Cologne Market Report

Accelerating success.
Overall information

With a population of over one million, Cologne is the largest city in the state of North Rhine-Westphalia. The city is bisected by the Rhine, with 70 km of riverfront. Cologne is known for its history and for its cultural and architectural heritage. The city’s hallmark is Cologne Cathedral, a UNESCO World Heritage site and one of Germany’s most popular tourist attractions.

Transportation infrastructure

With seven autobahns and 11 federal highways, the cathedral city has good connections to the national and regional road network. With approximately 28 ICE high-speed and regional train lines and various S-Bahn and U-Bahn metro rail and bus connections, the main rail station has become one of the largest hubs of rail traffic in Germany, serving approximately 780 trains per day. The tracks around the main rail station and Hohenzollern Bridge will be undergoing extensive testing and renovations up until 2016. A dense and highly developed public transit network also ensures that the city has a good transportation infrastructure. Cologne’s harbors moved 13.2 million tons of cargo in total in 2014. The Cologne/Bonn airport is the third largest cargo airport and seventh largest passenger airport in Germany, with approximately 9.45 million passengers, over 123,000 flight movements, and over 754,000 tons of airfreight each year.

Center of economic and business activity

A traditional hub of commerce and industry, Cologne has become a center of the service and logistics sectors and an innovative media site. The metropolis on the Rhine is home to numerous leading media firms, such as WDR, RTL, N-TV and VOX, which draw talented young employees and other businesses to the area. Even with this high-performance mix of industries, over 80% of employees in the city work in the service sector. With eight universities and four universities of applied sciences, the city is a major center of academia and research in Germany. Four Max Planck Institutes, University Hospital Cologne, and the German Aerospace Center dominate the research landscape in Cologne.

Center of travel and tourism

Business travelers account for approximately 70% of those visiting Cologne. The city’s trade fair grounds and the numerous companies based here are especially important factors in generating demand. Cologne is known in particular for Cologne Cathedral (which averages 10,000 visitors per day) and its 12 Romanesque churches, the famed Cologne Carnival celebrations, the Rheinauhafen waterfront complex (featuring a promenade, yacht harbor and high-end district in the southern part of Cologne) with its striking Kranhaus (literally “crane house”) buildings and the numerous breweries.

<table>
<thead>
<tr>
<th>COLOGNE</th>
<th>In Numbers</th>
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<tbody>
<tr>
<td>Inhabitants</td>
<td>1,046,200</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>9.6%</td>
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<tr>
<td>Employees subject to social insurance requirements</td>
<td>512,144</td>
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<tr>
<td>Disposable income per capita</td>
<td>20,413 €</td>
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</tbody>
</table>


Demand proportional to the total amount of overnight stays

Source: State Statistical Office
The opera house and Schauspiel theater are scheduled to open at the end of 2015.

**Trade fair grounds**

The Cologne trade fair complex is a major point of attraction for business guests. The trade fair venue is the fifth largest of its kind in the world, with gross indoor capacity of 284,000 m² right in the heart of Cologne, 11 contiguous trade fair halls, approximately 100,000 m² of outdoor space, two conference centers, and its own rail station served by ICE high-speed trains. Approximately 2.7 million visitors and 49,000 exhibitors from 117 countries attended about 80 trade fairs, exhibitions, guest events and special events and around 2,000 conferences here in 2014. Cologne is one of the main centers of PR in Germany and the site of the leading European trade fair dmexco (digital marketing expo and conference), gamescom (world’s largest computer game trade fair) and GDC Europe (the leading European conference for computer game developers). Cologne also has 20 event centers and 91 event locations. In 2015, the city will benefit from hosting the IDS (International Dental Show, held every two years) and Anuga FoodTec (held every three years). Plans call for extensive modernization and expansion of the trade fair grounds with new buildings over the next 15 years, all without adversely affecting ongoing business.

**Hotel market**

The Cologne hotel market experienced an upturn in 2014. The number of open accommodations rose by 40, to 302 in all, marking a 15.3% increase. The number of available guest beds also rose, going up 14.2% to stand at 32,666. The hotel market is dominated primarily by properties in the three-star segment (51%) and by branded accommodations, which account for 65% of all rooms. Ongoing hotel projects for this market include the B&B Hotel Deutzer Feld, which is slated for completion in 2015, and the conversion of the Althoff Dom Hotel and opening of the Park Inn by Radisson Neuer Markt in 2016. These properties together account for about 340 rooms. In addition, an office building on Perlengraben is being converted to a Holiday Inn Express with 323 rooms, which is scheduled to be completed in 2017. A 25hours hotel is in the planning stages for the Gerling Quartier development, and a Motel One is slated to open on Cäcilienstraße in 2018, the third such location in the city. In all, this will bring just under 1,200 new rooms onto the market in the branded accommodation segment over the next few years.

Cologne registered the largest growth in terms of key hotel indicators such as overnight stays and guest arrivals in 2014 as compared with the top seven cities in Germany. The number of guests rose 12.4% year on year, to approximately 3,330,000, and the number of overnight stays also increased, rising 13.0% to 5.74 million. International guests also accounted for a rising share of visitors at 34% overall, an increase of 9.6%. Average stay length for all guests stands at 1.7 days, making Cologne currently the most important center of tourism in North Rhine-Westphalia.
Hotel performance

A top location, Cologne’s hospitality sector saw stable performance in 2014. Average occupancy stood at 70.3%, marking another year-over-year increase, this time by 1.6%. The average room rate (ARR) decreased by 1.0%, to €88.00. As a result, average revenue per available room (RevPAR) solidified at €62.00 total, an increase of 0.5%. Average bed occupancy stood at 48.7% (+0.6%).

Rating and outlook

Business prospects for the chain hotel segment in Cologne are still good for 2014 in general, continuing the previous trend. The reasons for this lie in the steady increase in demand even as supply also grows. The rising interest in urban tourism, stable demand among business travelers, and the fact that the city is home to what has been one of Germany’s most-visited tourist attractions for years, Cologne Cathedral, also point to a positive outlook for Cologne’s hotel market. There is still room for further development in urban tourism in the leisure segment. It can therefore be assumed that the number of international guests can be further expanded in the long term. Colliers International sees further development potential in this market, especially for branded hotel properties. Both the long-stay and economy segments offer room for development, with little market penetration having taken place so far in the latter segment. Good infrastructure connections and a central location are prerequisites in this regard.

Parameters of the hotel market in German major cities

<table>
<thead>
<tr>
<th>City</th>
<th>Occupancy</th>
<th>change to previous year</th>
<th>ARR</th>
<th>change to previous year</th>
<th>RevPAR</th>
<th>change to previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berlin</td>
<td>76.6 %</td>
<td>2.0 %</td>
<td>89.00 €</td>
<td>2.0 %</td>
<td>68.00 €</td>
<td>4.0 %</td>
</tr>
<tr>
<td>Dusseldorf</td>
<td>66.9 %</td>
<td>5.7 %</td>
<td>99.00 €</td>
<td>5.7 %</td>
<td>66.00 €</td>
<td>11.7 %</td>
</tr>
<tr>
<td>Frankfurt a. M.</td>
<td>68.4 %</td>
<td>3.4 %</td>
<td>95.00 €</td>
<td>-2.6 %</td>
<td>65.00 €</td>
<td>0.6 %</td>
</tr>
<tr>
<td>Hamburg</td>
<td>79.4 %</td>
<td>1.8 %</td>
<td>91.00 €</td>
<td>3.9 %</td>
<td>73.00 €</td>
<td>5.8 %</td>
</tr>
<tr>
<td>Cologne</td>
<td>70.3 %</td>
<td>1.6 %</td>
<td>88.00 €</td>
<td>-1.0 %</td>
<td>62.00 €</td>
<td>0.5 %</td>
</tr>
<tr>
<td>Munich</td>
<td>78.3 %</td>
<td>1.9 %</td>
<td>110.00 €</td>
<td>0.0 %</td>
<td>87.00 €</td>
<td>1.9 %</td>
</tr>
<tr>
<td>Stuttgart</td>
<td>73.7 %</td>
<td>4.5 %</td>
<td>90.00 €</td>
<td>4.9 %</td>
<td>66.00 €</td>
<td>9.6 %</td>
</tr>
<tr>
<td>Germany</td>
<td>70.1 %</td>
<td>2.3 %</td>
<td>87.00 €</td>
<td>1.6 %</td>
<td>61.00 €</td>
<td>3.9 %</td>
</tr>
</tbody>
</table>

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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