



Current Market Situation

Review and Outlook – Hotel Industry in Germany and Europe

Topics that currently affect us

Inflation - shortage of raw materials - general uncertainty - weak consumption

There is still room for improvement in every hotel property.



Olaf Steinhage
 "Nothing motivates me more than the three words: You can't. When I hear this, I do everything I can to make the impossible possible"

Martin Schaffer
"Transparency, clarity and good partnerships with employees, partners and customers are all of equal importance to me."

Patrick Adamle
 "I want to help our customers avoid the same mistakes someone else made. It is therefore important to me to integrate the experiences of others into the decisionmaking cycle."



Recovery Phase after Covid-19 - Review of H1 2022

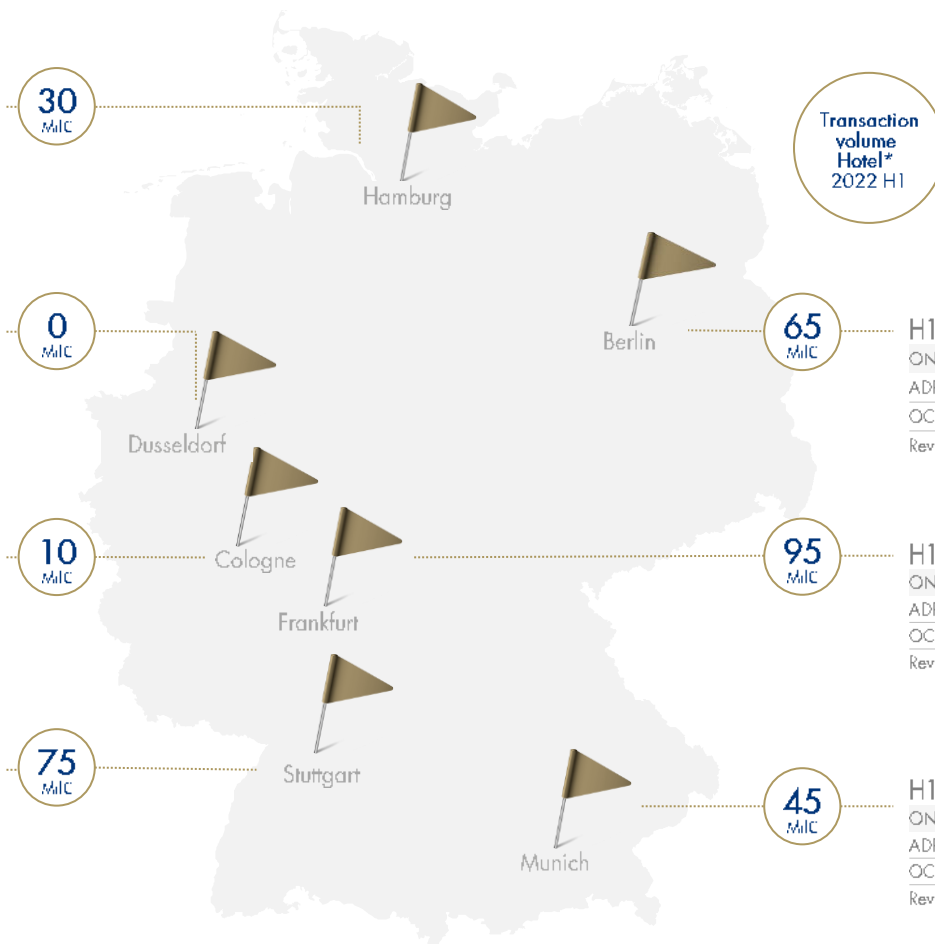
Key Performance Indicators H1 2019 and H1 2022

H1 2022	H1 2019	Δ%
ON 6,4	ON 7,2	-11
ADR 113,8€	ADR 113,9€	-0.1
OCC 58,9%	OCC 74,7%	-16
RevPar 67,1€	RevPar 85,0€	-18

H1 2022	H1 2019	Δ%
ON 2,4	ON 1,7	-30
ADR 100,1€	ADR 105,3€	-5
OCC 42,8%	OCC 69,2%	-26
RevPar 42,9€	RevPar 72,8€	-30

H1 2022	H1 2019	Δ%
ON 3,1	ON 2,4	-24
ADR 96,9€	ADR 113,9€	-17
OCC 52,2%	OCC 71,4%	-19
RevPar 50,6€	RevPar 81,3€	-31

H1 2022	H1 2019	Δ%
ON 1,9	ON 1,3	-31
ADR 92,0€	ADR 107,3€	-15
OCC 46,3%	OCC 67,8%	-22
RevPar 42,6€	RevPar 72,7€	-30



H1 2022	H1 2019	Δ%
ON 16,1	ON 11,1	-31
ADR 103,1€	ADR 98,7€	+4
OCC 56,0%	OCC 76,8%	-21
RevPar 57,8€	RevPar 75,8€	-18

H1 2022	H1 2019	Δ%
ON 5,2	ON 3,5	-33
ADR 100,3€	ADR 111,4€	-11
OCC 40,1%	OCC 68,3%	-28
RevPar 40,2€	RevPar 76,1€	-36

H1 2022	H1 2019	Δ%
ON 8,3	ON 6,1	-26
ADR 110,7€	ADR 126,9€	-16
OCC 46,9%	OCC 70,4%	-24
RevPar 50,9€	RevPar 89,3€	-38

ADR

BER is the only top 7 city to record an increase in ADR of +4% cf. H1/19; ADR in Cologne -17% at the very end cf. H1 2019.

The majority of A-cities continued to see ADR declines; less demand in winter months hindering recovery in H1.

OCC

FRA with lowest OCC recovery (-28%); HAM leads with "only" -16% loss of OCC in H1 2022 vs. 2019.

FRA, however, gains +7% in OCC by domestic guests in Q2 vs. 2019, but this cannot compensate the lack of OCC from foreign and business travelers.

€

Value-add transactions in focus, fewer transactions in the core segment, more deals < €10m, few large transactions, no portfolio deals; deals took place in the operator market due to M&A activity.

Notes: *Results from various market reports, rounded values





Sources: mrp hotels research, Fairmas, german federal office of statistics

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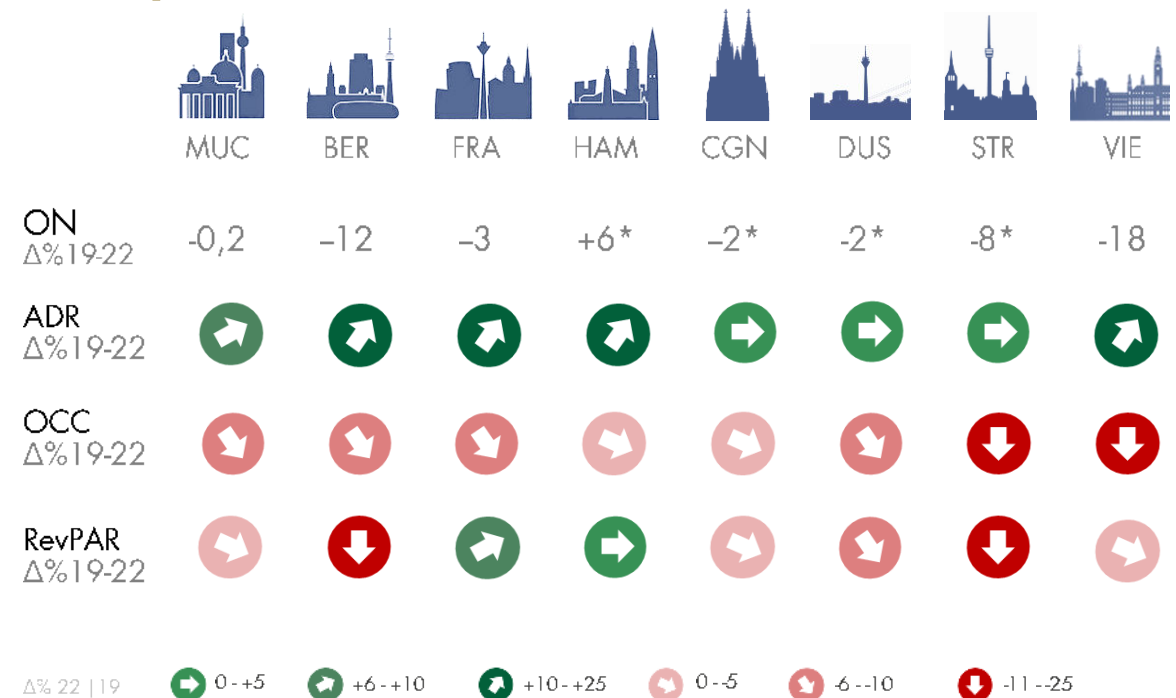
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Summer in the City

ADR improves more than OCC, summer partly at 2019 Overnights (O/Ns) level, development nevertheless ambivalent

-  OCC overall behind, ADRs above 2019 level. Due to cost increases, 2019 level not sufficient, ADRs and OCC need to be substantially above to compensate for rising costs
-  Corporate segment weakens, thus Sun-Thu behind WE, especially Asian guests absent (50% less overnight stays from May-Jul); slight increase in overnight stays by US guests.
-  Trade fairs / events (especially concerts) in some cases ensure full capacity utilization and record rates; showing a bigger impact on ADR and OCC compared to pre-pandemic
-  Budget segment gains in OCC, upscale gains in ADR; ambivalence remains: Performance of hotels in prime locations is back to pre-pandemic levels; suburban areas catching up more slowly

June-August 2019 vs. 2022



Notes: Overnight: data based on total accommodations market (percentage change), ADR and OCC data refer to a selected hotel market; *June and July, excluding August.

Sources: mrp hotels insights; federal states office of statics, destatis

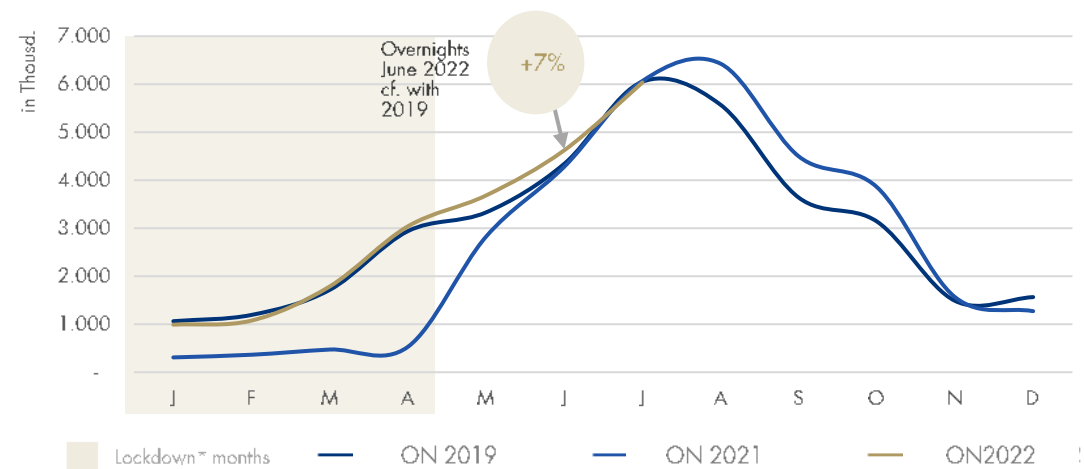
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Leisure destinations at or above 2019 level

Increased demand for earthbound travel despite reopening of international travel options

Schleswig-Holstein Overnights | 2019, 2021, 2022



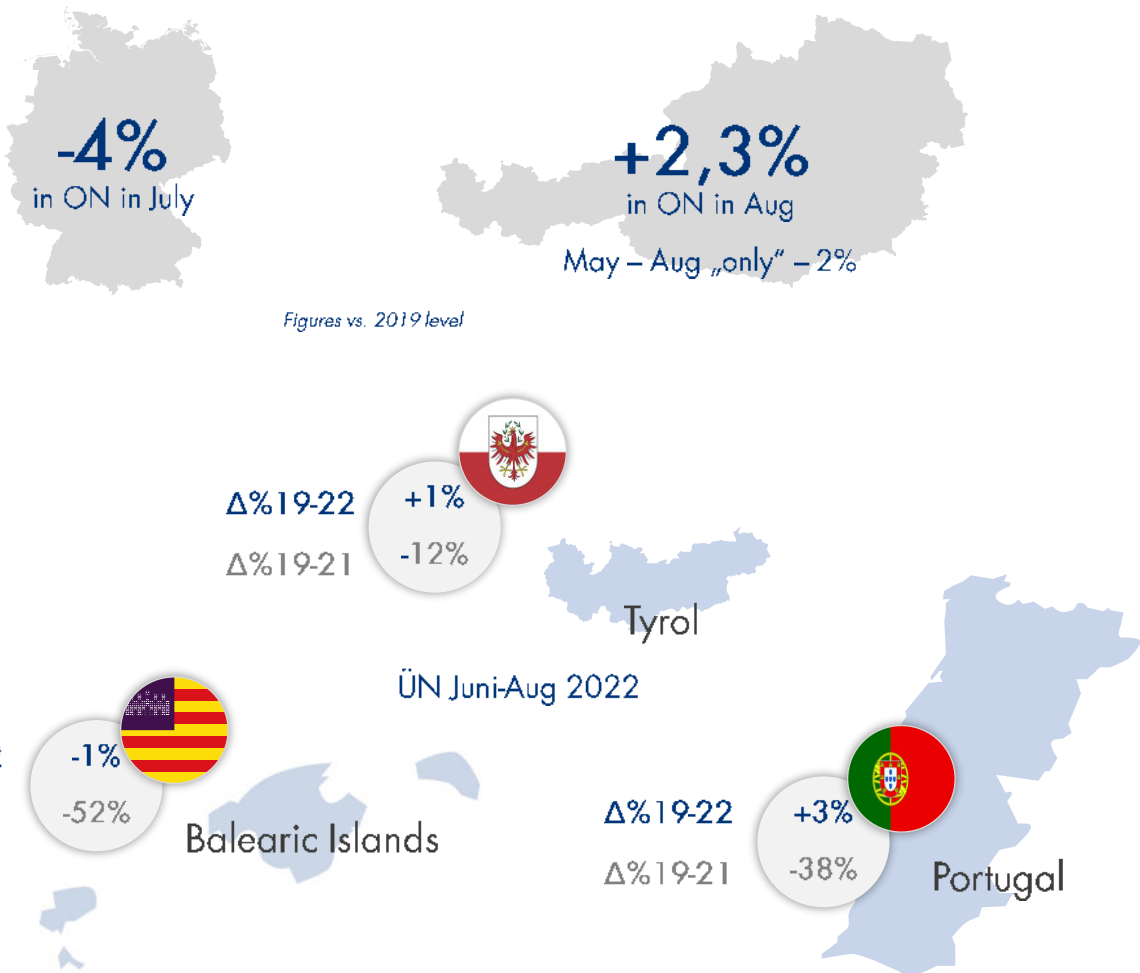
- + Overnights in leisure destinations in summer at or above 2019 levels; ADR up to 25% above 2019 and well above 2021 / 2022; showing ongoing strong demand for the (earthbound) local market
- + Reopening international travel opportunities have basically taken pressure off the local market, esp. southern destinations benefited from increased travel, cancellations / situation at airports reduces desire for air travel

Notes: *Lockdown 2021

Sources: tourmis, federal states office of statistics, german federal office of statistics, ine.es, ine.pt

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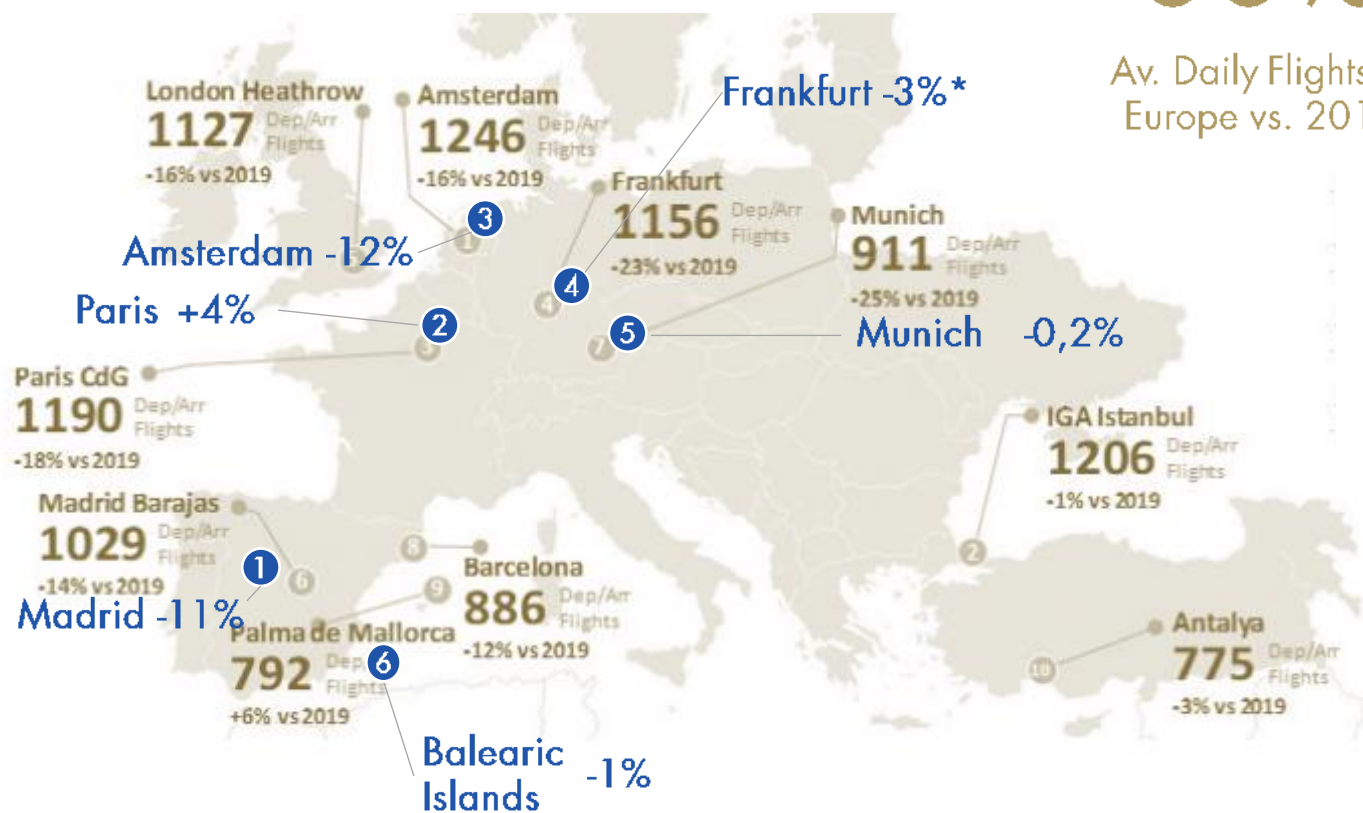


Summer 2022: what happened on the European Market?

Hotel Demand recovers faster than Air Traffic; Airlines manage to raise Prices more than Hotels

Dep. / Arr. Flights 06th – 12th October 2022

ON Δ% 2022-2019 Jun-Aug



Notes: *Figure refers to June-July

Sources: mrp hotels insights, tourmis, destatis, eurocontrol
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Av. Daily Flights	Europe	China	Middle East	USA
Domestic	-10%	-51%	+5%	-16%
International	-21%	-75%	-7%	-15%



Influence of China's zero-covid policy on global economy incl. hotel industry well noticeable, lack of business & high-spending guests; "Covid-19-openness" in Middle East (OCC in hotels at pre-crisis level, e.g. Istanbul in Aug 2022).



Hotel demand recovers faster than flight demand (e.g. -23% in FRA at the airport; "only" -3% at ON June/July 2022 vs. 2019)



Rising air travel costs (jet fuel prices +54%, flight prices +25%); airline industry manages to pass on rising costs to its customers quicker than the hotel industry

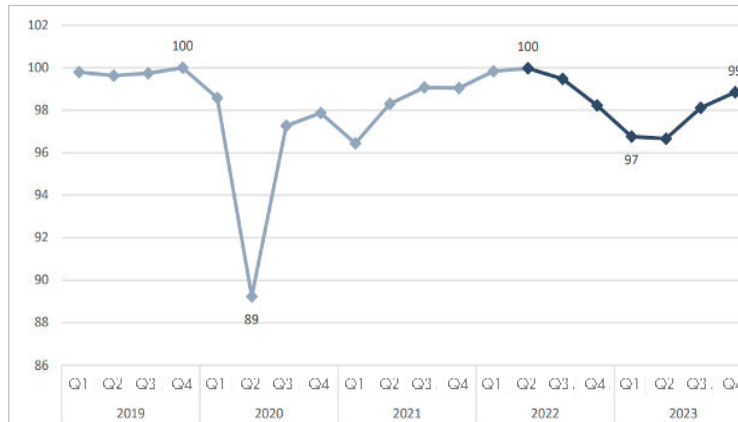


Eurocontrol assumes a recovery of air traffic in **2024** under a realistic scenario. There is the possibility of a worst-case scenario which assumes stronger impact of inflation, Covid-19, alternatives used to business travel and staffing challenges, assuming a return to 2019 levels only after **2028**.

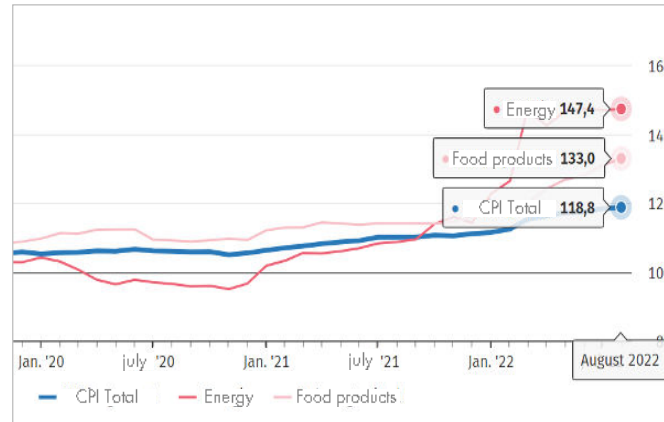
Changes in Consumer Behavior

Growing Influence of the currently weakening General Economic Situation

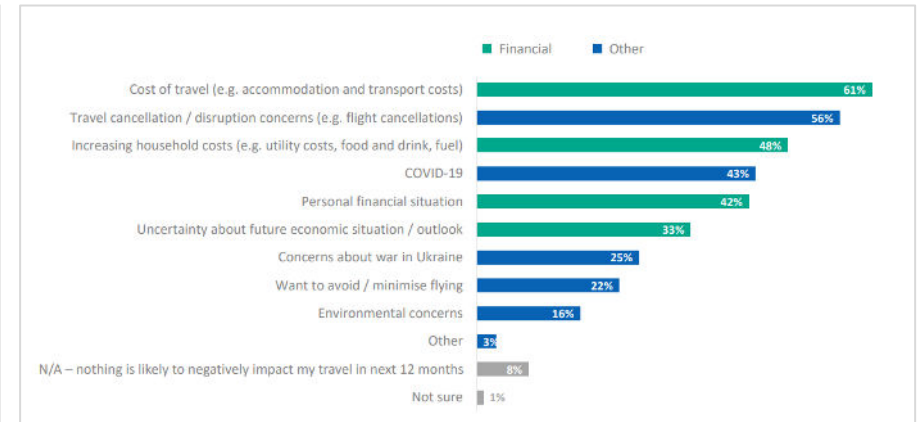
Business cycle in DEU Development of price, season- and working-day-adjusted GDP, index Q4 2019 = 100, source: *



Consumer price indices in DEU, 2019 = 100, source: Federal Statistical Office



Travel and household costs take influence July 2022 (n = 1168), Source: STR



Winter recession:
Recovery only in 2024
with 1.8% economic
growth in DEU;
"shrinkage" of 0.3% in
2023

Global growth forecast:
for 2023 from 2.8% to
2.5%

Private consumer spending
in 2022 +4% vs. previous
year; 2023 with approx.
2% decline in DEU

Purchasing power declines
noticeably; measured by
decline in real per capita
wages of approx. 3%
[2022 & 2023]

German Travel Industry Catches Up - But High Inflation Could Put the Brakes on Consumption

The tourism industry can look back on a very good year. But the outlook is gloomy in view of inflation, although vacations are still in high demand.

Handelsblatt

"Economic climate worse than during Corona outbreak": figures from DPD indicate consumption drop

In Corona times, package delivery companies experienced a special economic boom. But the exorbitant growth is over, as the example of DPD shows.

— Covid-19 becomes less important for travel decisions; concern about future economic situation grows and influences spending behavior; constraints in travel budgets expected

+ Current surveys confirm the high priority of travel for decisions related to consumption spent, abandonment not considered possible; guest behavior during Covid-19 pandemic confirms high relevance of travel due to boom-like booking behavior when lockdowns lifted

➔ Expectations 2023: Spending cuts are not expected to be noticeable in vacation travel as long as possible. Decline rather expected related to the second or third vacationtrip; higher price sensitivity possible

Sources: ahgz, ifo Institut, german federal office of statistics; OECD, STR, Handelsblatt ; *Institute of the german economy cologne

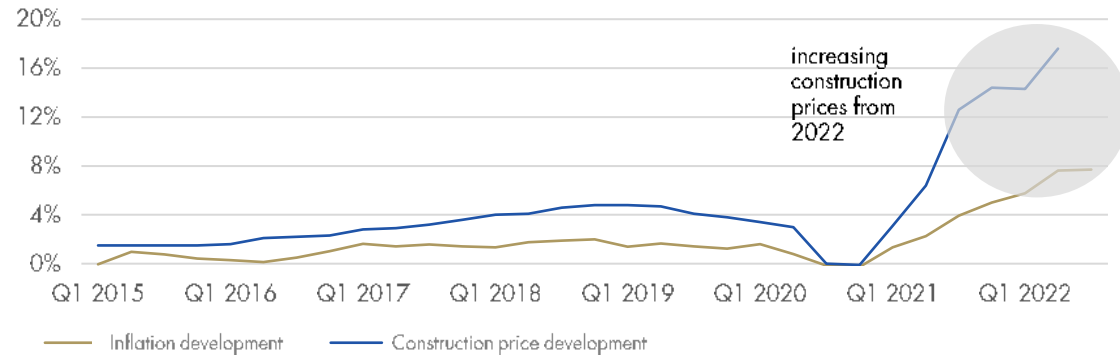
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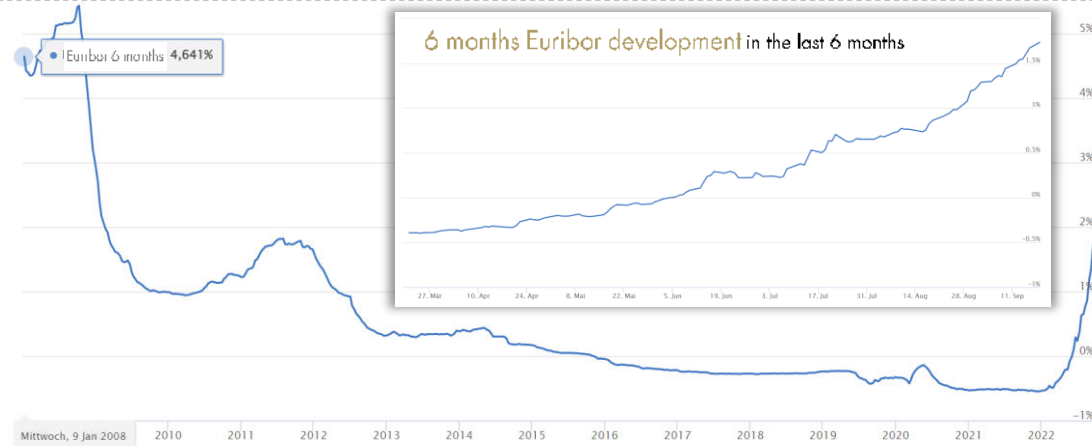
Inflation and Construction Prices hamper Economic Development

Forecast of Inflation Development and Impact on the Economy

Development of inflation and construction prices since 2015



6 months Euribor development since 2008 Source: Euribor Rates



Forecast for the development of the economy

- € **Inflation rates** in Sep. of double digits with new record levels in the euro zone of approx. 10%. Real rate increase / ADR adjustment which compensates for the inflationary price increase is indispensable to avoid a net loss.
- € **Rising interest rates:** 2.5% by the end of 2022 in euro-zone expected. After US Fed (3.25%) and Bank of England (2.25%) raised interest rates further, ECB is expected to raise interest rates as well to further narrow euro-zone interest rate gap
- € **Accordingly, investors remain cautious:** Since December 2021, interest rates on new real estate loans doubled. Recalculation of investors' business plans required; uncertainty reduces willingness to buy
- € **Expectation of construction costs:** So far, rising construction prices for real estate could be compensated by higher rents; with current uncertainty on the markets, compensation through rent is no longer possible.
- € **In short to medium term,** decline in construction activity forces project developers and general contractors to lower prices; catch-up effect to be assessed with caution if geopolitical situation eases again and supply chains and raw material prices stabilize. From mid-2023, stagnation in growing construction costs expected, also slight decline possible.

Sources: mrp hotels insights, destatis, ifo institut, interhyp, Euribor Rates, Focus.de, Handelsblatt

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What does this mean for the Hotel Industry Q4 2022 and 2023?

Tourism industry 2023 – success cannot be taken for granted



Reduced consumer behavior of guests

Growing uncertainty

Rising cost of living is at odds with high relevance of vacation travel for consumers; impact on expensive vacations e.g. skiing vacations, long-distance travel to be expected; possible advantages for local market due to less expensive travel

Uncertain economic situation replaces Covid-19 concerns as a brake on travel decisions

OCC <= 2019

Weakened group demand / MICE expected to continue due to reduced corporate travel budgets; not yet reflected in current pick-up

Impact on guest segments expected

Revenue losses and cost increases likely to have greater impact on lower income groups; higher price sensitivity expected in budget to midscale segment



Operators still in Recovery Mode

Costs & expenses continuing to rise challenge operators

Repayment of loans, subsidies, inflation, energy, digitization, employees, financing

EBITDAs of operators will come under more pressure; LCR at risk

Starting position of budgeting 2023

Lack of planning certainty due to many unclear parameters

Energy emergency plan?

Energy costs are forecast to increase massively; concern about doubling to tripling (e.g. + 60% electricity price, +300% gas price) of costs with corresponding "bad" contracts

Who will be affected?

Budget hotel industry less affected by cost increases than other segments; luxury and resort hotel industry probably more affected by rising costs than city hotel industry due to more extensive offer in resorts



Investors remain cautious

Transactions decline at year-end

General market uncertainty and difficult financial environment currently hampering transactions; banks remain risk-averse

Investors are being challenged

Investors must subject contracts to a long-term "stress test" to ensure operators are able to meet increased rents long term

Asset management needs to be increased

The challenging market conditions as well as the required further development of hotel products have to be managed professionally in order to further develop the hotel product with existing operator or to change operator in time

Development

Few developers are currently in position to realize new projects, operators can hardly provide the required collateral. As a result: increasing purchasing pressure on existing properties.



MRP Consult GmbH
Getreidemarkt 14/29
1010 Vienna, Austria
+43 1 890 6661
vienna@mrphotels.com

MRP Consult Germany GmbH
Savignyplatz 9/10
10623 Berlin, Germany
+49 30 3434 740
berlin@mrphotels.com

Theresienstraße 73
80333 München, Germany
+49 178 3434 744

MRP Consult Benelux BV
Plein 1945 #27
1252 MA, Laren, Netherlands
+31 621 280 532
benelux@mrphotels.com

Contact persons



Martin Schaffer
+43 664 6253 683
martin.schaffer@mrp-hotels.com



Lea-Sophie Zwoch
+49 178 3434 746
lea-sophie.zwoch@mrp-hotels.com

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www.linkedin.com/company/mrp-hotels



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Cooperative partnerships



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