MARKET REPORT 2018

FRANKFURT | HOTEL

2017 Q1-Q4

Hotel Market Frankfurt 2017 Q1-Q4

Frankfurt on the Main, the financial center in Germany, recorded a high increase of the number of guest arrivals and the number of overnight stays as well as of the bedspace occupancy and is listed in the ranking of these indicators among the TOP 3 German cities. The impact of the political situation regarding the BREXIT effects a positive development of Frankfurt's hotel market.

Accommodation Supply

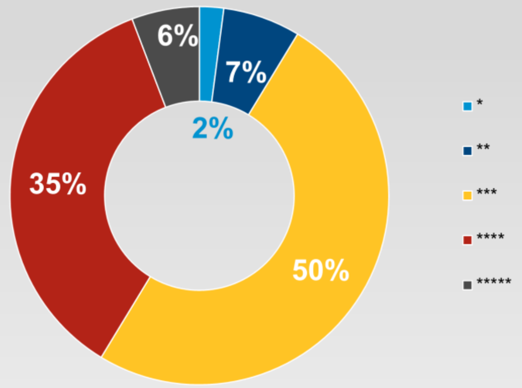
According to the Statistical Office of Germany, 280 accommodation providers operated and offered 51,815 guest beds in Frankfurt in 2017. Versus the prior year the number of guest beds increased by 4.9 % and the number of operating accommodation providers 3.3 %.

Key facts hotel market | Development vs. pre-year

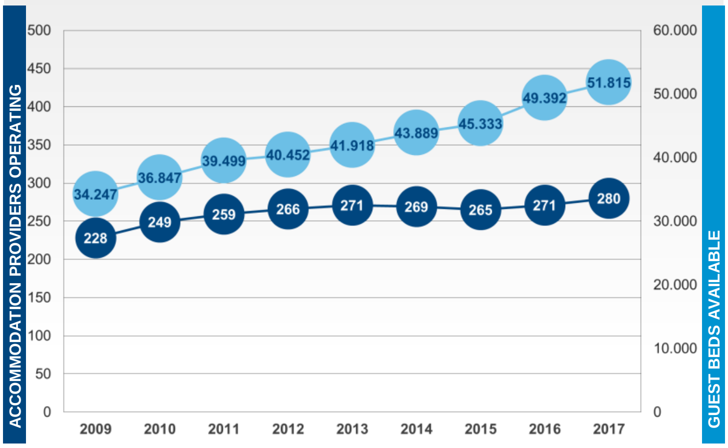
Accommodation providers operating	280	+	3.3 %
Guest beds available	51,815	+	4.9 %
Arrivals	5.6 Mio.	+	7.7 %
Overnight stays	9.5 Mio.	+	8.4%
Duration of stay Ø	1.7 days		0 %
Bedspace occupancy	52.1 %	+	1.1 %

Frankfurt's hotel market structure is dominated by the 3-star sector with a market share of 50 %, followed by the 4-star sector with 35 %. Both hotel sectors are very popular with business travellers. As the 3-star sector increased by 15 % and the 4-star sector by 8 %, the 5-star sector recorded a decline of 18 % resulting in a total market share of 6 %.

HOTEL MARKET STRUCTURE BASED ON CLASSIFICATION [1]



DEVELOPMENT OF ACCOMMODATION SUPPLY [1]



The forecast of new hotel projects and developments in Frankfurt contains the following openings i.a.:

- Hampton by Hilton Gateway Gardens, 3 stars, 200 rooms, opening in 2018
- Hotel Indigo Frankfurt, 236 rooms, opening in 2019 Q1
- IntercityHotel Frankfurt Central Station South, < 400 rooms, opening in 2019 Q1
- Meliá Frankfurt, 291 rooms, opening in 2019
- Moxy Hotel im FLARE of Frankfurt, 257 stars, opening in 2018 Q4
- Residence Inn by Marriott in the FLARE of Frankfurt, 157 apartments, opening in 2018 Q4
- Steigenberger Hotel Frankfurt Central Station, 400 rooms, opening in 2018

[1] All figures are written in the German way of writing
→ decimal mark of all figures:
comma in German = point in English - vice versa!

Demand For Accommodation

After the restrained development in 2016 Frankfurt‘s hotel market grew strongly in 2017 and achieved the best growth since 2009.

5,601,761 guest arrivals were listed a 7.7 % increase versus the prior year, and resulted in 9,544,368 overnight stays, a plus of 8.4 % compared to 2016, whereas the duration of stay remained at 1.7 days.

The on-going positive development of the number of guest arrivals and overnight stays since 2009 continued in 2017. Versus the year 2009 the overnight stays grew by 78.1 % and the guest arrivals by 73.9 %.

Both, the demand for accommodation from travellers from domestic (56 %) and from abroad (44 %) rose by considerable 11.5 % (domestic) and by 4.6 % (abroad) compared to the year 2016.

Frankfurt is one of the European financial centers and attracts a huge number of business travellers from abroad and from domestic. Also the exhibitions and fairs, e.g. IAA and the Frankfurt book fair, attract lots of travellers and effect a regular growth of tourism.

Performance Hotel Market

With a growth of 1.1 % versus the prior year, Frankfurt recorded the second best development of the room occupancy (OCC rooms) among the TOP 7 German cities and achieved a quota of 69.9 % and with an average room rate (ARR) of EUR 98 Frankfurt took place 6 in the ranking among the TOP 7 in 2017. The ARR increased by 2.1 % versus the year 2016.

These results effect a 4.5 % growth of the revenue per available room (RevPAR) up to EUR 69 in 2017. Also in the RevPAR ranking among the TOP 7 German cities Frankfurt took place 6.

In 2017 the bedspace occupancy (OCC beds) with a quota of 52.1 % grew by 1.1 % versus the prior year. This value has been around the 50-%-mark since 2012, which proofs the sustainability of the Frankfurt hotel market but also contains potential for growth.

In the past an oversupply of hotels was expected for Frankfurt‘s future, but did not occur. Instead of this, the growth of the demand for accommodation and increasing key performance indicators proof sustainability and show a modern hotel market.

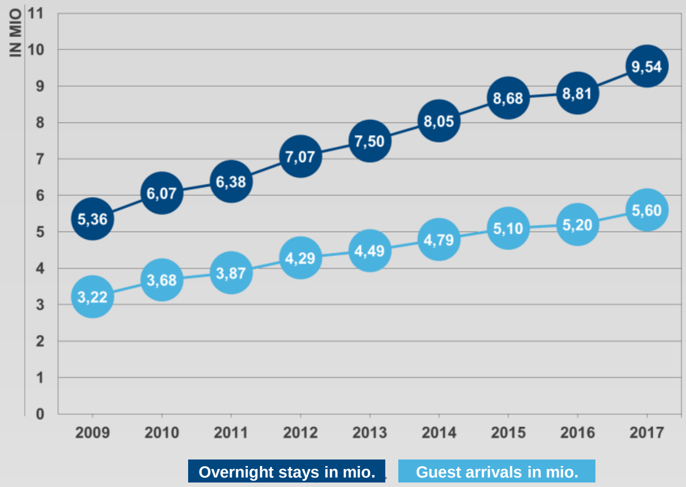
Forecast

The City of Frankfurt started projects to attract more tourists in order to increase the hotel occupancy, e.g. the renovation of the historic city center. Based on these measurements we expect a growing number of guests and overnight stays which effect a demand for accommodation to be covered by future hotel developments.

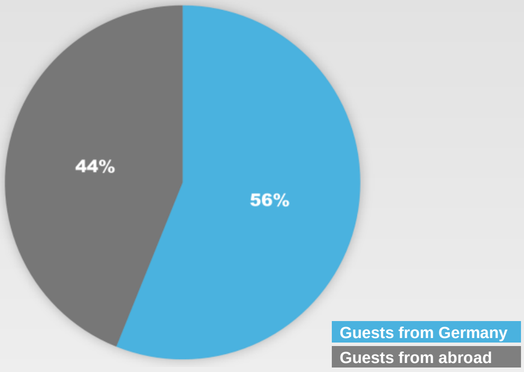
In view of the upcoming BREXIT Frankfurt is supposed to be one of the new European financial centers, besides cities like Paris and Barcelona. As a result of this new offices would open and attract more business travellers. Frankfurt‘s hoteliers would benefit from this new political situation.

Due to this and its sustainable positive development, Frankfurt is an interesting location for hotel investments.

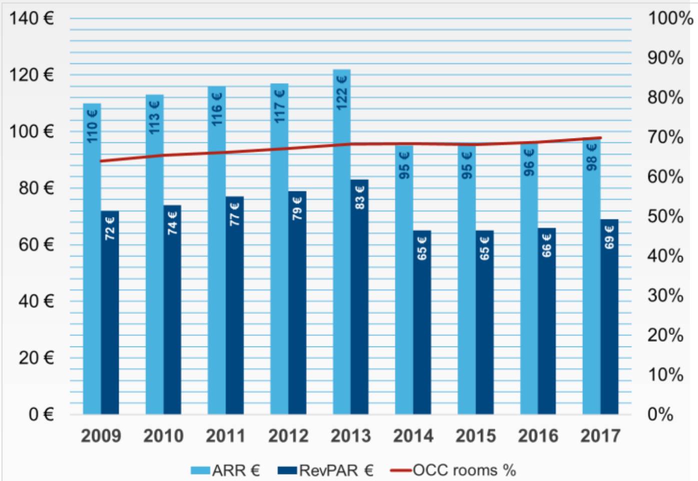
DEVELOPMENT OF DEMAND FOR ACCOMMODATION [1]



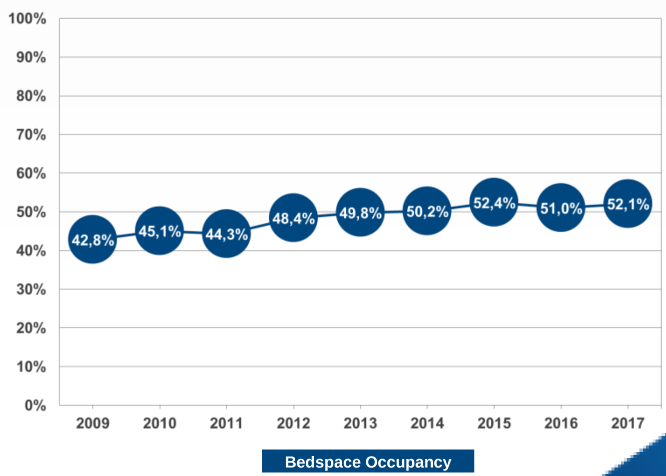
DEMAND FOR ACCOMMODATION BASED ON ORIGIN [1]



PERFORMANCE OF THE HOTEL MARKET [1]



DEVELOPMENT OF THE BEDSPACE OCCUPANCY [1]



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PERFORMANCE

Kennzahlen KPIs[1]	Deutschland Germany	Berlin Berlin	Düsseldorf Dusseldorf	Frankfurt Frankfurt	Hamburg Hamburg	Köln Cologne	München Munich	Stuttgart Stuttgart
Zimmerauslastung ø Occupancy ø	71,5%	76,8%	69,4%	69,9%	81,6%	75,2%	76,2%	73,3%
Veränderung Vorjahr Development YOY	0,8%	-0,3%	-0,1%	1,1%	0,7%	1,8%	-0,3%	0,0%
Zimmerpreis ø Average room rate	95,00 €	93,00 €	112,00 €	98,00 €	101,00 €	104,00 €	111,00 €	103,00 €
Veränderung Vorjahr Development YOY	1,3%	3,3%	-2,6%	2,1%	4,1%	8,3%	-3,5%	4,0%
Zimmerertrag ø RevPAR ø	68,00 €	71,00 €	78,00 €	69,00 €	82,00 €	78,00 €	84,00 €	75,00 €
Veränderung Vorjahr Development YOY	2,1%	1,4%	-2,5%	4,5%	5,1%	11,4%	-4,5%	2,7%

HOTEL MARKET

Kennzahlen Key Facts[1]	Deutschland Germany	Berlin Berlin	Düsseldorf Dusseldorf	Frankfurt Frankfurt	Hamburg Hamburg	Köln Cologne	München Munich	Stuttgart Stuttgart
Beherbergungs-betriebe Accommodation providers	51.916	795	220	280	382	280	432	170
Veränderung Vorjahr Development YOY	-0,1%	0,8%	-0,9%	3,3%	5,5%	-1,8%	4,9%	1,2%
Bettenangebot Guest beds offered	3.000.474	142.754	27.017	51.815	63.263	32.544	74.552	21.071
Veränderung Vorjahr Development YOY	2,1%	2,6%	-1,9%	4,9%	6,4%	1,4%	8,0%	3,2%
Gästeankünfte Guest arrivals	178,2 Mio.	13,0 Mio.	2,9 Mio.	5,6 Mio.	6,8 Mio.	3,6 Mio.	7,8 Mio.	2,0 Mio.
Veränderung Vorjahr Development YOY	3,9%	1,8%	6,4%	7,7%	3,3%	7,3%	10,2%	2,0%
Übernachtungen Overnight stays	459,5 Mio.	31,2 Mio.	4,8 Mio.	9,5 Mio.	13,8 Mio.	6,2 Mio.	15,7 Mio.	3,8 Mio.
Veränderung Vorjahr Development YOY	2,7%	0,3%	4,6%	8,4%	3,7%	8,1%	11,7%	2,0%

LOCATION

Kennzahlen Key Facts[1]	Deutschland Germany	Berlin Berlin	Düsseldorf Dusseldorf	Frankfurt Frankfurt	Hamburg Hamburg	Köln Cologne	München Munich	Stuttgart Stuttgart
Einwohner Population[2]	82,7 Mio.	3,7 Mio.	640.000	736.000	1,8 Mio.	1,1 Mio.	1,5 Mio.	610.000
Arbeitslosenquote Unemployment rate[2]	5,3%	8,4%	6,9%	5,6%	6,5%	8,1%	3,8%	4,3%
Sozialversicherungs-pflichtig Beschäftigte Employees subject to social insurance[3]	31,4 Mio.	1,4 Mio.	398.524	551.231	932.219	538.112	821.971	396.516
Verfügbares Einkommen pro Kopf Income per capita	22.671 €	19.095 €	21.207 €	22.130 €	24.000 €	21.336 €	23.658 €	23.540 €
Flughafenpassagiere Airport passengers	234,7 Mio.	33,3 Mio.	24,6 Mio.	64,4 Mio.	17,5 Mio.	12,4 Mio.	44,5 Mio.	10,9 Mio.

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[2] im Dezember des Berichtsjahres / in December of reporting year
[3] im Juni des Vorjahres / in June of pre-year

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Reference sources: Statistisches Landesamt, IHA Hotelmarkt Deutschland Report, www.hotel.de, www.ahgz.de,
Verband der deutschen Verkehrsflughäfen www.adv.aero