

Union Investment expands hotel segment activities

Ongoing specialisation in portfolio and contract management / Focus on investment in Western European locations with a gateway function

By making a variety of brands the trademark feature of an internationally diversified hotel portfolio, Union Investment has demonstrated how a successful strategy for meeting the complex challenges of hotel investment can be implemented within the context of open-ended real estate funds. With a total of 18 hotel brands “on board” at the present time, ranging from Arcotel to Hilton and Steigenberger, its hotel properties boast a letting ratio of 100% and average lease terms of 14.6 years. The property fund manager, which currently manages hotel assets of around 1.3 billion euros in the shape of 24 properties in the two- to five-star segment, intends to extend its strong position in the European hotel investment market by further developing its hotel expertise and entering into new strategic partnerships. “The general environment and investment regime require increasing specialisation from institutional investors both on the transaction side and in terms of portfolio and contract management,” says Dr. Frank Billand, member of the management team of Union Investment Real Estate GmbH. “We are pressing ahead with expanding our in-house expertise in this area, with the aim of implementing individual contract structures for our investment products in future, such as franchise agreements or triangular arrangements whereby tenants enter into a management agreement

with international operators.” The second cornerstone of the company's hotel strategy is to develop partnerships with leading, financially strong national and international hotel operators with a proven track record. “Our hotels traditionally give our open-ended real estate funds a considerable performance boost. Even in times of economic difficulties, performance is not affected by lease losses,” adds Billand. “Alongside monitoring hotel performance, the choice of operator is a key function of hotel asset management.” Accordingly, an innovative contract management approach recently led to the signing of a long-term lease with the InterContinental Hotels Group for the InterContinental hotel in Berlin.

At 8%, hotels already represent a strategically important proportion of total property assets and Union Investment intends to boost this figure by acquiring development projects, among other activities. “We are also looking for investment opportunities involving forward purchase structures.” Business, trade show and airport hotels with a minimum of 120 rooms are in the frame, with cities in Western Europe forming the focus of investment. “We are particularly interested in investing in locations with an international gateway function, like Amsterdam, London and Paris,” comments Billand.

Union Investment also aims to align purchasing activities in the hotel segment more closely with portfolio risk diversification objectives. Having already pursued contemporary hotel concepts such as Motel One in recent years, Union Investment now wants to take a close, selective look at new CBD locations. “These new commercial centres are particularly attractive locations for fresh, innovative hotel concepts that generate healthy returns and fit well with our hotel portfolio,”

continues Billand. Thanks in part to the successful sale of the Mövenpick Hotel in Stuttgart and the Marriott Champs-Élysées, Union Investment's funds are currently well placed to invest in hotels.

Press contact

Union Investment Real Estate GmbH

Head of Real Estate Marketing, Communication

Fabian Hellbusch

Caffamacherreihe 8

20355 Hamburg, Germany

Tel: +49 40 3491 94160, Fax: +49 40 3491 95160

E-mail: fabian.hellbusch@union-investment.de

Internet: www.union-investment.com/realestate