

MARKET CHECK

hospitality *INSIDE*

WORLD OF HOSPITALITY INFORMATION.

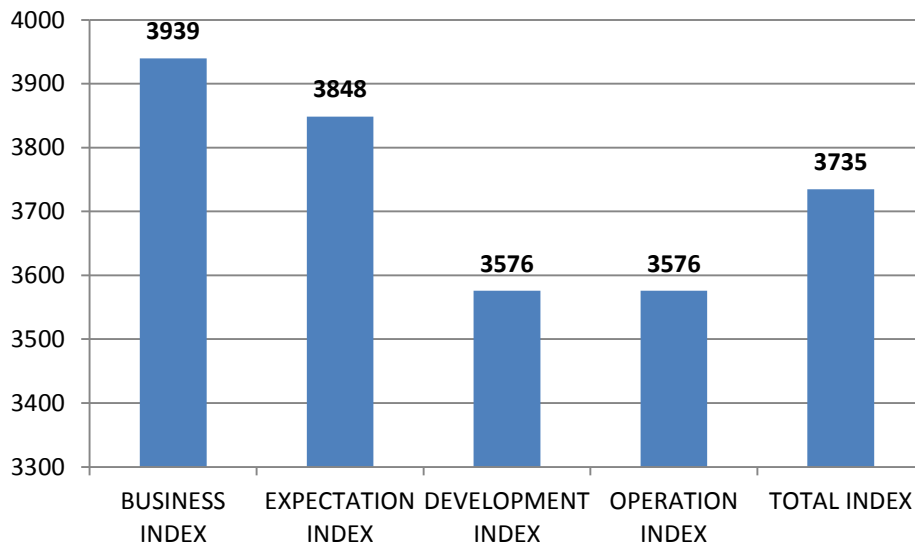


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TOTAL RESULTS Autumn 2018



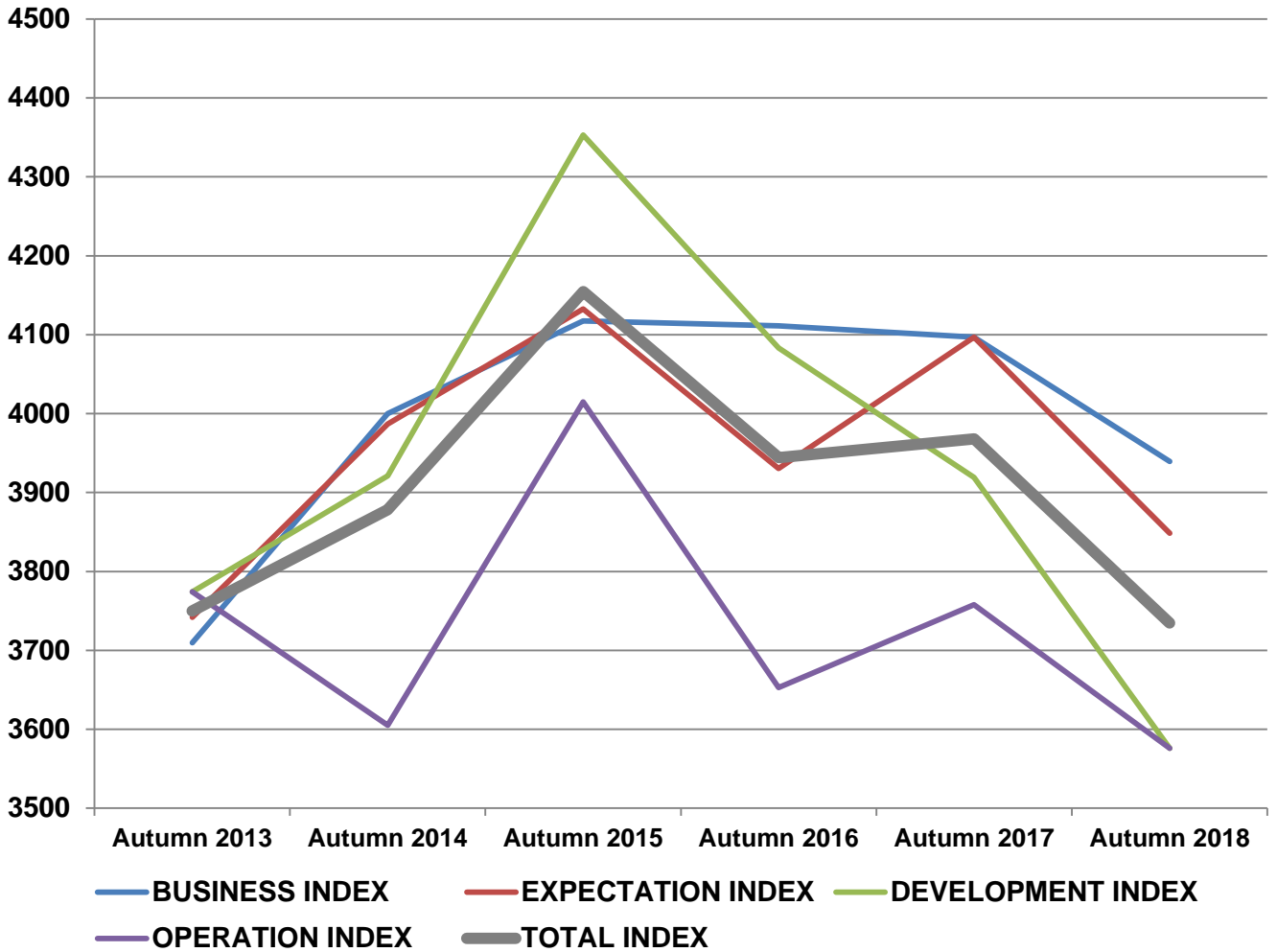
TOTAL INVESTMENT INDEX	<i>(max. = 5000)</i>	3735
BUSINESS INDEX	How do you evaluate the current market situation for your own business?	3939
EXPECTATION INDEX	What are your business expectations for the next six months?	3848
DEVELOPMENT INDEX	How do you assess the current mood in the hotel industry with respect to the development of new hotel projects?	3576
OPERATION INDEX	How do you assess the current mood in the hotel industry with respect to the turnover development of hotels?	3576

Transactions and hotel developments are becoming more difficult. All individual indices are recording a decline, with the Development Index the strongest, falling for the third time in succession since its peak in the boom year of 2015.

Nevertheless, the hotel real estate market is at a high level, satisfaction is high and the general mood remains good.

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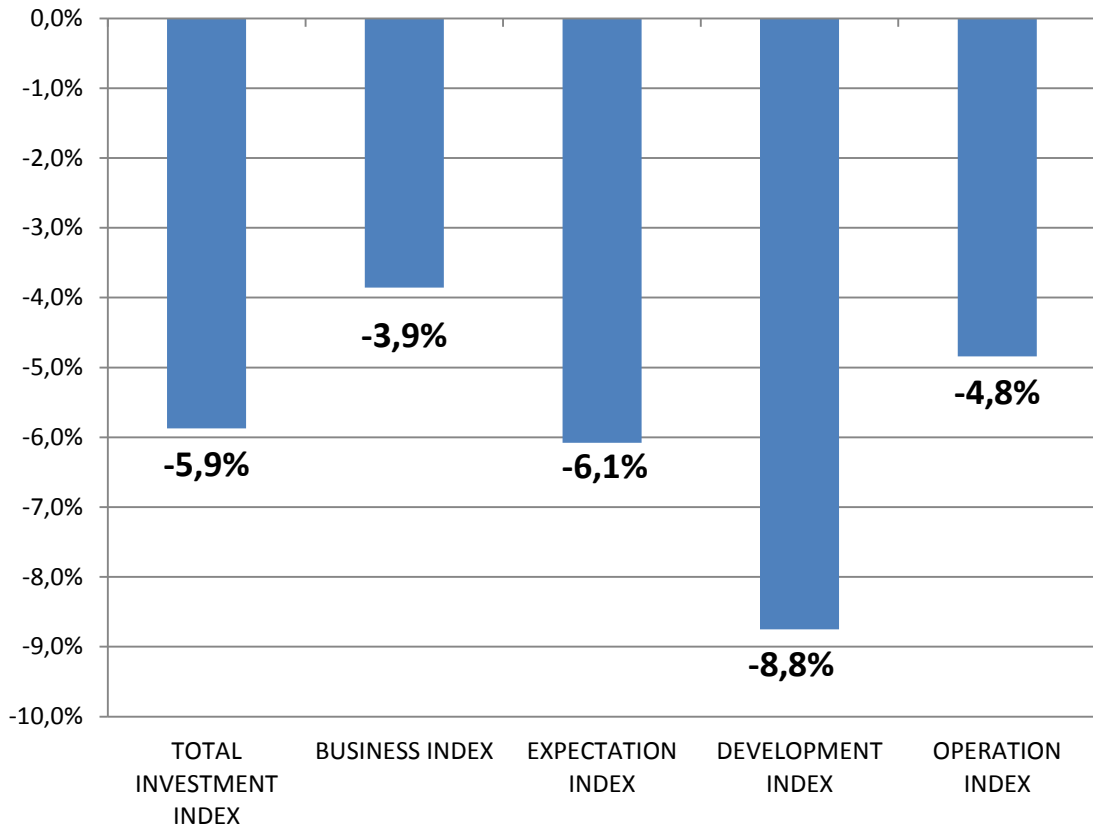
INDEX Comparison 2013-2018



	Autumn 2013	Autumn 2014	Autumn 2015	Autumn 2016	Autumn 2017	Autumn 2018
BUSINESS INDEX	3710	4000	4118	4111	4097	3939
EXPECTATION INDEX	3742	3987	4132	3931	4097	3848
DEVELOPMENT INDEX	3774	3921	4353	4083	3919	3576
OPERATION INDEX	3774	3605	4015	3653	3758	3576
TOTAL INDEX	3750	3878	4154	3944	3968	3735

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INDEX Comparison 2017-2018



The 2018 autumn survey shows less euphoria, with the overall index falling to its 2013 level of -5.9% year-on-year.

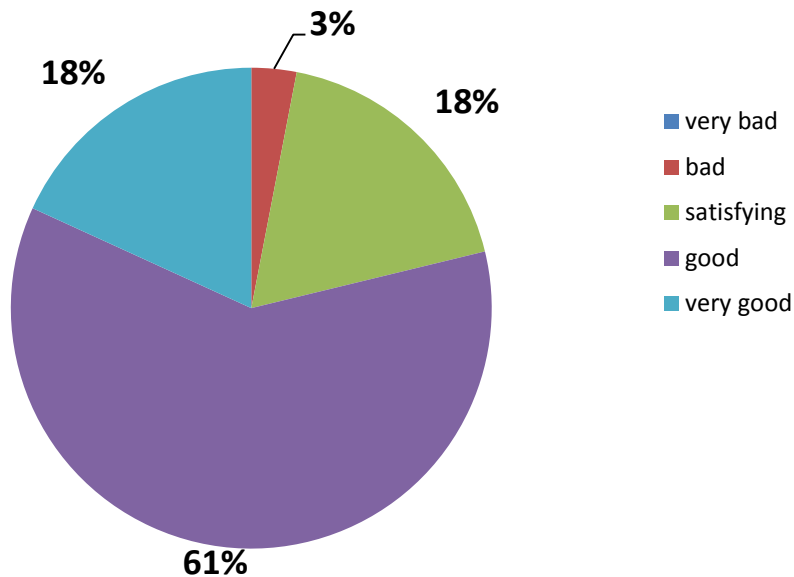
All individual indices show a decline, with the assessment of the situation for the own company and the own business development in the coming six months being above average, while expectations for the industry are more modest.

The strongest decline was recorded by the Development Index at -8.8%. At 3576 points, the Development Index and the Operation Index both posted their lowest values since the beginning of the survey.

INDEX QUESTIONS Autumn 2018

Business Index

How do you evaluate the current market situation for your own business?



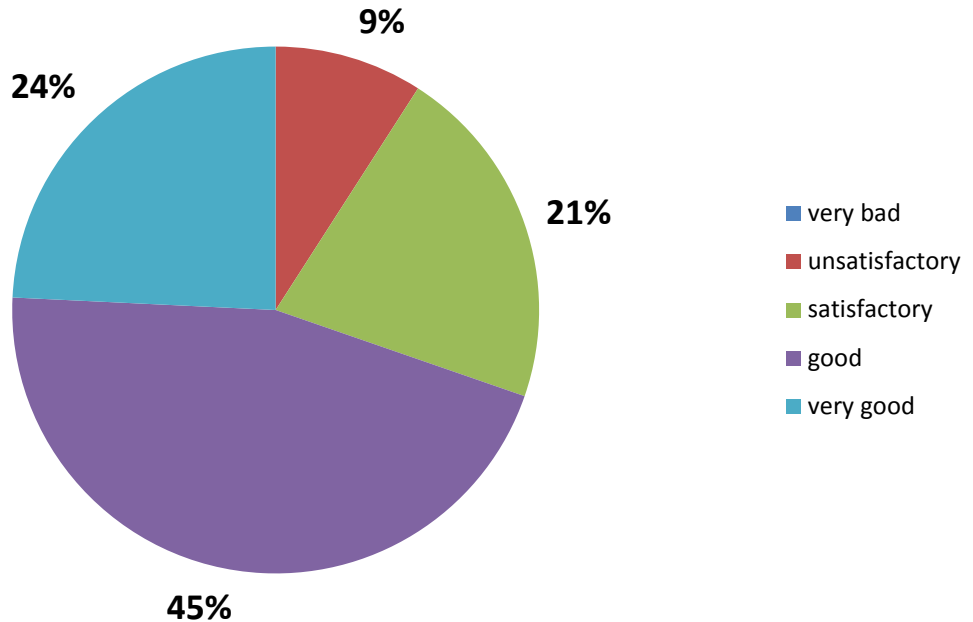
How do you evaluate the current market situation for your own business?	
Very good	18 %
Good	61 %
Satisfying	18 %
Bad	3 %
Very bad	0 %

79% rate the current situation of their company as good or very good, the rest is largely satisfied. After three years at a high level, the Business Index nevertheless corrects downwards. The answers with Very good dropped from 32% to 18%, while the answers with a good rating rose again to 61%. The group of "only" satisfied people again grew slightly and now stands at 18% (16% in 2017). For the first time since 2016, 3% rate their market situation as poor again.

INDEX QUESTIONS Autumn 2018

Expectation Index

What are your business expectations for the next six months?



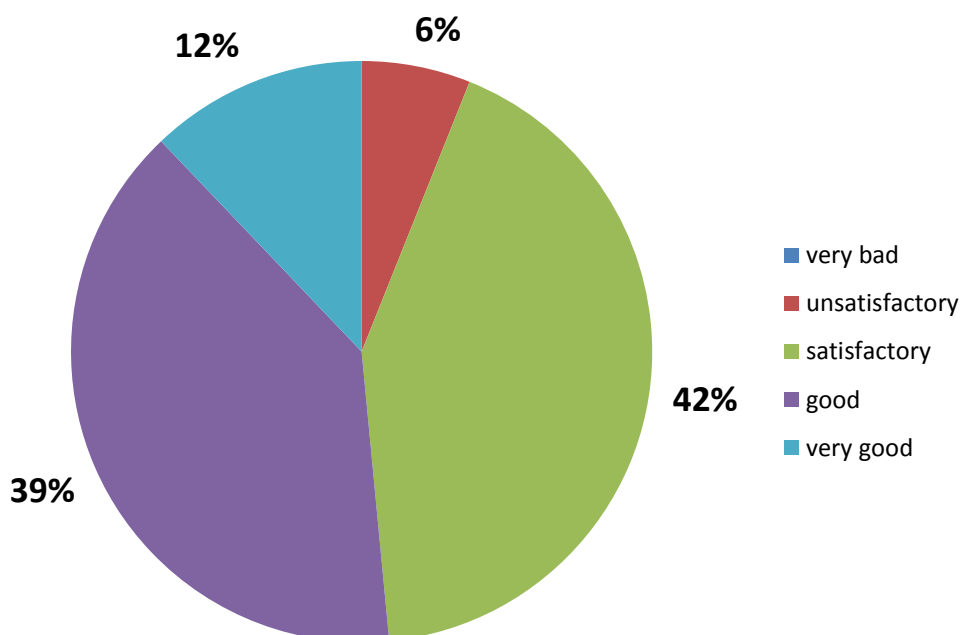
What are your business expectations for the next six months?	
Very good	24 %
Good	45 %
Satisfactory	21 %
Unsatisfactory	9 %
Very bad	0 %

A look at the coming six months for the own business reveals a more cautious assessment: 69% expect a good to very good development (previous year 80.6%), corresponding to the increase for those who do not expect any change or expect a deterioration.

INDEX QUESTIONS Autumn 2018

Development Index

How do you assess the current mood in the hotel industry with respect to the development of new hotel projects ?



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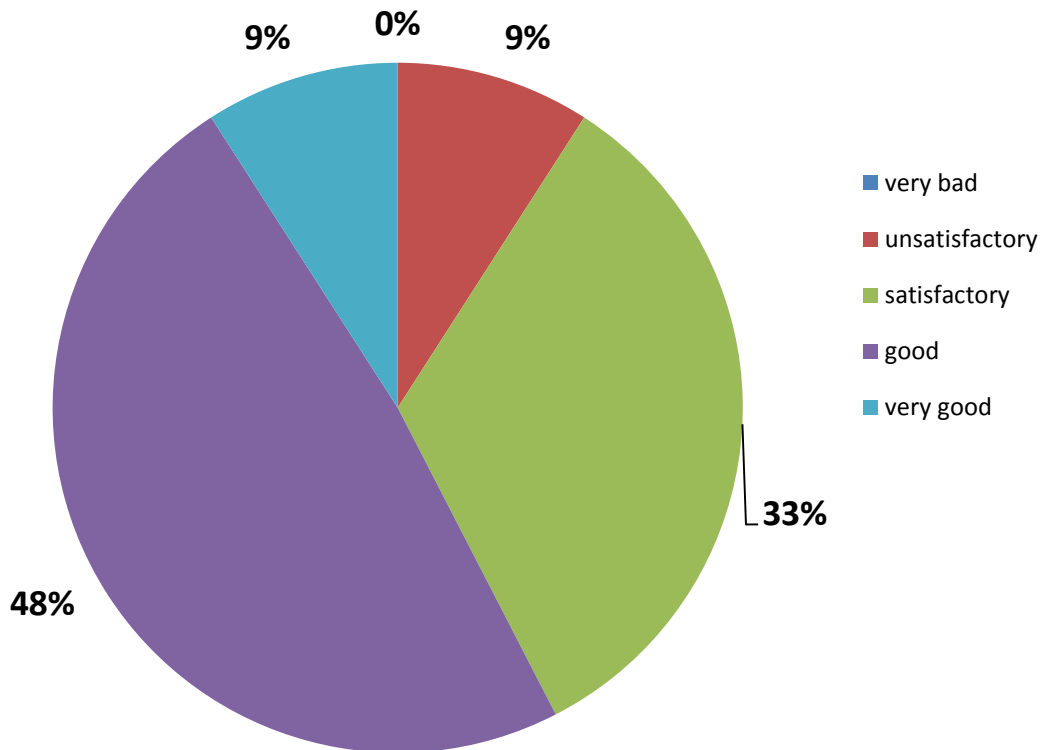
Very good	12 %
Good	39 %
Satisfactory	42 %
Unsatisfactory	6 %
Very bad	0 %

The mood in development is cooling down compared to the previous year, as evidenced by the decline in very good expectations of 12% (previous year: 22%) and good expectations of 39% (previous year: 56%). Nevertheless, most are still satisfied, their share rising from 13% to 42%. Only 6% are dissatisfied, compared with around 8% in the previous year.

INDEX questions Autumn 2018

Operations Index

How do you assess the current mood in the hotel industry with respect to the turnover development of hotels?



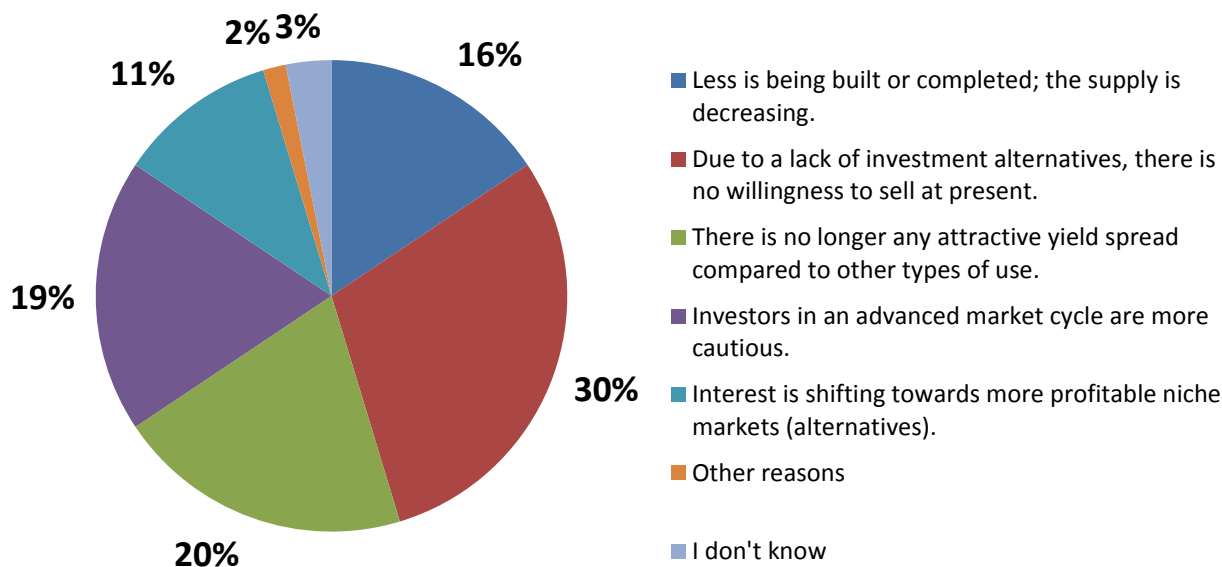
How do you assess the current mood in the hotel industry with respect to the turnover development of hotels?

Very good	9 %
Good	48 %
Satisfactory	33 %
Unsatisfactory	9 %
Very bad	0 %

The mood with regard to the operating business of the hotels is somewhat more subdued than a year ago. Only 57% still expect a good to very good development (previous year 67.7%). One third expect satisfactory revenues (previous year 29%). A worse development is expected by 9%, in the previous year 3.2%.

TREND QUESTIONS Autumn 2018

The hotel investment markets in Europe are recording declines in transaction volumes, some of them significant. Why do you see fewer hotels being traded?



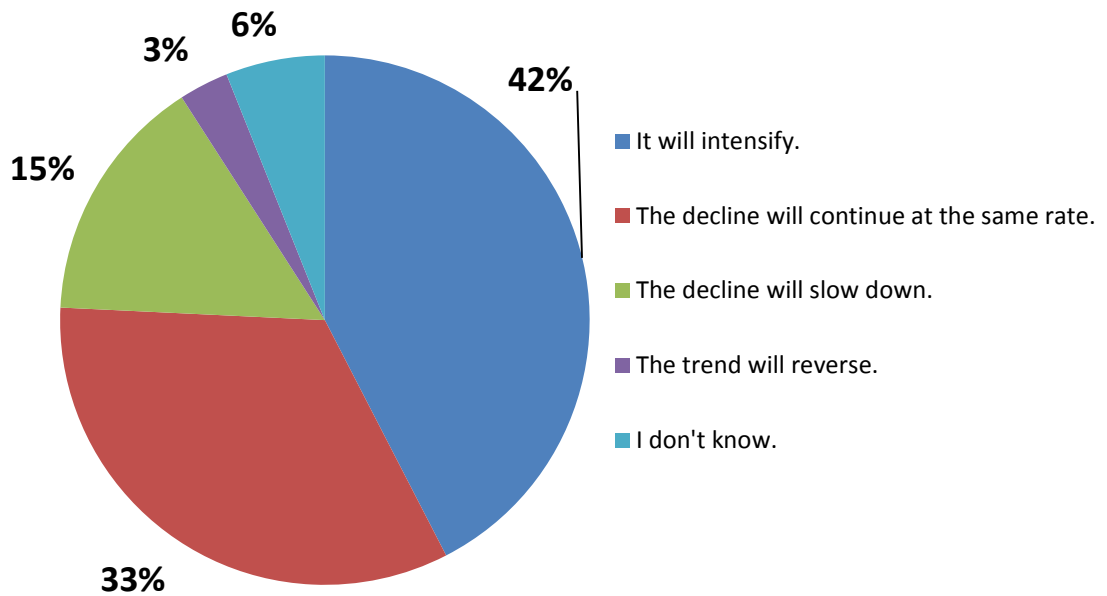
The hotel investment markets in Europe are recording declines in transaction volumes, some of them significant. Why do you see fewer hotels being traded?

Less is being built or completed; the supply is decreasing.	16%
Due to a lack of investment alternatives, there is no willingness to sell at present.	30%
There is no longer any attractive yield spread compared to other types of use.	20%
Investors in an advanced market cycle are more cautious.	19%
Interest is shifting towards more profitable niche markets (alternatives).	11%
Other reasons	2%
I don't know	3%

Transactions are obviously slowed down by several factors, primarily the restraint of sellers and investors as well as by a competition from asset classes with similar yield spreads.

TREND QUESTIONS Autumn 2018

How will the trend of declining transaction volumes in the hotel real estate market develop in 2019?



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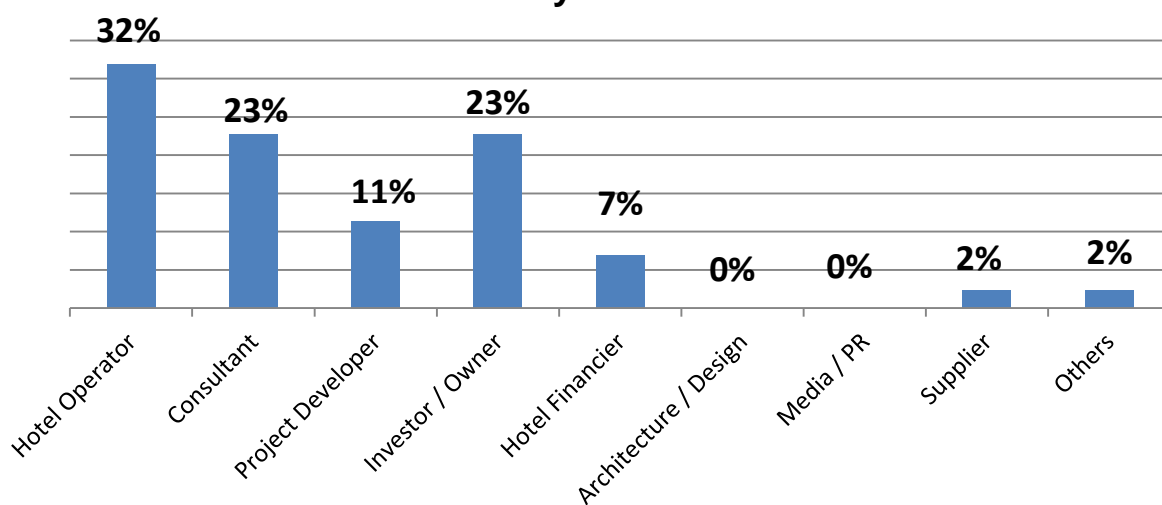
It will intensify.	42 %
The decline will continue at the same rate.	33 %
The decline will slow down.	15 %
The trend will reverse.	3 %
I don't know.	6 %

That the trend of declining transaction volumes is weakening or reversing, only a few believe. 33% expect it to continue at the same level, 42% expect it to strengthen.

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USER PROFILE Autumn 2018

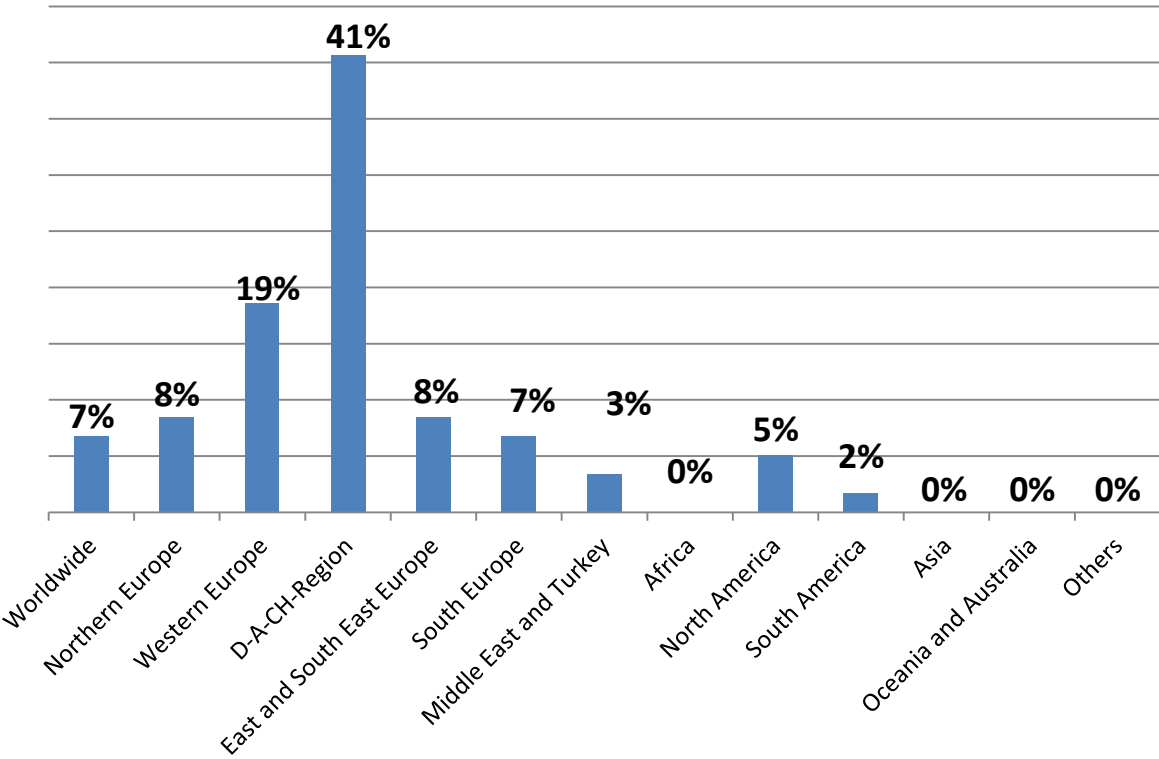
Industry Allocation



Industry Allocation	
Hotel Operator	32 %
Consultant	23 %
Project Developer	11 %
Investor / Owner	23 %
Hotel Financier	7 %
Architecture/ Design	0 %
Media, PR	0 %
Supplier	2 %
Others	2 %

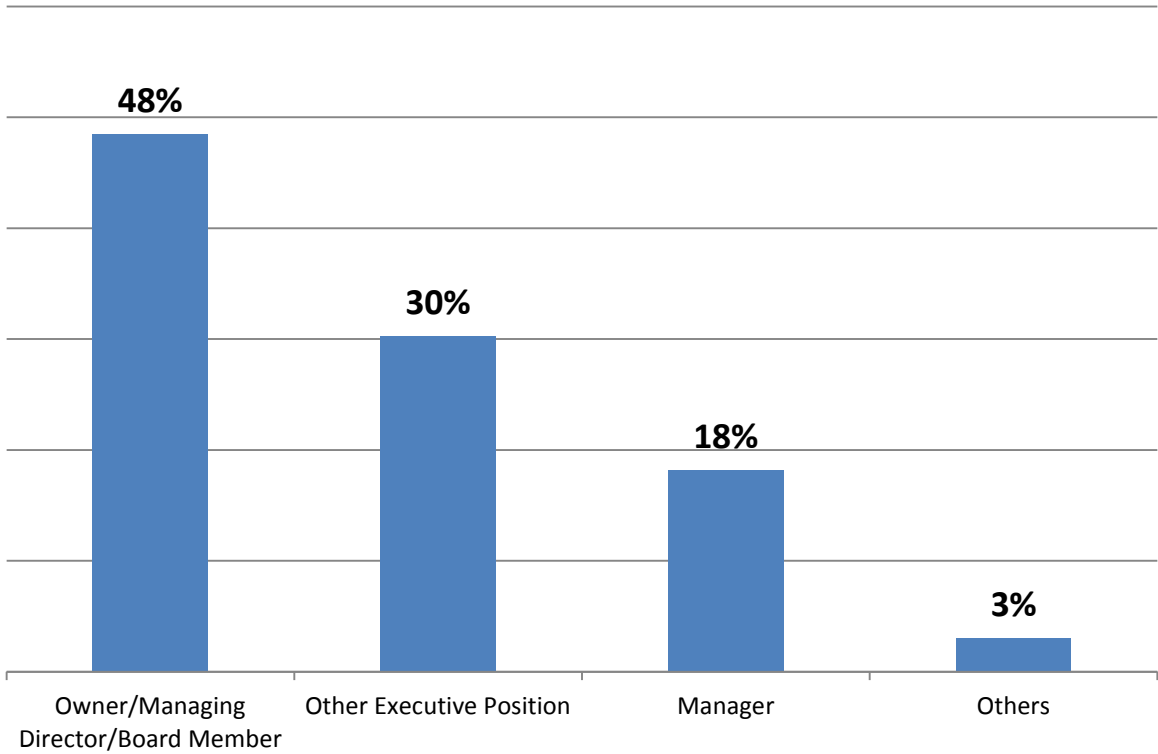
USER PROFILE Autumn 2018

Geographic business focus



USER PROFILE Autumn 2018

Position in the Company



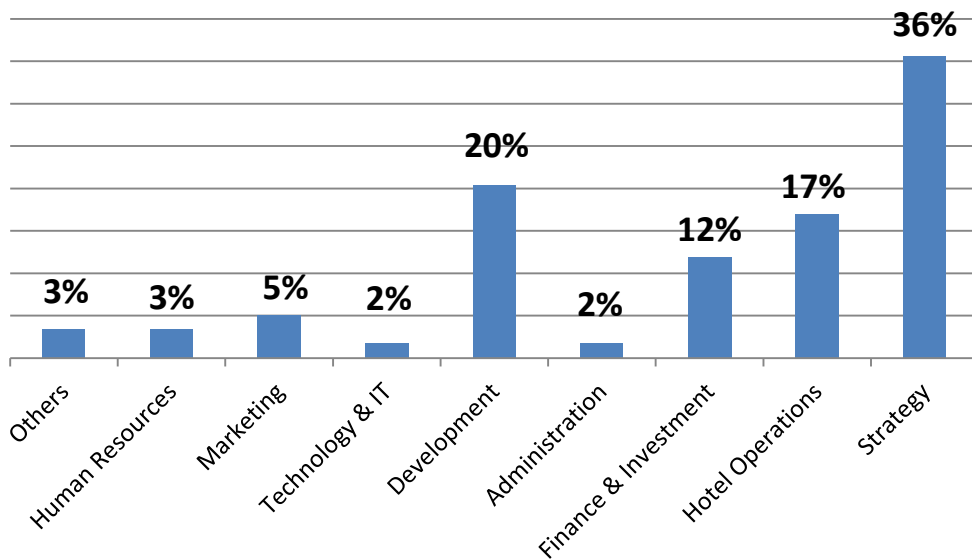
Owner/Managing Director/Board Member	48 %
Other Executive Position	30 %
Manager	18 %
Others	3 %

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Participant Profile Autumn 2018

Business Department

What are your fields of activity in your company?



What are your files of activity in your company?

Strategy	36 %
Hotel Operations	17 %
Finance & Investment	12 %
Administration	2 %
Development	20 %
Technology & IT	2 %
Marketing	5 %
Human Resources	3 %
Others	3 %

Next Survey – Autumn 2019

Also on behalf of Union Investment, we thank you very much for your participation and support of this project. The next survey will take place in Autumn 2019.

As a market participant, you help to gain an up-to-date picture of the mood in the industry.

Please, recommend the participation to your esteemed colleagues and business partners. The invitation to participate will be sent out to our subscribers and everyone who has pre-registered for the complimentary newsletter at the [hospitalityInside](http://hospitalityInside.com) website.

Yours,

Maria Puetz-Willems
Editor-in-Chief
hospitalityInside.com
GmbH

Michael Willems
Managing Director
HospitalityInside