

BERLIN

IN SEARCH OF ADR GROWTH

MARKET PULSE

MARCH 2018

TOURIST ARRIVALS – 2017



▲ 1.5% YOY
13 MILLION

AIRPORT PASSENGERS – 2017



▲ 1.3% YOY
33 MILLION

BEDNIGHTS – 2017

0.3% YOY ▲
31 MILLION



CONFERENCE MARKET – 2017

1.0% YOY ▲
11.7 MILLION ATTENDEES



MARKET PROFILE

With some 3.6 million inhabitants, Berlin is the largest city in Germany and regarded as a city of knowledge and culture. The city is home to some of the most prominent universities, sporting events, orchestras and museums. The rapidly evolving metropolis enjoys an international reputation for its festivals, contemporary architecture, nightlife and avant-garde arts. Being a major tourist centre and home to 190 nationalities, Berlin is a focal point for individuals who are attracted by its liberal lifestyle, urban eclecticism and artistic freedom.

TOURISM DEMAND

Over the past decade, Berlin experienced impressive growth in visitation, airport passengers, hotel supply and performance. Figures for year-to-November 2017 indicate a positive trend with a year-on-year increase of 2.3% in visitation thanks to a significant domestic market accounting for approximately 60%. The city benefits from a strong MICE market; however, its largest segment is leisure guests. Owing to its strong focus on creative industries, start-ups and the student population, the city's profile attracts a young and international crowd.

HOTEL PERFORMANCE

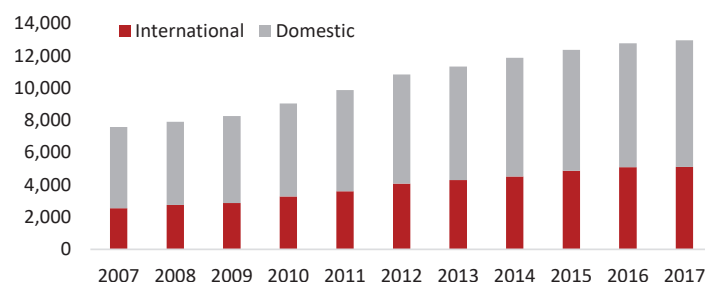
- Hotels in Berlin record high occupancy levels owing to strong and constantly growing demand in the leisure and meeting & conference segments. Over the past ten years, occupancy grew from 70% to the high 70s in 2017, despite a terrorist attack in December 2016;
- Meanwhile, Berlin's average rate performance has been under pressure and remains at the lower end in a Europe-wide comparison, and this dynamic might well continue for the foreseeable future with the openings of more budget and midscale hotels.

ECONOMIC INDICATORS – GERMANY

	2017A	2018F	24-MONTH FORECAST
GDP GROWTH (%)	+2.5	+2.4	▲
CPI (%)	+1.7	+1.9	▲
UNEMPLOYMENT (%)	3.8	3.7	▶

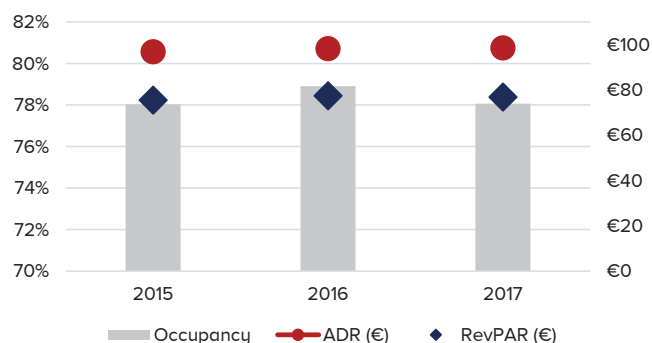
Sources: Economist Intelligence Unit; IMF

VISITATION



Source: Amt für Statistik Berlin-Brandenburg

KEY METRICS*



Source: HVS Research

* Branded hotels

HOTEL SUPPLY

Berlin's hotel bed supply has increased at a compound annual rate of 3.4% since 2009. As of the end of 2016, Berlin had 535 hotels providing some 58,000 rooms. The market is geared towards larger hotels; properties offering more than 250 rooms made up more than 45% of the market.

The city boasts a strong pipeline of new hotel projects, most of which will fall into the economy to midscale segment with significant inventories; the Motel One Alexanderplatz (708 rooms) and the 245-room MEININGER Hotel East Side Gallery opened in December 2017. Berlin's hotel supply is expected to increase by 10% within the next three years. Future significant openings include the 254-room Hampton by Hilton and the 119-room Hotel Indigo as part of Mercedes Platz, a complex opposite the Mercedes-Benz Arena; the 95-room Hotel Amano Friedrichstrasse and the 283-room Barcelo Berlin.

INVESTMENT MARKET

Berlin's hotel investment market is rather liquid and sought-after with most of the transactions taking place as part of a portfolio, as shown in the transactions table. The most recent hotel transaction was the purchase of the 78-room Das Stue Hotel by a private investor, now managed by AccorHotels. The transaction of four Motel One hotels over the past two years shows the attractiveness of this business model, particularly to German institutional investors. For the latest value trend, please refer to our annual European Hotel Valuation Index, which showed that Berlin is the least volatile market in terms of values compared to the other European markets in the survey.

OUTLOOK

Looking into the future, the hotel pipeline remains strong, putting further pressure on the existing hotels' average rate performance, but also on the infrastructure and the airport operation. Hoteliers are eagerly awaiting the opening of the new Berlin Brandenburg airport (lately announced for 2021), which should help increase the appeal and connectivity of Berlin to international travellers as the city's tourism is still heavily focused on domestic visitors. Overall, the outlook for the city is positive, as it continues to capitalise on its unique personality, and Germany continues to be perceived as one of the safest and most sought-after investment markets in Europe.

HOTEL PIPELINE

Property	Rooms	Opening
Meininger Hotel Berlin East Side Gallery	245	Recently Opened
Motel One Berlin Alexanderplatz	708	Recently Opened
B&B Hotel Berlin-Alexanderplatz	163	Recently Opened
Capri By Fraser Berlin	144	Recently Opened
Merika Hotel	170	March 2018
B&B Hotel Berlin Messe	140	March 2018
Meininger Hotel Schultheiss Quartier	245	May 2018
Amano Hotel Friedrichstraße	95	Q3 2018
Hotel Campanile Berlin	60	Q3 2018
The Ritz-Carlton Berlin (Refurbishment)	303	Q3 2018
Hotel Indigo Berlin - City East (Mercedes Benz Arena)	119	Q4 2018
Hampton by Hilton Berlin (Mercedes Benz Arena)	254	Q4 2018
niu Hide	151	Q4 2018
Holiday Inn Express Berlin City Kurfuerstendamm	177	Q1 2019
The Student Hotel Berlin	457	Q2 2019
Amano Hotel Stralauer Allee	200	Q2 2019
Barcelo Berlin	283	Q4 2019
Hard Rock Hotel Berlin Checkpoint Charlie	372	On Hold

Source: HVS Research

HOTEL TRANSACTIONS

Property	Sale Date	Rooms	Estimated Price (€)	Per Room (€)
Das Stue	Nov 2017	78	Undisclosed	
Motel One Upper West	Nov 2017	580	Portfolio Transaction	
Swissotel am Kurfurstendamm	Nov 2017	316	Portfolio Transaction	
NH Berlin City Ost	Oct 2017	99	Portfolio Transaction	
Holiday Inn Express Anhalter	Aug 2017	256	Portfolio Transaction	
Motel One am Spittelmarkt	Jul 2017	303	43,025,000	142,000
Hotel Indigo and Hampton by Hilton (Mercedes-Platz)	Jul 2017	372	69,900,000	188,000
Motel One Hauptbahnhof	Mar 2017	505	Portfolio Transaction	
MEININGER Hotel Berlin Central Station	Mar 2017	296	Portfolio Transaction	
Motel One Hackescher Markt	Dec 2016	207	Portfolio Transaction	
Holiday Inn Alexanderplatz and Hotel Indigo	Mar 2016	395	63,100,000	160,000
Meliá Berlin	Sep 2015	364	92,500,000	254,000
Andel's by Vienna House	Jul 2015	557	105,000,000	189,000

Source: HVS Research

VALUE TREND

REVPAR



CAPITALISATION
RATES



HOTEL VALUES



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