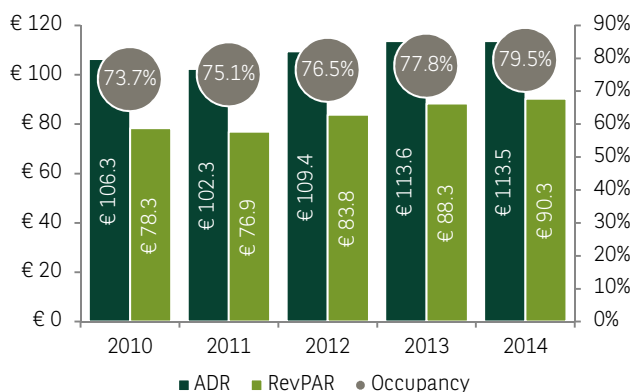
Aloft Hotel München (Source: Hotel)



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 Munich. RevPAR ranged between € 64.3 for Frankfurt and € 92.0 for Amsterdam in 2014. Since 2011 the German cities have clearly recorded a positive trend, led by Munich which outperforms by far the other German cities Frankfurt and Berlin (by +40.4% and +33.5% in 2014), mostly driven by a much higher ADR.

Munich is indeed **Germany's best performing hotel market**. Over the past three years, the Bavarian city's RevPAR increased significantly, reducing the gap with Amsterdam's. The Bavarian capital still holds its runner up position, but outperforms by far the Belgian capital.

INVESTMENT MARKET

Munich's central location within Europe, its historical low unemployment rate and its strong export and service oriented economy made the Bavarian capital an **attractive city to invest in**.

In 2014, Munich outperformed Frankfurt for the first time in terms of hotel investment recording a total volume of € 596 million, a momentous growth of +112% compared to 2013, thus becoming the leading city on the German hotel investment market. At least 14 hotel transactions were recorded over the past two years, with strong investor appetite putting **pressure on hotel yield rates**. Over the analysed period, gross initial yields for hotel leaseholds in Munich's prime locations recorded a compression of around 50 basis points.

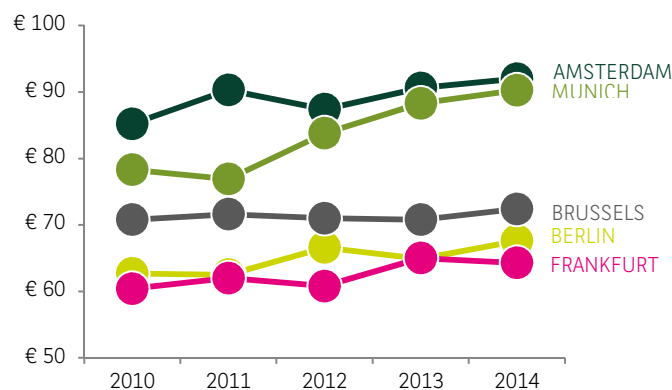
With an estimated € 249 million, Munich's hotel investment market remained particularly dynamic over the first six months of 2015. More recently, Deka Immobilien GmbH acquired the 396-room **Sofitel Bayernpost** for an estimated € 180 million, after having already bought earlier this year

Overall, Munich's hotels record a **high level of occupancy all year round**, with demand being particularly strong from May to October. In 2014, occupancy recorded its lowest level in January at 65.2% and reached its peak during the Oktoberfest period at 88.3%.

Between 2010 and 2014, occupancy rose progressively from 73.7% to 79.5%, showing the growing interest for the city on both a national and international level. ADR recorded a negative growth rate of -3.8% in 2011, after having recorded a remarkable increase of +16.6% in 2010. Overall, from 2010 to 2014 ADR increased at a CAGR of +1.7%. RevPAR followed the same trend with an overall CAGR of +3.6% reaching € 90.3 in 2014.

Key cities - RevPAR evolution

2010-2014



Source: MKG Hospitality Database

Le Méridien Munich for € 158 million – which was at the time already considered as the most significant transaction in Germany in 2015. Deka Immobilien GmbH acquired Le Méridien from Kildare Partners which had initially bought the distressed asset in 2014 as part of a portfolio transaction together with Le Méridien Frankfurt and 24 office buildings.

Even though hotel investments in Munich were somewhat dominated by German investors, US REIT W.P. Carey Inc. acquired the 5-star Roomers Hotel project, to be developed in the western city centre, for € 262 000 per key. Foncière des Murs has been another major player on the Bavarian market during the first semester of 2015. The French real estate investment company acquired the B&B Hotel München City West and the B&B München Airport as part of a 22-hotel portfolio transaction as well as the Meininger project which will be constructed close to the Olympiapark for € 29.5 million.

The **scarcity of hotel prime assets on sale** and investors' interest to settle in Germany's best performing market also led to numerous transactions related to development projects.

The following table illustrates major hotel transactions recorded since 2014 in Munich:

Year	Cat.	Hotel	Rooms	Price (€)	Price per room (€)	Seller	Purchaser
2014	n/a	Portfolio of 24 offices and 2 hotels in Germany (including Le Méridien Munich)	n/a	1 000 000 000	n/a	Deutsche Bank	Kildare Partners
2014	4* 4*	Courtyard Munich City East Residence Inn Munich City East	227 125	65 000 000	184 659	Zippers & Co. Real Estate München and E&G Bridge	Patrizia Immobilien AG
2014	4*	Eurostars Book Hotel	201	Not disclosed	Not disclosed	Collineo Group OBO Hotuso Group	Not disclosed
2014	4*	Rilano 24/7 Hotel München City	53	10 000 000	188 679	Ingenia Projektentwicklung GmbH	Russian Family Office
2014	3*	Nordic Pure Munich	192	8 500 000	44 271	Hubert Haupt Immobilien Holding	Not disclosed
2014	3*	Best Western Aparthotel München	186	19 000 000	102 151	Treucon Group Fund	Piettal GmbH
2015	5*	Sofitel Munich Bayernpost	396	c. 180 000 000	c. 454 546	E&P Real Estate	Deka Immobilien
2015	5*	Le Méridien Munich	381	158 000 000	414 698	Kildare Partners	Deka Immobilien
2015	5*	Roomers Hotel project ¹	290	76 000 000	262 069	Not disclosed	W.P. Carey Inc. (CPA®:18Global)
2015	4*	Leonardo Hotel Munich City Olympiapark (former Best Western Aparthotel)	195	Not disclosed	Not disclosed	Not disclosed	Leonardo Group
2015	4*	Leonardo Hotel Munich City North (former Hotel Mayerhof)	70	Not disclosed	Not disclosed	Not disclosed	Leonardo Group
2015	3*	Leonardo Hotel Neuperlach project ¹	220	Not disclosed	Not disclosed	Not disclosed	Investa
2015	2*	22 B&B Hotels portfolio (incl. B&B Hotel München Airport & B&B Hotel München City West)	2 200 (incl. 101 & 147)	128 000 000	58 182	Carlyle Group	Foncière des Murs
2015	2*	Meininger Hotel project ¹	173	29 500 000	170 520	Alstria office REIT-AG	Foncière des Murs
2015	2*	Super 8 project ¹	168	Not disclosed	Not disclosed	Not disclosed	Patrizia Immobilien AG

¹ Development project

Source: BNP Paribas Real Estate Hotels

OUTLOOK

Munich benefits from the **resilience and dynamism of the German economy** and has managed to make the most of it by positioning itself as an attractive destination for business as well as leisure visitors. The Bavarian capital attracts a great number of skilled domestic and foreign workers and is home to several DAX-listed and export-oriented companies.

Aiming for a sustainable development of its tourism, Munich has clear ideas for the future. In order for the city to maintain its growth and remain competitive on an international scale, its tourism office has elaborated a solid strategic plan based on the **'culture of enjoyment and enjoyment of culture'**. Even though Munich recorded a strong CAGR of +5.3% in overnights from 2008 to 2014 as well as the **highest hotel performances in the country**, the objective is to further diversify its clientele by attracting new source markets as currently more than 56.2% of overnights are realised by visitors from German-speaking countries.

The city has employed the means to reach its ambitions. Besides renovations and reinforcements of its transport and tourist infrastructures, the **hotel pipeline is dense** and will increase by almost 4 000 additional rooms the current supply in the Bavarian capital in the coming years. Most future hotel openings are greenfield development projects as investors and operators, attracted to the city by its positive indicators, were sharply limited these last months by the scarcity of available properties.

Strong appetite from investors looking for value-added transactions led to a high dynamism on the Bavarian capital's hotel market over the past three years. Given the hotel investment volume threshold reached in 2014, one could consider that investment opportunities in Munich will become harder to find.



Hong Kong



U.A.E



USA



- Our locations
- Our alliances



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