

Hamburg, 2 June 2016

How big is the institutional hotel market?

- **Union Investment and bulwiengesa establish size of investable hotel market**
- **9% of market value traded in Germany in 2015**

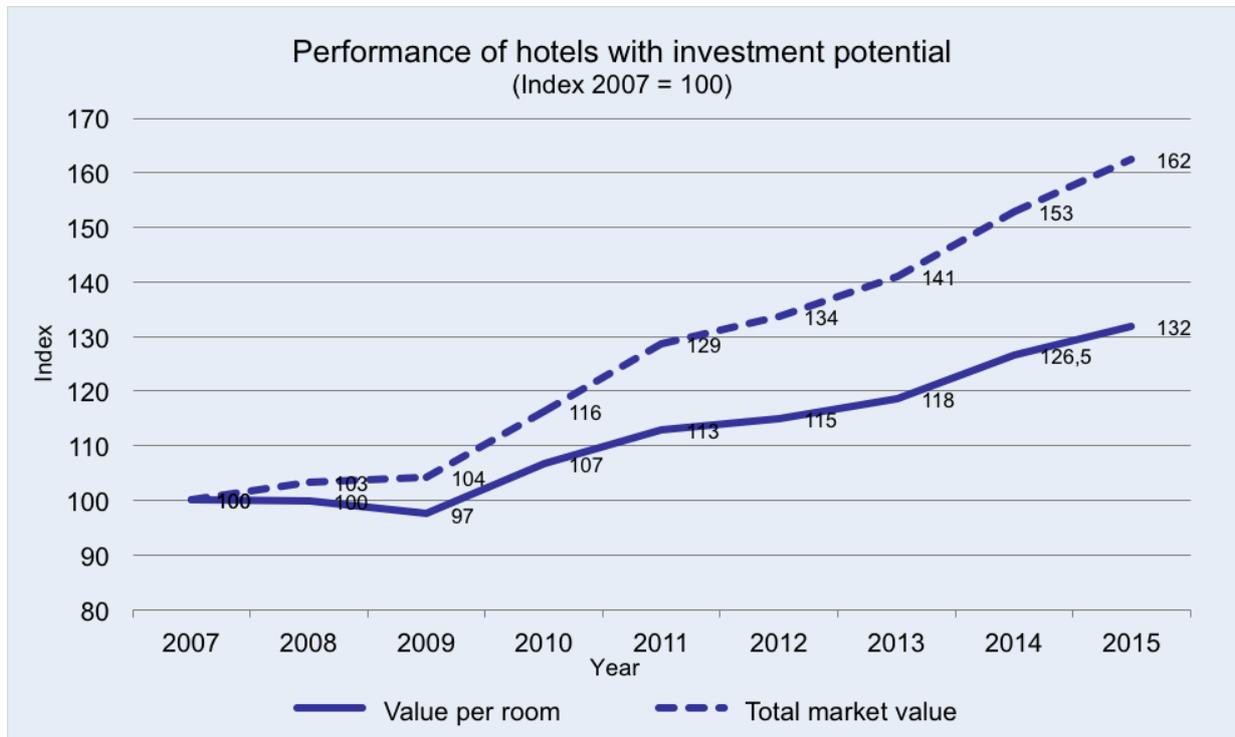
The size of the investable hotel market in Germany is now a known quantity. Union Investment Real Estate and bulwiengesa have developed a new market value model which can be used to calculate the monetary size of the investable hotel room market. The market can also be broken down by segment.

The analysis shows that some 47% of all hotel rooms in Germany can be classed as investable. The majority are in the midscale and upscale hotel categories and are located in major German cities that have seen a high level of building activity in recent years, but hotels in smaller towns and holiday areas were also taken into account in determining the size of the market.

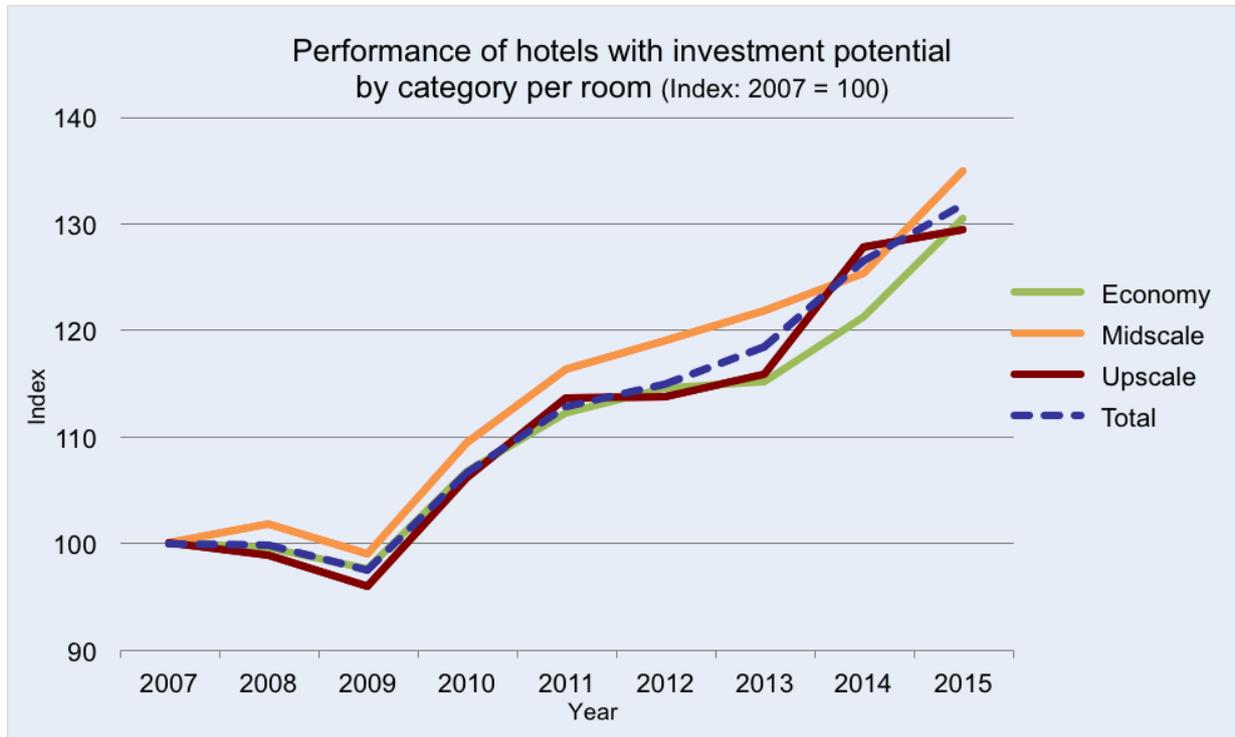
Investable hotels in Germany currently have a combined market value of EUR 47.1 billion, which equates to an average value of around EUR 130,500 per room based on the number of corresponding hotel rooms.

“These figures illustrate the importance of the hotel asset class within the commercial property market. In 2015, the hotel segment had the highest transaction volume as a proportion of the total market value of the respective asset class,” said Martin Schaller, head of Asset Management Hotels at Union Investment Real Estate GmbH. Last year’s record transaction volume of around EUR 4.4 billion, which admittedly included a number of development projects, equates to around 9% of the calculated total market. “This clearly shows that hotels are a highly liquid asset class,” said Martin Schaller.

The value of investable hotels in Germany increased by 64% between 2007 and 2015. This can be attributed to the dynamic growth of branded hotels, which are preferred by institutional investors, and to the increase in value of existing hotels.



The model not only calculates total market size and average value per room, it also maps the change in value of the individual hotel segments (economy, midscale and upscale). The upscale segment, for example, has recorded above-average gains over the past two years.



The market value model is based on data from companies, official statistics and trade associations. For the first time, it has become possible to carry out a comparative analysis of the institutional hotel market for the years 2007 to 2015.

To obtain an initial indication of the value of a hotel room, Union Investment and bulwiengesa recommend applying the “2,000 times rule” to the average revenue per available room (RevPar), i.e. the value of a hotel room roughly equates to 2,000 times average RevPar.

“Using the ‘2,000 times rule’ allows you to get pretty close to the average values we arrived at, although obviously this rule of thumb is no substitute for property-specific valuation,” said Dierk Freitag, head of the hotels division at bulwiengesa.

Going forward, an annual survey of the size of the investable hotel market in Germany and special analysis of individual market segments are planned.

Press contacts:

Union Investment Real Estate GmbH

Fabian Hellbusch

Head of Real Estate Marketing, Communication

Segment Management Department

Valentinskamp 70 / EMPORIO

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

bulwiengesa AG

Dierk Freitag

Moorfuhrweg 13

20301 Hamburg, Germany

Tel: + 49 40 4232 220, fax: 49 40 4232 2212

E-mail: freitag@bulwiengesa.de

Internet: www.bulwiengesa.de