

Press release

CBRE Hotels on the Hotel Investment Market in Germany 2011

- **Transaction volume increases by 22%**
- **Foreign investors remain dominant**
- **Private investors were the most active investor group**
- **Multitude of large single asset transactions**
- **Net initial yield for prime hotel assets decreases to 6%**
- **German hotel investment market to remain stable in 2012 despite the Eurozone crisis**

Frankfurt am Main, 23rd January 2012 – Real estate consultancy firm CBRE Hotels reflects on the positive performance of the German hotel investment market in 2011. Hotel transaction volume grew for the second consecutive year. In 2010 transaction volume increased by more than 100% on the previous year and CBRE Hotels recorded a further 22.4% increase in 2011, to €1.1 billion. This includes small transactions below €10million and site acquisitions. Excluding the latter, transaction volume was €950million, up from €800million in 2010.

Olivia Kaussen, Head of CBRE Hotels Germany and CEE said: “With a trading volume of €1.1 billion the German hotel investment market performed very well in 2011. Germany remains one of the most important hotel investment markets in Europe. In particular Frankfurt, Continental Europe’s financial centre, was the focus for investors last year. The recent market turmoil caused by the Euro debt crisis and the emerging difficulties in the banking sector in the second half of 2011 prevented the transaction volume to increase any further.”

Investors’ focus was on upscale hotels which accounted for approximately 90% of total transaction volume. Noticeably, the 177 bedroom Grand SPA Resort A-ROSA Sylt was bought for over €60 million by Deutsche Immobilien Invest, representing the first considerable resort hotel transaction in the past year.

Similarly, other German hotel chain assets attracted attention from investors; the 322 bedroom Steigenberger Airport Hotel project at Berlin-Brandenburg purchased by Swiss Acron AG and the 177 bedroom Steigenberger Grandhotel Handelshof in Leipzig purchased by a private investor.

Due to several high volume upscale single asset transactions, the average transaction volume increased by 30% to approximately €30 million per transaction.

The importance of Germany's investment market was underlined by the dynamic investment activity of foreign investors who were responsible for approximately 60% of the transaction volume in 2011. 75% of foreign investors were from Europe – more specifically Norway, Great Britain and Switzerland – 25% were from outside of Europe, including Singapore, Lebanon and Israel.

The transaction volume from portfolio sales declined in 2011 with a share of only 17% of the total transaction volume. An NH Portfolio including three hotels in Germany and two in Austria was acquired by Invesco Real Estate. Two Mercure Hotels in Garmisch-Partenkirchen and Friedrichsdorf were acquired by Russian BSHR Investment. In addition, the InterContinental Frankfurt was acquired as part of a European portfolio.

Approximately two-thirds of the capital invested was in hotels run based subject to lease contracts. Especially German investors focussed mainly on leased hotels. An exception was Event Holding from Cologne who acquired the former Renaissance Hotel Munich in autumn 2011.

Geographically, Germany's five big cities were principal targets and accounted for approximately two-thirds of the total investment volume in 2011. Frankfurt was the most active investment market with a transaction volume of over €350 million. Noteworthy are the purchase of the 428 room Radisson Blu by Norwegian Investor Wenaasgruppen, the purchase of the 588 room Marriott Hotel as part of the WestendGate by RFR Holding Deutschland GmbH. Lebanese private investor Toufic Aboukhater purchased the 770 room InterContinental as part of a European portfolio while the 284 room Kempinski Hotel Gravenbruch was acquired by the British Mashali family.

Berlin ranked second after Frankfurt, accounting for a volume of €220 million, the largest transaction being the purchase of the Scandic Hotel at Potsdamer Platz by Wenaasgruppen.

Private investors accounted for approximately half of the total transaction volume. Lars Wenaas from Wenaasgruppen was the most active private investor. Having purchased the Radisson Blu Düsseldorf in 2010, he acquired three more German hotels in 2011, the Scandic and Alsterhof hotels in Berlin and the Radisson Blu Frankfurt. Open-ended real estate funds were relatively inactive in 2011.

Vendors were predominantly German, representing 73% of the total transaction volume, with developers being the most active sellers, followed by investment funds, as illustrated by the sale of the Marriott Hotel Frankfurt by DEGI Europe and Ramada Treff Münster City Centre by SEB ImmoPortfolio Target Return Fund.

Private investors were buyers not sellers in 2011 and hotel companies, who in recent years were one of the largest type of vendors, were not very active. French hotel company Accor S.A. only sold two

small properties in Garmisch-Partenkirchen and Friedrichsdorf; Spanish NH Hoteles sold three hotels in Munich, Frankfurt and Hamburg.

With the high demand for upscale hotel investments, prime yields for leased hotel assets in key hotel markets sharpened from 6.25% to 6.00% over the course of the year. Average yields for leased hotels were around 6.5% and 7.5%.

“In 2012 we anticipate the completion of a couple of large hotel portfolio transactions which entered the market in 2011. We believe Germany can repeat the transaction volume achieved in 2011 despite the rather subdued economic prospects. International investor interest in the German hotel real estate market is expected to remain strong in the future. In particular, equity-rich investors will continue to dominate the hotel investment market. We expect prime yields for upscale hotels in key cities to remain stable in 2012 on the current level.” states Olivia Kaussen in her market outlook.

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