Frankfurt Market Report

Accelerating success.
Overall information

Frankfurt am Main has a population of just under 700,000 and is a major hub of the financial industry and service sector. The city is the heart of the dynamic Frankfurt/Rhine-Main economic area and one of the leading business locations in Europe. Plans call for the Riedberg planning district, encompassing 267 ha in the northwest of Frankfurt, to be completed by 2017. The new area will include a large number of amenities and facilities serving local needs as well as office buildings and 6,000 residential units for approximately 15,000 people.

Transportation infrastructure

The Frankfurt airport is Germany’s most important international transportation hub. By passenger volume, the Frankfurt airport is the largest in Germany, third largest in Europe and twelfth largest worldwide. In all, the airport handled more than 59.6 million passengers (up 2.6%), just under 470,000 flight movements (a decrease of 0.8%), approximately 81 tons of airmail (an increase of 2.5%), and 2 million tons of cargo (up 1.7%) in 2014. The main rail station in Frankfurt, built in 1888, handles over 1,800 trains and approximately 370,000 travellers each day. For regional transit, there are also various bus lines, U-Bahn and S-Bahn metro rail systems, and streetcar lines. An additional 40 bus stops are being renovated to become accessible to the disabled. The extension of the U5 line to the Europaviertel development is scheduled for completion in 2022.

Centre of economic and business activity

As the economic heart of the state of Hesse and the Rhine-Main metropolitan region, Frankfurt is one of the world’s most important centres of finance and services. It also has a long tradition and prominent reputation as a site of the chemicals and pharmaceuticals industries and the media. There are more than 43,000 businesses in Frankfurt, with about 520,000 employees in all. The city is home to the European Central Bank, the German Bundesbank and the Frankfurt Stock Exchange, and 190 financial institutions are based in Frankfurt, including five of Germany’s ten largest banks and 144 foreign institutions. 14.2% of employees in the city work in the financial service and insurance sector.

Centre of travel and tourism

Frankfurt is a destination for business travellers, a city with a wealth of cultural offerings and a popular destination for urban travellers. In the leisure segment, St. Paul’s Church (Paulskirche), the Goethe House, Main Tower and the Zeil shopping area draw especially large crowds. Business travellers, including conference and trade fair attendees (approximately 70%), dominate the market and are expected to continue to do so.
Trade fair grounds

Frankfurt is considered one of Germany’s most important trade fair locations, offering major trade fairs such as the IAA, the Frankfurt Book Fair, and Achema, the world’s largest chemicals exhibition. In 2014, Frankfurt was the venue for 130 conventions and conferences as well as 113 trade fairs and events, with over 78,500 exhibitors and about 3.6 million visitors over an area of 578,000 m² with ten halls (355,678 m²). The trade fair grounds (including the southern entrance and hall 12) are now scheduled for expansion at a cost of 300 million euros. The Kap Europa conference centre in the Europaviertel development, which can accommodate up to 2,400 attendees, opened in May 2014, adding to the range of available options.

Hotel market

The German financial hub continues to benefit from positive development on both the supply and demand side. The number of accommodation providers decreased by two from the previous year, to 269 properties with 43,889 beds (up 4.7%). In all, 16 hotels with approximately 3,100 rooms are in the planning stages. Out of that total, various hotels are scheduled to open this year, including the Holiday Inn Mainzer Landstraße (four stars), Moxy Hotel Gateway Gardens (three stars), Hampton by Hilton Europapark (four stars) and a long-stay concept from Capri by Frasers (153 units), together offering approximately 900 rooms. Other hotels are expected in 2016, including the Sofitel Alte Oper (five stars) and an Adina apartment hotel at the Frankfurt trade fair grounds (180 units). The Frankfurt hotel market is still dominated by the three-star and four-star segment.

On the demand side, Frankfurt has once again posted record results for the number of guests and number of overnight stays. In 2014, Frankfurt hosted approximately 4.8 million guests (up 6.7%) and approximately 8 million overnight stays (an increase of 7.3%). This means Frankfurt is still in fourth place among German cities. In the domestic market, the city saw 7.4% more guests (2.7 million) and 6.4% more overnight stays (4.4 million), achieving new highs. Overnight stays by international guests also increased, rising 8.4% (3.6 million). Demand from other countries stands at 45%, which has made Frankfurt one of Germany’s most international cities for years. Guests from the United States account for the largest number of overnight stays here (511,572, up 12.4%), followed by those from the UK (299,064, an increase of 8.6%) and Italy (151,063, down 1.1%). Other strong European source markets in terms of the number of overnight stays include Spain (134,676, an increase of 3.6%), France (123,272, up 0.9%), and the Netherlands (93,555, down 1.8%). Overseas guests account for 31.2% of all foreign guests in Frankfurt, with approximately 230,416 overnight stays by guests from the Arab countries in the Persian Gulf region (an increase of 32.2%) and over 218,337 from China (up 14.0%). The average guest stay length increased slightly, to 1.68 days.
Hotel performance

Frankfurt remains one of the most attractive hotel locations in Germany for hotel investors, with solid growth figures. The city’s bed capacity utilization of 50.2% is the highest value since the year 2000. Occupancy increased to 68.4% (up 3.4%) in 2014, and the average room rate (ARR) decreased by a small margin of 2.6%, to € 95.00. This resulted in RevPAR of € 65.00 (an increase of 0.6%). The figures for Frankfurt are thus above the German national average.

Rating and outlook

As a hub of financial activity, trade fair location, transportation hub, and home to major financial institutions, Frankfurt is an important city on the international stage. The Frankfurt hotel market is also one of those in Europe that see constant growth. The additional Kap Europa conference centre built by trade fair operator Messe Frankfurt and a stable conference industry point to further positive development. Based on the city’s stable economic market, international makeup and outlook and the steadily rising demand from investors and travelers, Colliers International expects the positive development of the Frankfurt market to continue. Central urban locations and an excellent local transportation and transit network are major criteria for success. Economy products are a particular area of focus for investors.

Parameters of the hotel market in German major cities

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<tr>
<th>OPERATIONAL FIGURES 2014</th>
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<tbody>
<tr>
<td>City</td>
<td>Occupancy</td>
</tr>
<tr>
<td>Berlin</td>
<td>76.6 %</td>
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<tr>
<td>Dusseldorf</td>
<td>66.9 %</td>
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<tr>
<td>Frankfurt a. M.</td>
<td>68.4 %</td>
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<tr>
<td>Hamburg</td>
<td>79.4 %</td>
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<tr>
<td>Cologne</td>
<td>70.3 %</td>
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<tr>
<td>Munich</td>
<td>78.3 %</td>
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<tr>
<td>Stuttgart</td>
<td>73.7 %</td>
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<tr>
<td>Germany</td>
<td>70.1 %</td>
</tr>
</tbody>
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Source: IHA Deutschland 2015 / STR Global
502 Office in 67 Countries on 6 Continents

United States: 140
Canada: 31
Latin America: 24
Asia Pacific: 199
EMEA: 108

€1.75 billion in annual revenue

€ 75 billion in total transaction volume in more than 84,600 lease and sale transactions

160 billion square feet under management

16,300 professionals and staff

About Colliers International Hotel GmbH

As part of Colliers International, Colliers International Hotel GmbH provides a full range of hotel real estate services; it sees itself as the lifeblood of brand-name hotels and is at the disposal of clients throughout Germany. Colliers International Hotel GmbH advises hotel corporations, investors, hotel operators as well as project developers on their choice of location, business concept and brand strategy. Together with associates, they provide financing and equity-partners. Moreover, Colliers International Hotel GmbH seeks out the right hotel properties to suit the investor’s needs. Colliers International is a global leader in commercial real estate services, with over 16,300 professionals operating out of more than 502 offices in 67 countries.

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