



COMMERZ REAL

Where the **journey** is heading

A look at the future of the hospitality asset class

Whitepaper — 07.2024

Foreword

Dear Readers,

The hospitality asset class offers a broad spectrum of accommodation options, ranging from traditional hotels to mixed use and long-stay accommodation, that benefit from sustainable values as well as current market trends and forward-looking concepts.

Although the pandemic was a massive setback for the hotel industry, it has dramatically accelerated trends such as the digitalisation of offers. Travel is likely to return to pre-pandemic levels in 2024 and possibly even exceed them.

For example, hotel concepts designed for both private and business travellers represent the increasing trend of merging the two worlds. More and more business hotels offer high leisure value and boast environmentally conscious operator concepts as well as a growing degree of automation and AI for personalised services. Leisure hotels, on the other hand, are increasingly geared towards the needs of business travellers. This trend makes hotel properties an integral part of modern urban development. They combine living, working, shopping, fitness, dining, leisure and education, breathing new life into neighbourhoods and often upgrading entire communities. At the asset level, this increases profitability and minimises risks, which also makes the asset class more appealing to investors.

With this trend paper, we take a look at the current market, reveal trends and success factors, and venture a prediction about where the journey is heading.

We hope you have an inspiring stay!



Dirk Schuldes
Head of the Hospitality and
Shopping Real Estate Division

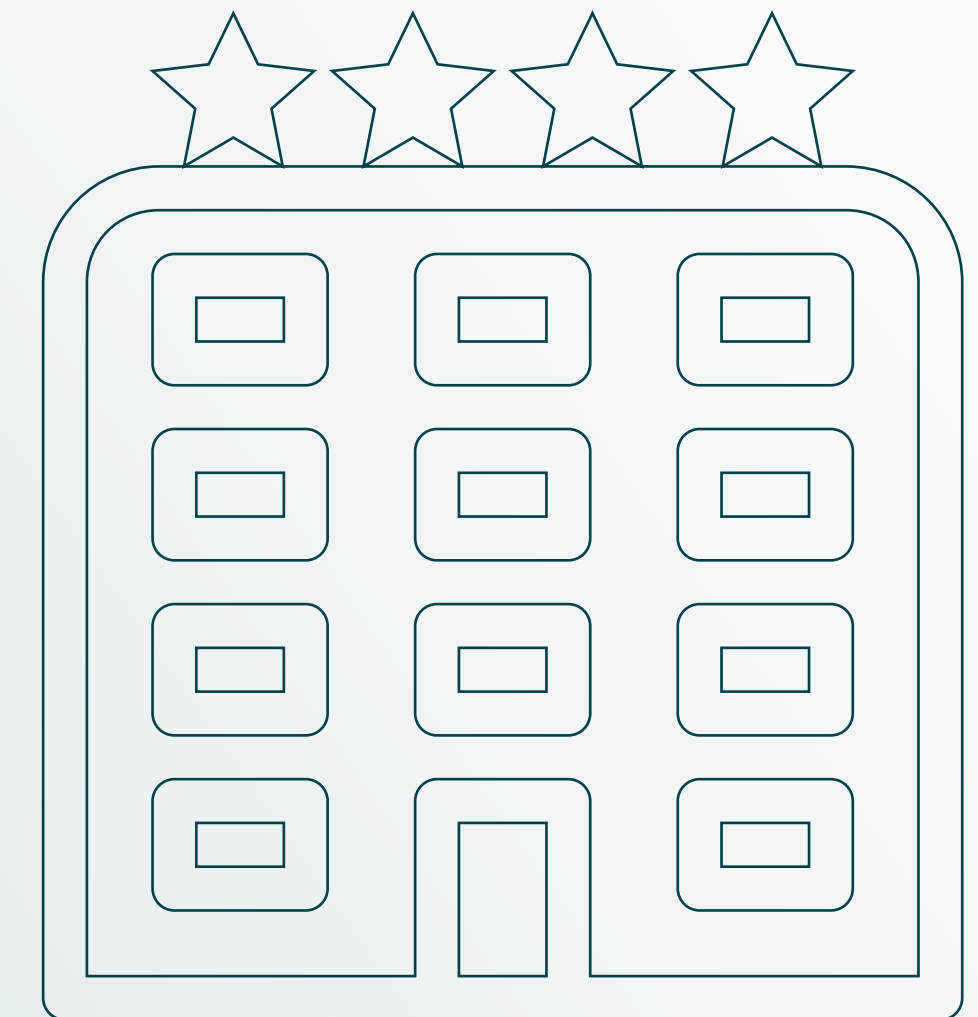


Sven Nötling
Head of the Hospitality
Real Estate Department



Today, the hotel industry is returning to its roots by focusing more closely on personal relationships. It is recognised that the true strength of the industry lies in nurturing hospitality and individual experiences created by human interactions.'

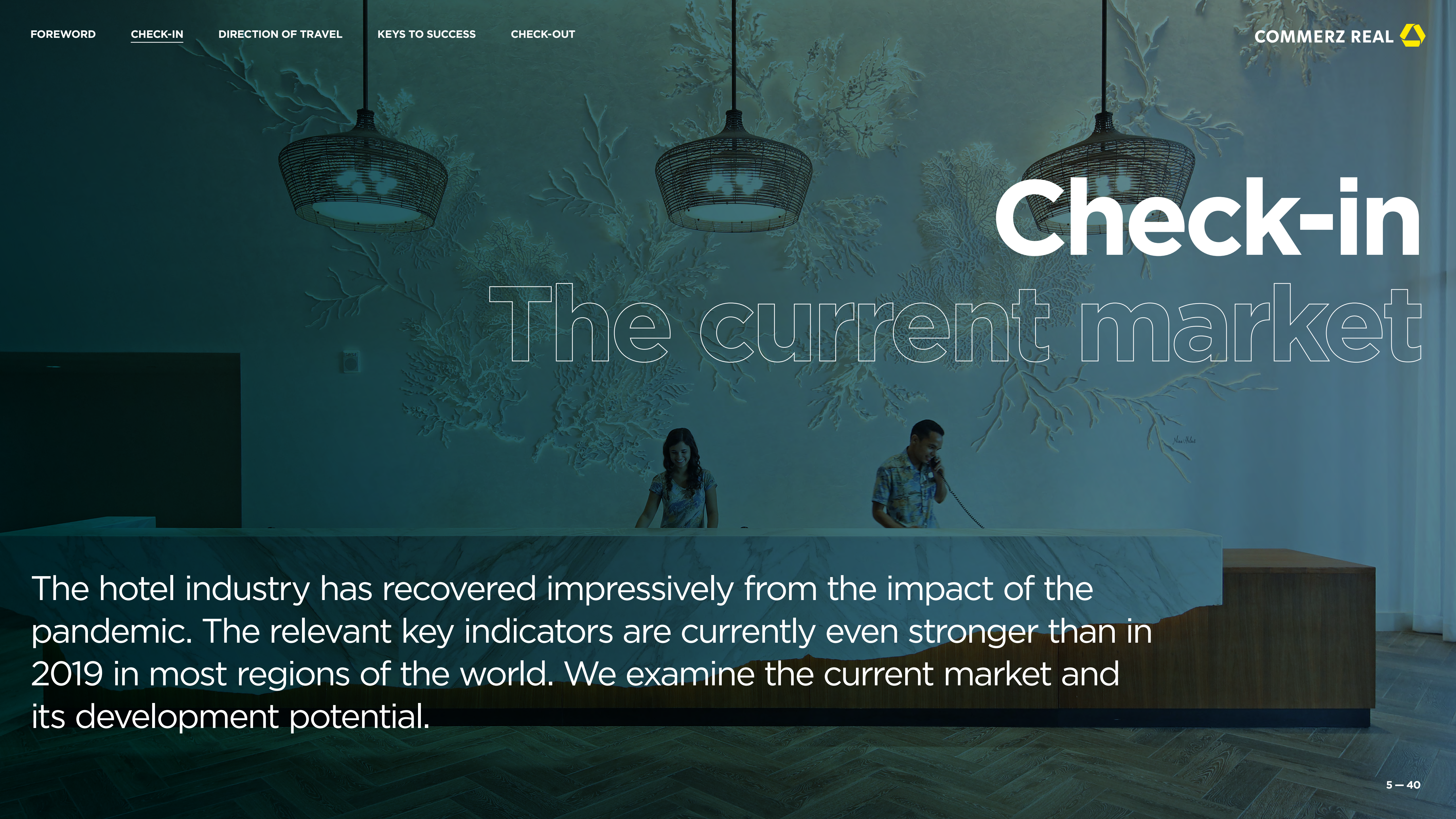
Xotels, SiteMinder





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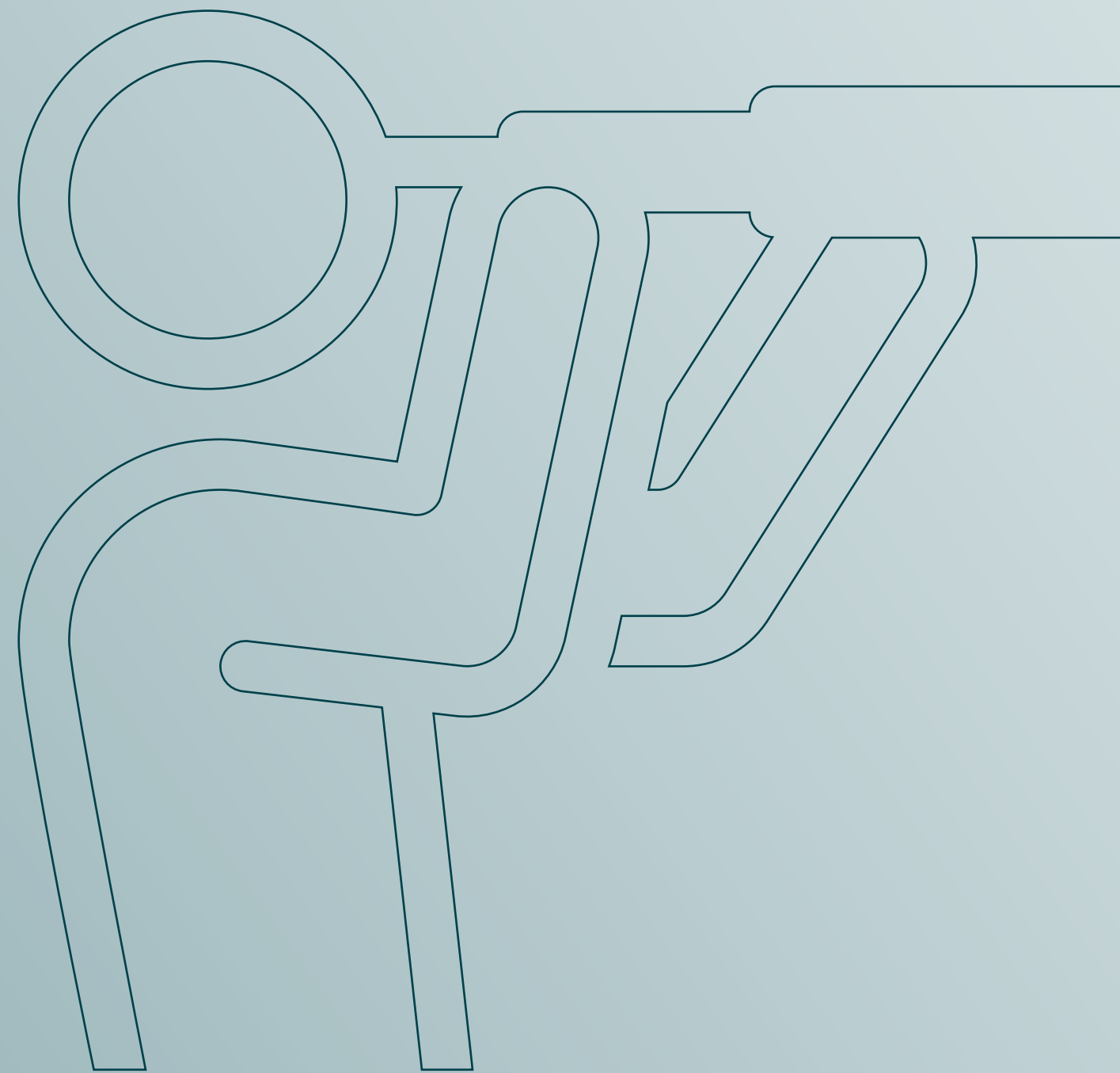


Check-in

The current market

The hotel industry has recovered impressively from the impact of the pandemic. The relevant key indicators are currently even stronger than in 2019 in most regions of the world. We examine the current market and its development potential.

Bright prospects.



Pre-pandemic

By early 2020, the global hotel market had been growing for around ten years. The development from a niche product to a good opportunity for the diversification of property portfolios was thanks to both the increase in global travel and years of low interest rates. These factors led to rising demand, the expansion of established hotel chains as well as new market players and an increasing number of development projects.

During the pandemic

Tourist flows stopped and the growth of global hotel markets came to an abrupt halt. Adjustments were already witnessed in the property valuations of hotels, although these were less affected by write-downs overall than other asset classes.

Post-pandemic

After the many global challenges and changes of recent years, the hotel market is back on the road to economic success. 2023 already demonstrated that there has been an increase in both leisure and business trips. The demand for hotels is there and will continue to increase in 2024. The rapid recovery of the travel industry after the pandemic demonstrates its resilience to crisis and confirms that hotel properties constitute a promising investment option. Increasing ESG requirements, digitalisation, price sensitivity and a shortage of skilled workers currently represent challenges, and it is now necessary to take the right measures to set the course for the future. After all, this also gives rise to numerous opportunities.

Global travel.

The relevant key indicators are now stronger than in 2019 in most regions of the world.

- The markets in the **USA, Europe and Australia**, in particular, have recovered quickly and are already above pre-crisis levels.¹
- On the other hand, **Asia** witnessed a somewhat slower recovery due to the long lockdown period in China.¹
- In **Europe**, the average room rate in 2023 increased by 26 per cent compared to 2019. Although occupancy of 69 per cent is still slightly below the 2019 level of 72 per cent, revenue per available room has already been exceeded (+20 per cent).¹
- In **North-East Asia**, on the other hand, declining key indicators can still be observed in 2023. The average room occupancy rate in 2023 was still around 4 per cent below the 2019 level. However, the room rate increased by an average of USD 1 in 2023 compared to 2019.¹
- Changes in travel behaviour in the post-Covid era have also led to adjustments to hotel and accommodation concepts. Innovative concepts, such as combining leisure and business travel, offer growth opportunities.

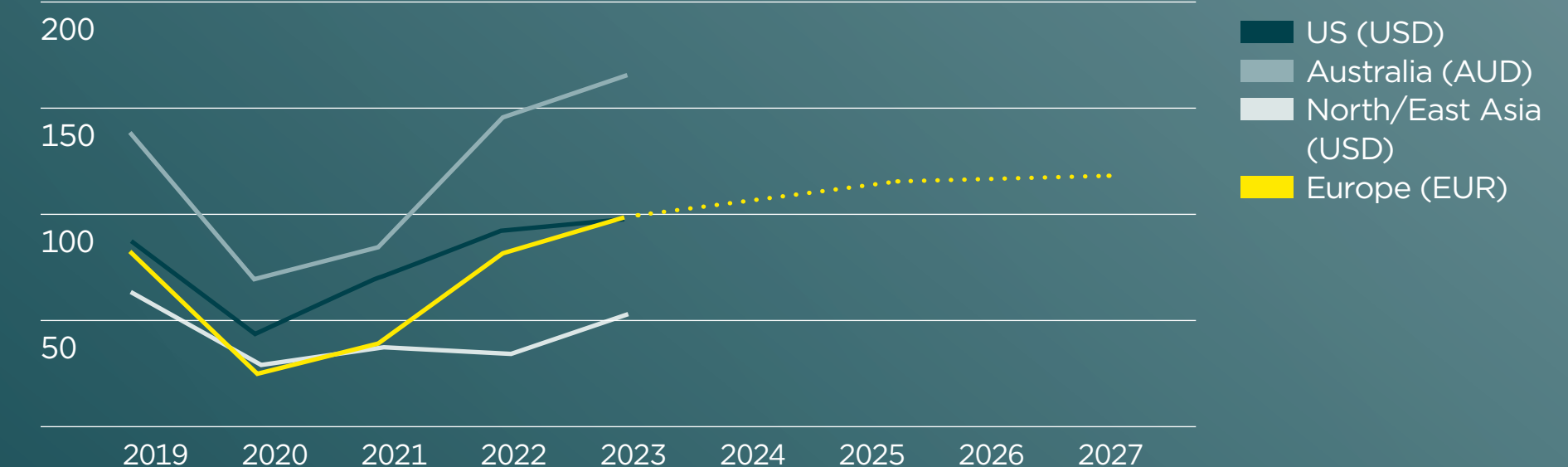
¹ STR (Smith Travel Research) database, December 2023

² Property Market Analysis LLP, European Hotel Service, April 2023

³ Statista Research Department, February 2024

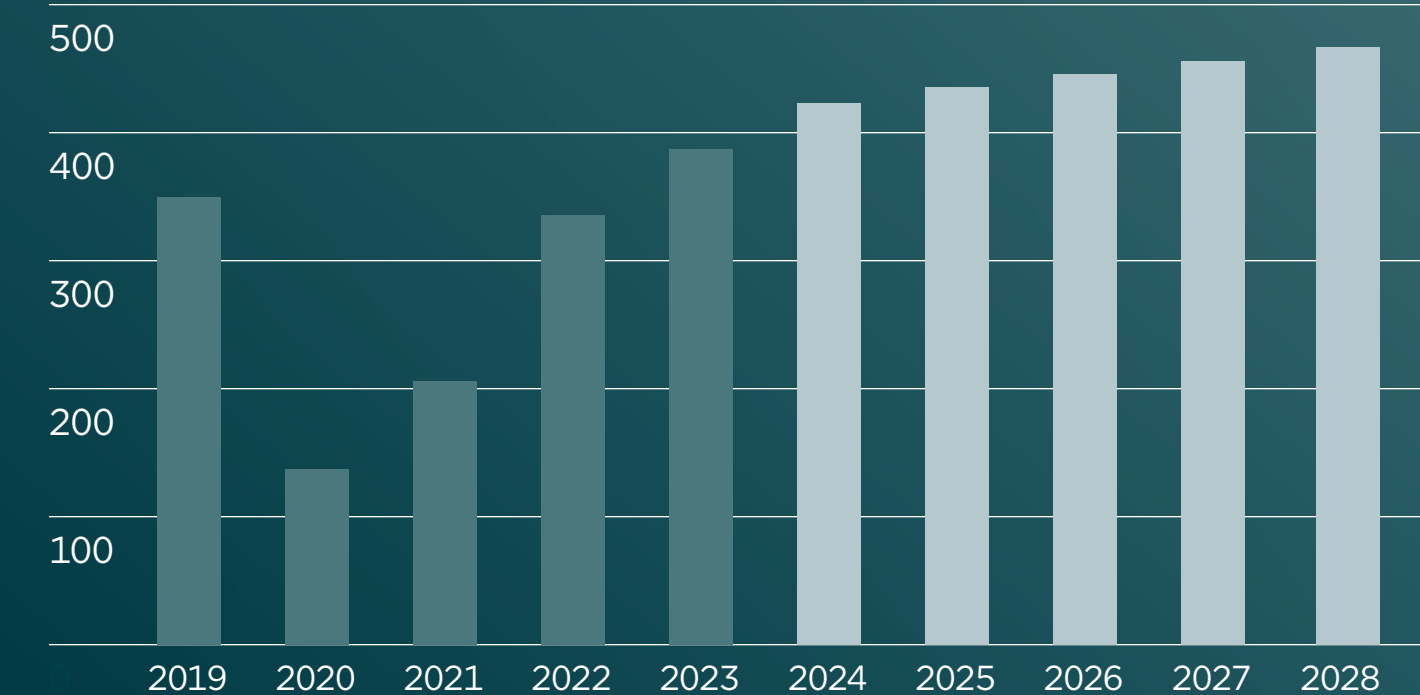
Revenue development and forecast per available room (RevPAR) for selected regions^{1, 2}

in EUR/AUD/USD



Global revenue in the 'hotels' market segment from 2019 to 2028³

in billion euros





The current transaction market.

The recovery of the hospitality market is not yet reflected in the global transaction market, which declined again in 2023, partly in light of the recent rise in interest rates. This is due to the ongoing uncertainty surrounding pricing. As soon as there is more clarity in this regard, transaction activity should resume. However, this has hardly any effect on the operational development of existing hotel properties.

As with all types of use, valuations will depend on investors' expected risk premium compared to the 'risk-free' interest rate. The hotel industry is considered to be one of the few types of use in which investors can also participate in an operational improvement in earnings by drafting contracts accordingly.

Due to a potential market shake-out phase and good market relations, future opportunities can be optimally exploited.

At a glance: Seven opportunities.

1

NEW NEEDS

In the wake of the pandemic, **new needs** are emerging that are having a lasting impact on travel behaviour and the demands placed on accommodation providers

2

RESILIENCE

The ability to innovate and adapt forms the DNA of successful hotel concepts, demonstrates the **resilience** of the asset class and offers clear growth opportunities

3

TRAVEL
FREQUENCY

Increasing **frequency of travel and willingness to pay** are reflected in the positive development of ADR and RevPAR

4

TRANSFORMATION

ESG requirements in respect of travel are increasing and also having an impact at asset level; **transformation of existing buildings** and thus holistic value creation are possible

5

DIGITALISATION

Digitalisation supports intelligent travel, the handling of staff shortages and building management

6

DIVERSIFICATION

Portfolio diversification by combining different hotel concepts minimises risks

7

COST-EFFECTIVENESS
AND LEAN
MANAGEMENT

Cost-effectiveness and lean management help to mitigate rising expenses

‘Strategic realignment and active portfolio management are more essential than ever due to fundamental changes in market conditions since 2020.’

Sven Nötling
Head of the Hospitality
Real Estate Department

Direction of travel

When needs become trends

Due to the changes in travel behaviour caused by the coronavirus pandemic, the adaptability of hotel concepts is becoming the key to success. The industry has to react quickly and with agility to new needs, develop innovative concepts or expand existing ones and thus generate new growth opportunities.

New needs. New target groups. New travellers.



Community-based travel

As early as May 2023, Google Trends showed that more and more people are actively looking for destinations that enable **personal encounters** and **promote relationships**. This change is influencing the development of community-based travel.

The Zukunftsinstitut's 'Resonance Tourism' trend study analyses how social change towards a new 'we culture' also demands and promotes resonant experiences in the field of hospitality. Business and leisure travellers are increasingly demanding intensive travel experiences and transformative holiday adventures. They want to be 'moved' while travelling and relate to their surroundings. This requires a new quality of travel, focusing not only on digital data, but also on human values and needs.

We are therefore examining six travel personas that were developed as part of the Berlin Travel Festival in 2023, each of which reflects individual

travel needs, which in turn lead to contemporary and future-oriented forms of hospitality. For the hotel and tourism industry, this means new potential, more opportunities for growth and an asset class that not only has much to offer in terms of innovation and diversity, but also in terms of implementation ability and adaptability.

We also present two major hospitality trends that are emerging in response to the personas. The 'B-Leisure' trend represents the fusion of business and leisure, whereas the 'health' trend reflects the need for more mindfulness, wellness and health.

New travellers.

Across all generations, there are many motivations to travel. Which one do you identify with?



Balance Hunter

- Work and time out are one
- Work-life balance is important
- Pays attention to well-being
- Workshops, retreats and co-working spaces with digital infrastructure



Escape Seeker

- Far away from the routine
- Searching for peace, relaxation and seclusion
- Beach destinations, wellness and yoga retreats
- Disconnect and recharge



Professional Weekender

- Short breaks at the weekend
- City/beach destinations with excellent transport connections
- Hotels and resorts with comfortable luxury
- A mix of wellness and culture



Slowtrotter

- It's all about the journey
- Conscious enjoyment instead of working through checklists
- Places and cultures off the beaten track
- Apartment hotels, guest houses, B&Bs



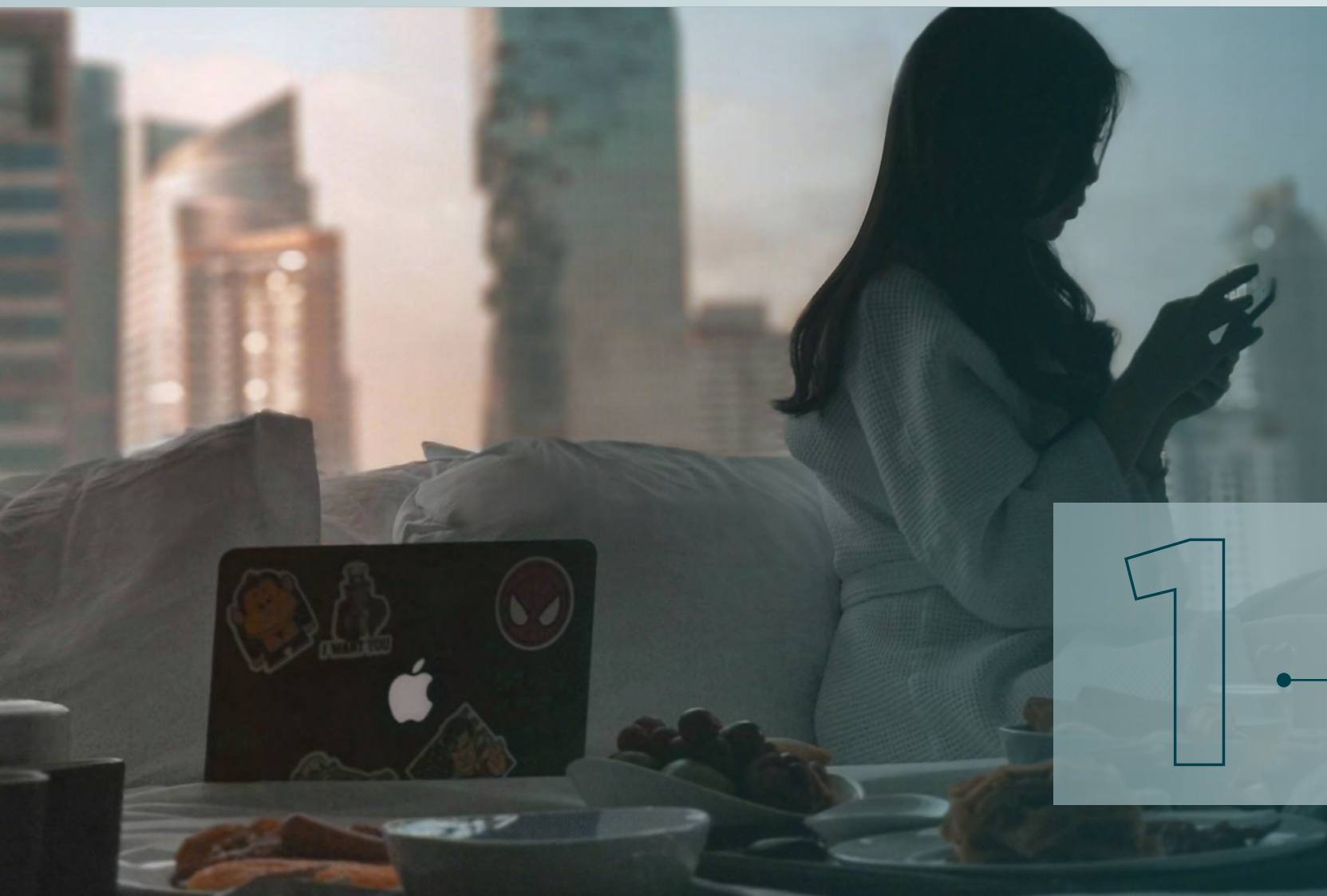
Culture Surfer

- Travelling the local way
- Inquisitive and thirsty for knowledge
- Experiencing local cultures
- Prefers places with history, art and architecture



Adventure Collector

- Adrenaline seeker
- Looking for physical and mental challenges
- Outdoor activities
- Active trips, expeditions and fitness resorts



1

The fusion of business and leisure:

B-LEISURE



2

Wellness or health trips as a holiday:

HEALTH

Hospitality trends in focus

It's a B-Leisure.

When boundaries blur – the fusion of work and leisure.

Term

The term 'B-Leisure' denotes a fusion of business and leisure and seeks to meet the needs of business and leisure travellers alike. Such an expansion allows for better risk diversification, as operators are no longer dependent on a single guest clientele.

Core concept

- **Meets the needs** of business and leisure travellers alike
- **Rising demand** from business travellers who want to combine work and leisure over longer stays, resulting in longer stays overall
- **Setting:** business locations with a wide range of cultural and leisure activities



1

B-LEISURE

Seamless, digital, personalised and convenient.

Personal encounters are once again gaining in importance in business life, which is why business trips are likely to return to pre-pandemic levels in 2024. However, they are increasingly incorporating 'B-Leisure' aspects, i.e. a combined business and leisure trip.

The focus is on sustainability, with environmentally friendly accommodation, sustainable transport options and paperless processing. Technology also plays an important role in the entire process of (remote) meetings, workshops and events. Business travellers also expect personalised experiences and seamless digital solutions.

1 B-LEISURE

Staying longer: Business trip 2.0

89%

of business travellers can now use the combination of business trip and holiday. Almost as many (83 per cent) went on a B-Leisure trip last year.

DRV brief survey, New Work, 2023

Business travellers reported extending their trips for five main reasons:



42%

visit family and friends



57%

explore the city/country in question



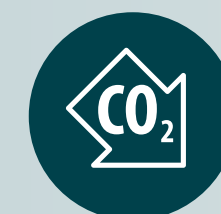
28%

Relaxing break before returning to work



41%

Time and cost savings by adding leisure time to the trip



14%

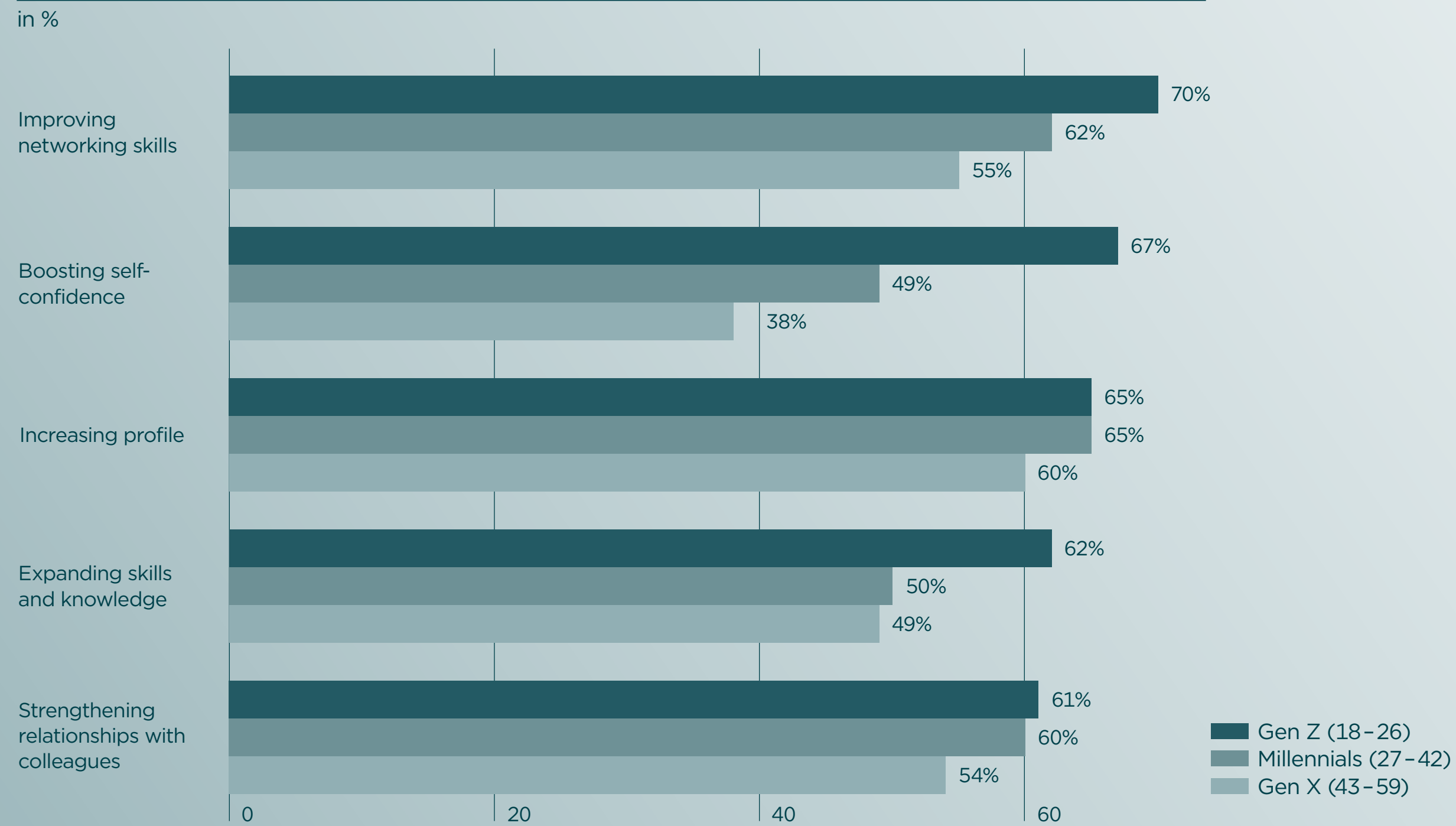
reduce their personal CO₂ emissions

TravelPerk, The Value of Business Travel Report, June 2024

1

B-LEISURE

Benefits of business travel from the perspective of three generations



TravelPerk, The Value of Business Travel Report, June 2024



‘From enhanced employee engagement and the revenue generated by face-to-face meetings to doing work that can only be completed on-site, business travel is more than just a cost factor – it is an investment in growth, innovation and culture.’

Avi Meir
CEO and co-founder of
TravelPerk

‘Travel and face-to-face meetings are key to building relationships. When organisations see travel as a strategic opportunity for collaboration rather than a business necessity or simple cost factor, they can tap into the full potential of an international talent pool and create a truly connected community.’

Lenke Taylor
Chief People Officer at
Personio

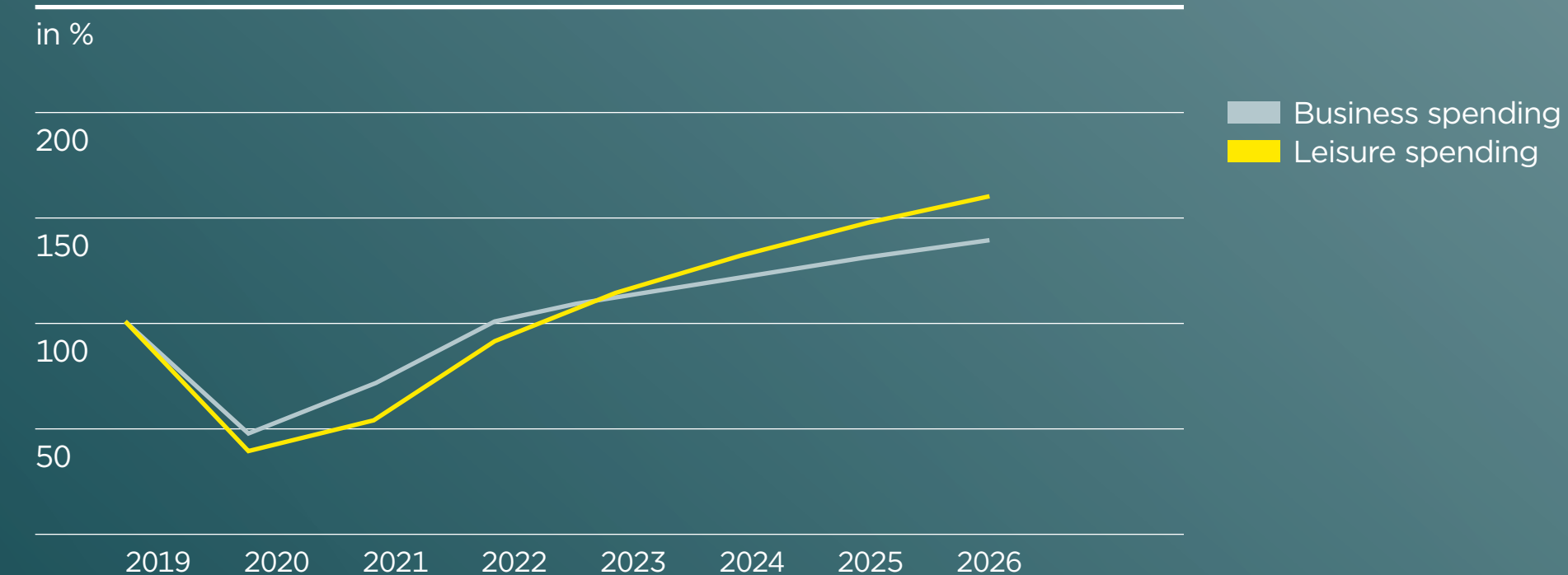
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B-LEISURE

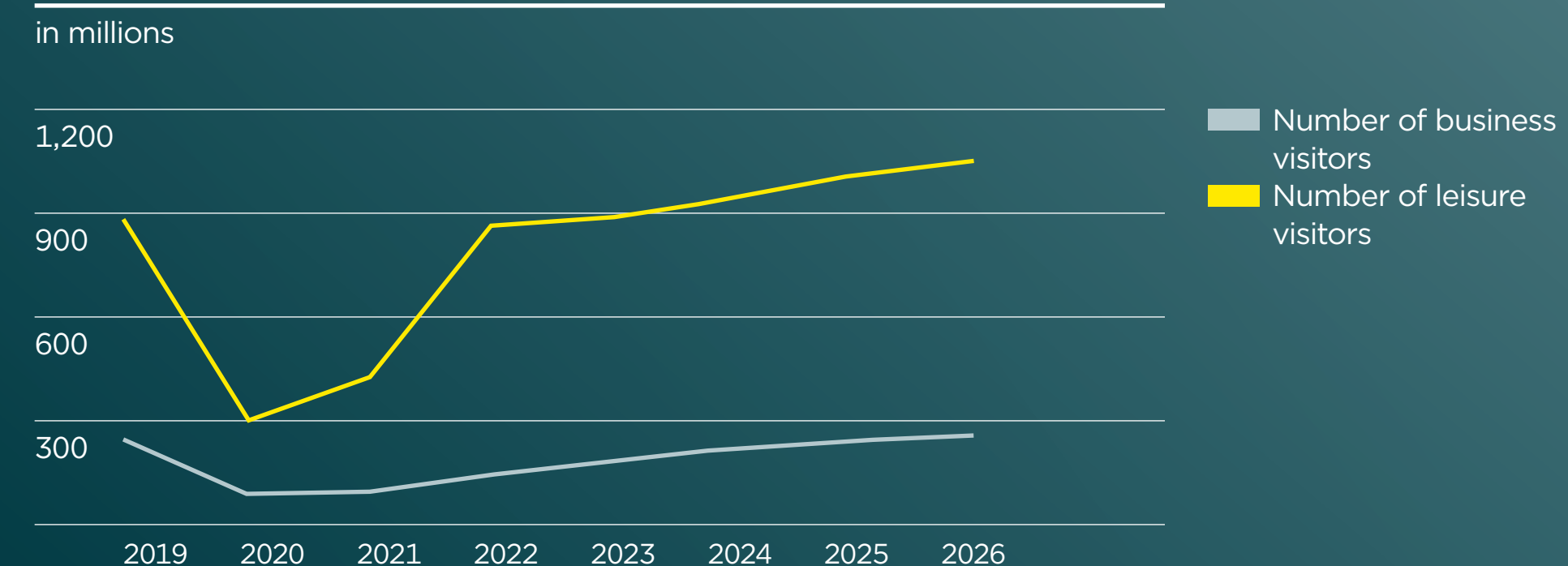
Strategic benefits

- **Maximum occupancy:** weekday business travellers and weekend leisure travellers result in higher average occupancy
- **Diversification of risk:** reduced dependency on a specific guest clientele and thus on seasonal or market-specific fluctuations

Development and forecast of business and leisure spending in Europe⁴



Development and forecast of business and leisure visitors in Europe⁴



⁴ European Travel Commission, 2023

1

B-LEISURE

The upshot of B-Leisure: Apartment hotels on the rise.

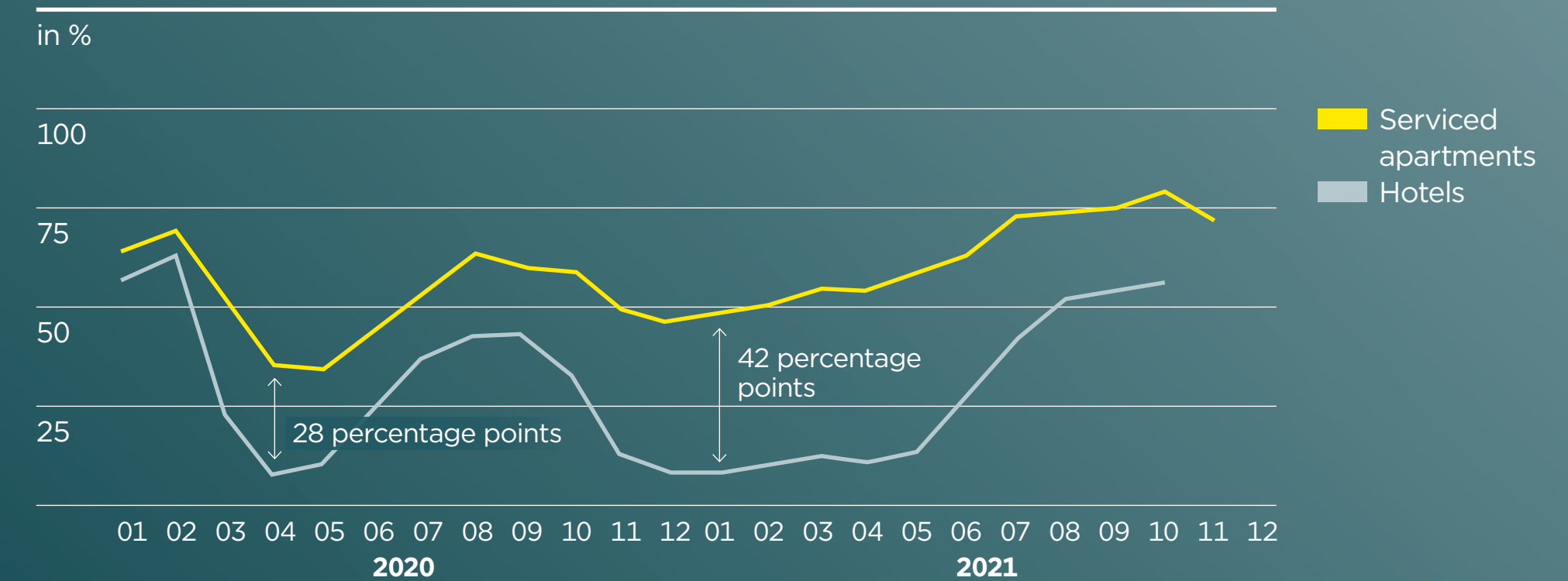
Core concept

- **Strongly growing segment**, as complete market penetration in Europe has not yet taken place
- **Flexible rental options** for short and extended stays to meet a wide variety of guest needs
- **Setting:** proximity to business centres and tourist attractions

Long-stay/apartment hotels combine traditional hotel rooms with fully furnished apartments. Their mix of comfort and flexibility appeals to a broader target group and offers a range of options for optimum and longer-term accommodation use, especially when combining business and leisure.

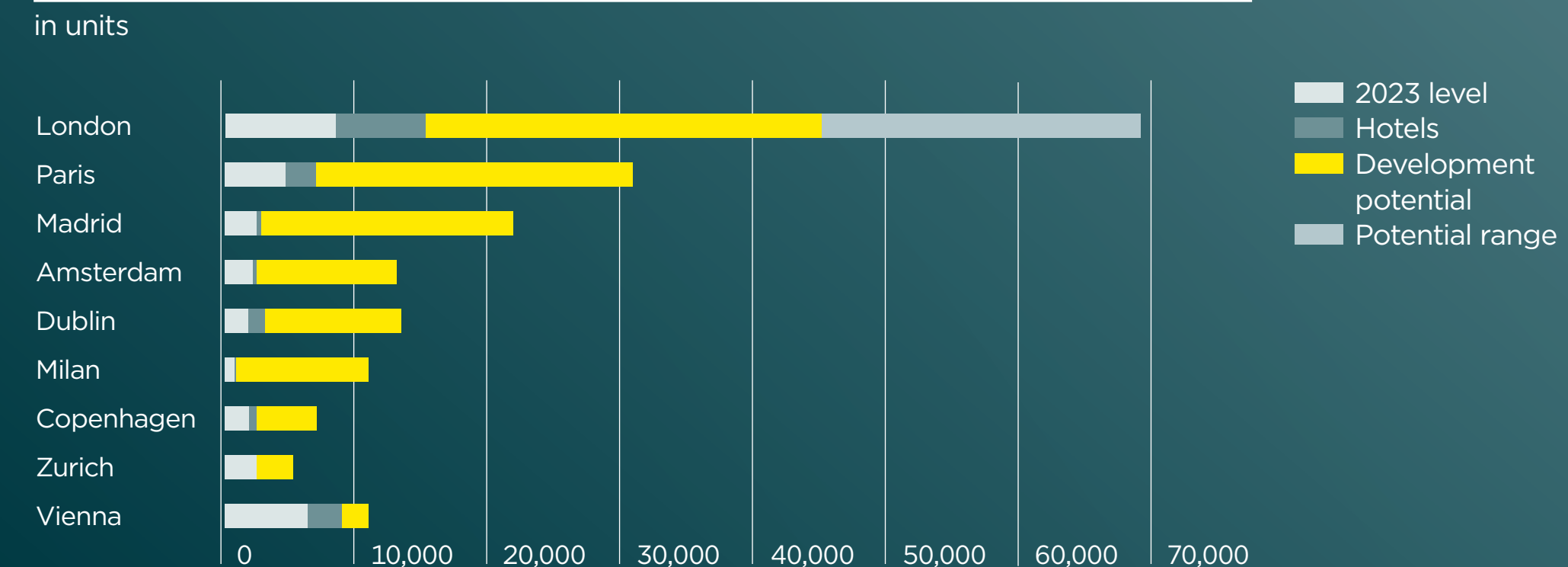
Serviced apartments have lower investment costs compared to traditional hotel properties and can generate a higher rent relative to total revenue (approx. 35 per cent vs. 20 per cent in the traditional hotel industry), which is why they are currently attracting greater interest from investors.

Development of room occupancy rate during the coronavirus pandemic⁵



⁵ Apartmentservice, Die Service-Apartment-Welt als Zukunft der Hospitality, June 2022, p. 6

Chart showing results of potential analysis⁶



⁶ Apartmentservice, Potentialanalyse Serviced-Apartment-Markt, August 2023, p. 10

1

B-LEISURE

Distinction between the serviced apartments hotel market and the residential market:

		Residential concepts		Commercial concepts	
Residential market		Furnished accommodation	Serviced accommodation	Serviced apartments	
		Service			
		None	Limited > selected	limited > full	
		Duration of stay			
		min.: (three to) six months max.: unlimited	min.: (three to) six months max.: unlimited	min.: one night max.: six months	
		Business type			
	(Semi-)furnished apartments	Living concepts (corporate housing, micro living [$< 25 \text{ m}^2$, senior living ...])	Serviced apartment building	Aparthotel	
		Student living			
		Co-living			
				Hotel market	

Apartmentservice, 2020

Strategic benefits

- **Crisis resilience:** demonstrably higher occupancy during the coronavirus pandemic
- **Better profitability:** lower operating costs compared to full-service hotels

In the future, the boundaries between serviced apartments and traditional hotel properties will be blurred, creating great opportunities for the hotel industry.

The resulting apartment concepts are likely to entail less risk, as they are more resilient to macro-economic influences and also offer the opportunity for an improved valuation due to the more efficient use of space. The target group is also expanding to include, for example, students, who can use serviced apartments as long-term accommodation.

Overall, the boundaries between this and other types of use – such as residential, office and retail – will also become blurred and there will be more and more multi-use concepts and developments of entire neighbourhoods.

Inner journeys: Health.

2 — HEALTH

A world where everyone wants to age healthily – travel for body, mind and soul.

‘30% of people prefer destinations where they are immersed in nature or away from the Wi-Fi network.’

Design Hotels Community Survey, June 2023

People are no longer looking for short-term relaxation and occasional moments of happiness when they travel. Instead, they are seeking a transformative experience through interaction with their surroundings that enhances their personal development and has a lasting positive impact on their own health.

According to a global survey⁷ of 27,000 travellers in 33 countries by the booking platform Booking.com, most private travellers feel like the best version of themselves on holiday. In line with the motto ‘New year, new me’, 62 per cent of those surveyed look for anonymity when travelling in order to reinvent themselves.

More than a third of travellers (36 per cent) find immediate relaxation and recreation in destinations that are close to water.

Sleep retreats are highly popular at 58 per cent, but health retreats are also doing well at 20 per cent. The great art in 2024 will be skilfully juggling budget and luxury: despite cost-cutting measures, 54 per cent would pay for a better room and 47 per cent for airline or train upgrades, as long as the budget is not exceeded.

Sustainability is also becoming increasingly important: 53 per cent of travellers look for accommodation that combines comfort and sustainability.

6.6%

Average growth rate of the global health tourism market in the period to 2027.

Business Wire Inc., 2024



⁷ Booking Holdings Inc., January 2024

2 — HEALTH



From short breaks to longevity.

In 2021, around 5.15 million German-speaking people aged 14 and over took a wellness or health break, either as a holiday or a short trip.⁸

20 years ago, 30-49-year-olds accounted for the largest proportion of guests in hotels according to tophotel.de⁹. These travellers have remained loyal to wellness over the years and are still the most strongly represented age group today, now aged 50-69. According to the survey, however, their interests have changed over time. Whereas beauty was very popular in the 2000s, these guests in particular now demand effective wellness. In line with this, the new buzzword 'longevity' – staying happy and healthy for longer – is very popular.

More than 85 per cent of all guests are interested in this, especially in methods for a more relaxed lifestyle, sport and exercise options and mental health. In addition, themed workshops such as yoga retreats, nutrition and mental health coaching arouse great interest amongst young and old alike.

But purely medical tourism is also booming. According to the Medical Tourism Association, around 14 million people a year already travel to other countries for medical care. According to forecasts, the market will grow from USD 24.1 billion in 2023 to around USD 93.4 billion by 2030, an average increase of 21.3 per cent per year. According to the Primo Medico network, approximately 250,000 medical tourists from 177 countries receive treatment every year in Germany alone.

⁸ VuMA (Consumption and Media Analysis), November 2021

⁹ tophotel.de, 5 wichtige Wellness-Trends für 2024, March 2024

ASKING A TRAVELLER

Marcus Nauman

2 — HEALTH

— Major social trends such as health, mindfulness and spirituality are particularly relevant to you at the moment – why?

Nothing is more personal than health, and this is precisely where technological progress is particularly advanced. New evidence-based treatments are coming onto the market, such as cold chambers, oxygen therapies, lymphatic drainage, blood tests, cold plunges to boost metabolism, meditation practices and sound therapies: sick care is transforming into health care, with a long and healthy life becoming an ideal image to cultivate. This makes health care and longevity the greatest market opportunity in the developed world.

— What does this have to do with travel behaviour and requirements for hotels and accommodation in the future?

The reasons for hospitality are changing and expanding to include new use cases in health care. A place other than hospitals is therefore required! Hotels have the premises and target groups and can offer a new quality of stay by integrating longevity treatments. However, longevity is not the same as wellness. The aim is not to upgrade the spa area, but to create a new dimension of experience with the health of guests at the heart of treatments, enabling hotels to achieve high occupancy rates.

— Do you have any specific ideas?

To give an example, we are working with Frankfurt Airport on the question of what an airport health concept should look like. There are so many health products, from tech gadgets to supplements, that accessing travel retail could be an exciting avenue. We are also working on a completely new longevity concept with hoteliers from Frankfurt.



Marcus Nauman is co-founder and Director of Strategy of child – Studio für angewandte Strategie GmbH

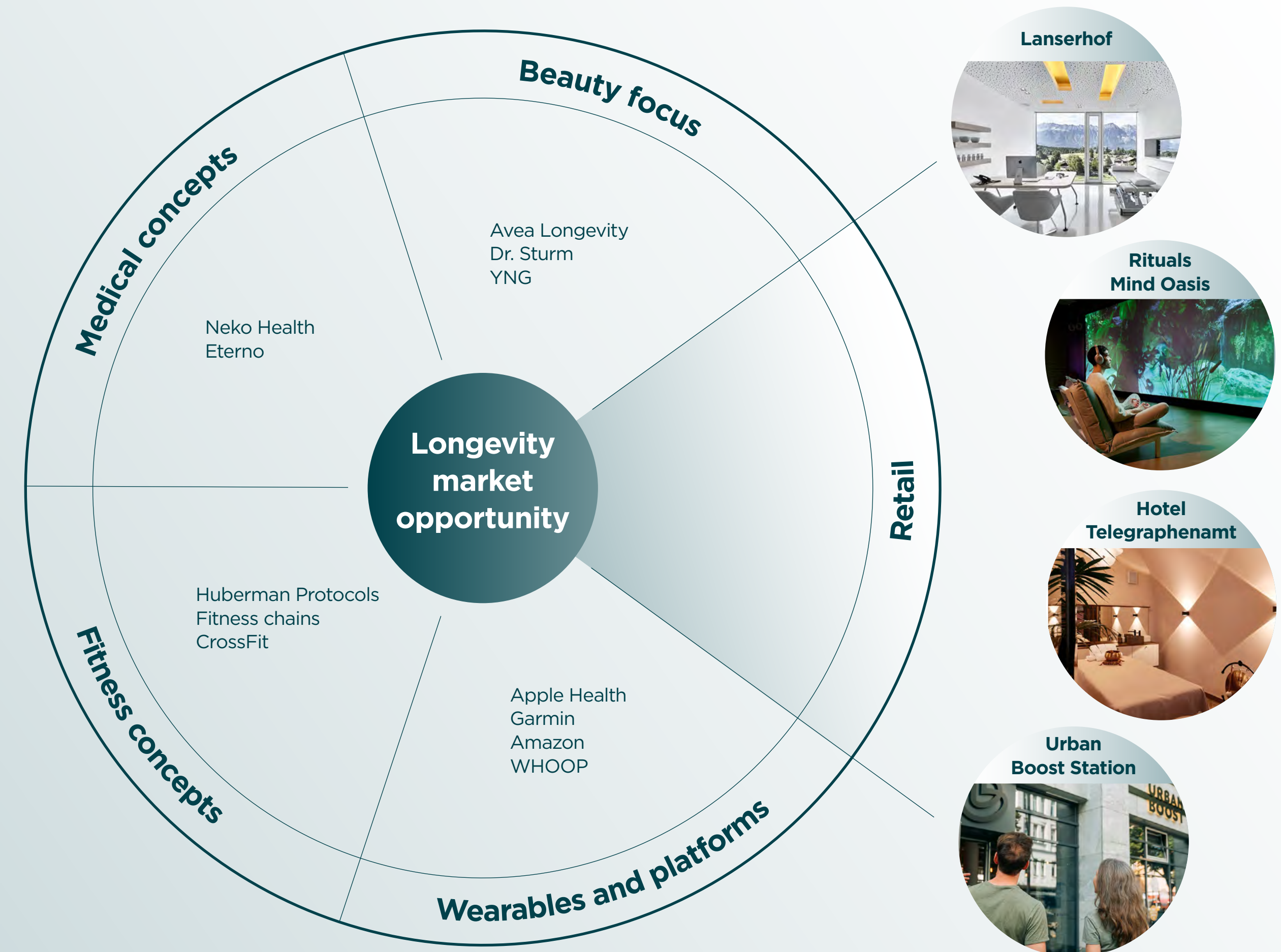
[child.team](#)

2

HEALTH

The race for the maximum health offering.

Longevity, and thus the desire to age healthily, is an emerging trend in society that opens up numerous market opportunities. In addition to medical concepts, the integration of longevity into beauty products and fitness services, and the commercialisation of health measurability, the first (retail) locations serving the longevity market have opened their doors. Examples include Lanserhof, Rituals Mind Oasis, Hotel Telegraphenamt and Urban Boost Station, which present new concepts and approaches for a holistic stay focused on the topic of health.



Child - Studio für angewandte Strategie GmbH

Keys to success

Based on business and private travel trends and discussions with hoteliers, we have identified relevant success factors for a profitable hotel investment. As with any other asset class, hospitality is all about getting the right mix.



Hospitality is not just a service,
but an attitude, an atmosphere
that you can feel.'

Trend study 'Der neue Resonanztourismus', Zukunftsinstitut



Success factors in the hospitality asset class.

1 **Concept**

2 **Sustainability**

3 **Interconnection**

4 **Partnership**

5 **Location**



When travel becomes a concept.

According to hotel consultancy Xotels, the most successful and sustainable hotel concepts are those that offer a personalised, technology-driven guest experience, provide wellness and health-promoting activities, integrate sustainability into their operations and deliver unique and authentic experiences.¹⁰

There is no explicit distinction between business and leisure hotels, as the trends of business and leisure travel are increasingly merging (see B-Leisure trend). According to CBRE, city hotels will outperform the average, while airport hotels will benefit from the growing number of international travellers.

For Markus Beike, Development Director for Germany & CEE at Staycity, the concept is a key decision-making factor. 'It's precisely because everything is becoming more expensive that guests are

paying attention to value for money. They are not looking for uniform concepts, but hotels as genuine worlds of experience with different components, preferably in a mixed-use property.'

'In luxury, lifestyle and increasingly budget-oriented segments, guests are becoming more discerning and searching for inspiration, not least because hoteliers these days are thinking more about sophisticated concepts. On the subject of brands, I think I have noticed that guests are becoming more critical here, too, and that brand promises are more likely to have to be kept. "Cookie cutter" brands will slowly but surely be perceived as boring and interchangeable by the wider public,' says Christoph Hoffmann, founder of 25hours Hotels and Bikini Island Mountain & Resort.



¹⁰ Xotels, Top Hotel Trends of 2024 and Beyond, January 2024

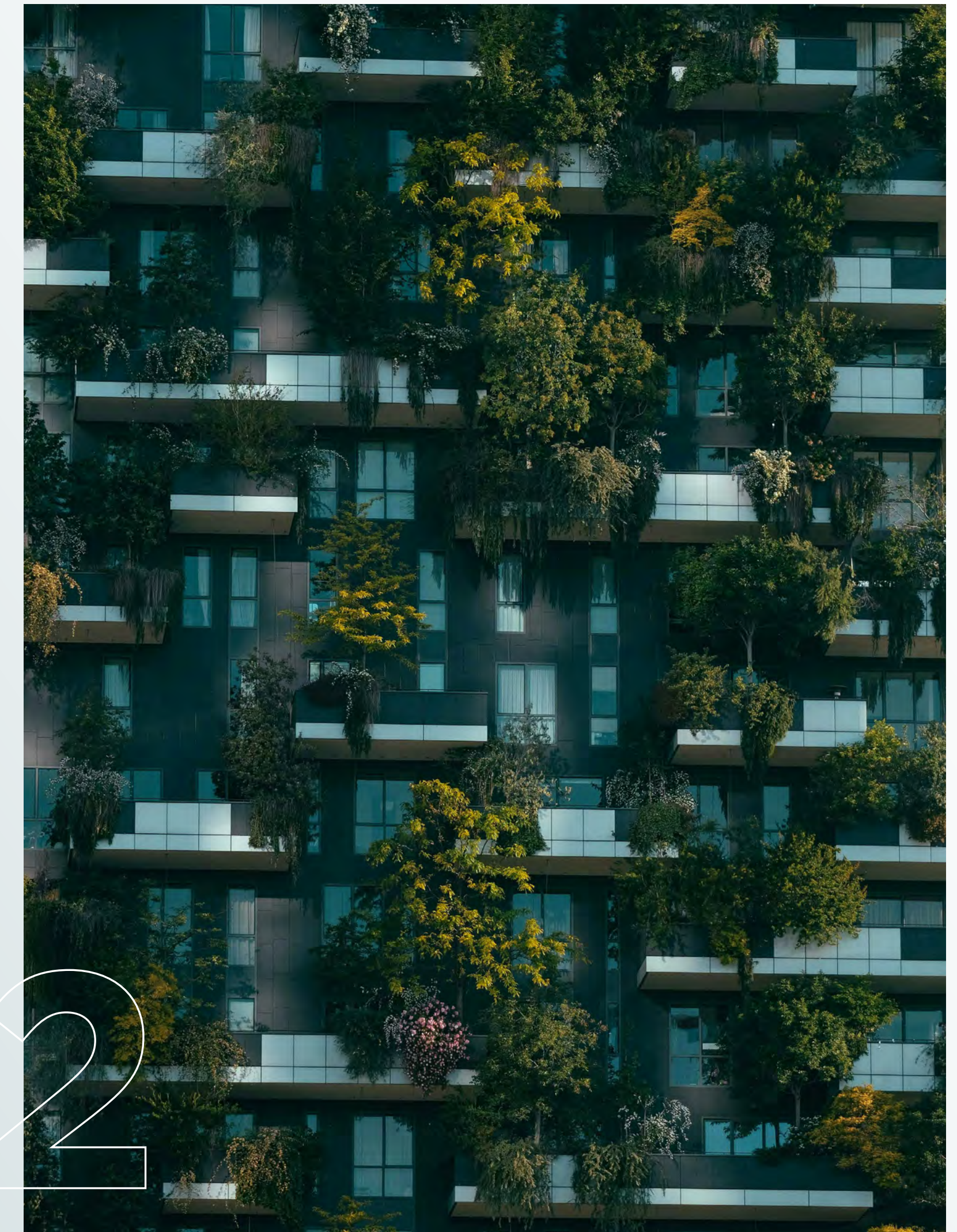
Next stop: Sustainability.

The current trend towards sustainability is being driven in particular by investors, owing to the increasing amount of regulation. As things stand, owners and operators in particular are trying to address this issue by agreeing ‘green leases’, in which they coordinate, for example, the provision of consumption data and the preferential use of green electricity. A good relationship and a shared mindset are necessary in order to be able to implement measures promptly. Since the direct cost advantage of energy-related refurbishment of a property lies with the operator, the costs must be passed on proportionally in the form of a rent increase, for example. Any necessary ESG measures must not ultimately reduce returns for investors.

According to private banking magazin, hotels have a high carbon footprint compared to other asset classes, which is why ESG standards are particularly

important in the area of hospitality. The ESG factor must be taken into account at every stage of the life cycle, encompassing operators, developers and investors alike. For example, higher building efficiency alone can lead to lower operating costs and thus increase profit margins. However, the majority of the life cycle and thus the greatest savings potential lie in the day-to-day operation of the hotel.

However, ESG criteria are also becoming increasingly important for travellers. According to a survey by travel service provider Skift, more than half of travellers are willing to pay a higher price for sustainable hotel services/products.¹¹ ESG-compliant assets can therefore not only generate higher cash flows for investors during the holding period, but also increase the value of the property and thus generate higher sale proceeds.



¹¹ private banking magazin, Sieben gute Gründe, jetzt in Hotelimmobilien zu investieren, July 2023



Travelling smarter.

The implementation of ESG measures is not only necessary due to environmental and social debates, but also economically essential in order to remain competitive. Sustainable measures also include solutions to the current shortage of skilled workers, for example. Artificial intelligence can help employees with operational processes such as housekeeping and sales, freeing up capacity and enhancing the guest experience.

Technical optimisation of the building can also increase energy efficiency, reduce the carbon footprint and lower operating

costs. The availability of customer data is essential in order to create personalised guest experiences, such as offering customised suggestions for activities and transfer services. However, it is important to comply with international data protection laws and note that hospitality requires social interaction. Digitalisation and AI should be used overarchingly to work more efficiently in order to have more time for serving guests.

According to a study carried out by Roland Berger GmbH in cooperation with the Austrian Hotelier Association (ÖHV)

and the German Hotel Association (IHA)¹², digitalisation offers opportunities for attracting new customers (80 per cent), improving service in terms of bespoke solutions (47 per cent), saving costs (47 per cent) and boosting guest loyalty (41 per cent). Fully digitalised products currently have the advantage of reaching break-even at lower occupancy due to reduced operating costs. In addition, this enables operators to deal more effectively with the challenge of staff shortages. Serviced apartments are a positive example.

¹² Roland Berger/ÖHV/IHA, Hotellerie 4.1, November 2019

How AI will impact travellers.

Post-trip tools encourage travellers to ask **questions about their travel experiences and likes/dislikes** so that the tool can provide more accurate recommendations for future travel. Travellers can input ideas for future travel and plan when to recommend destinations.

Recommendations for activities, attractions and food are tailored to the traveller. Itineraries adapt seamlessly to the priorities and conditions of the day. The decisions made by travellers inform subsequent recommendations.

Data from partner networks about previous visits allows hotels to adapt their products and services. **Concierges, guided by AI 24/7, offer personalised and up-to-date services.**



Analysis of customer data to provide **personalised recommendations** based on past trips, online purchases and trends.

Specific options and an ideal itinerary for the next trip, taking into account travel type, duration, budget, group size and composition, best time to travel, weather conditions, etc. and previous trips.

Traveller needs are matched with up-to-date provider information to show the most relevant photos and information in search results. Customers can **view specific attributes and components**, and fine-tune recommendations using natural language, eliminating the need to fiddle around with filters.

Smoother transport, notification process and booking modifications. Tools provide a complete overview of the airport infrastructure, offers and F&B options, as well as the ability to plan and manage food collection based on flight data.

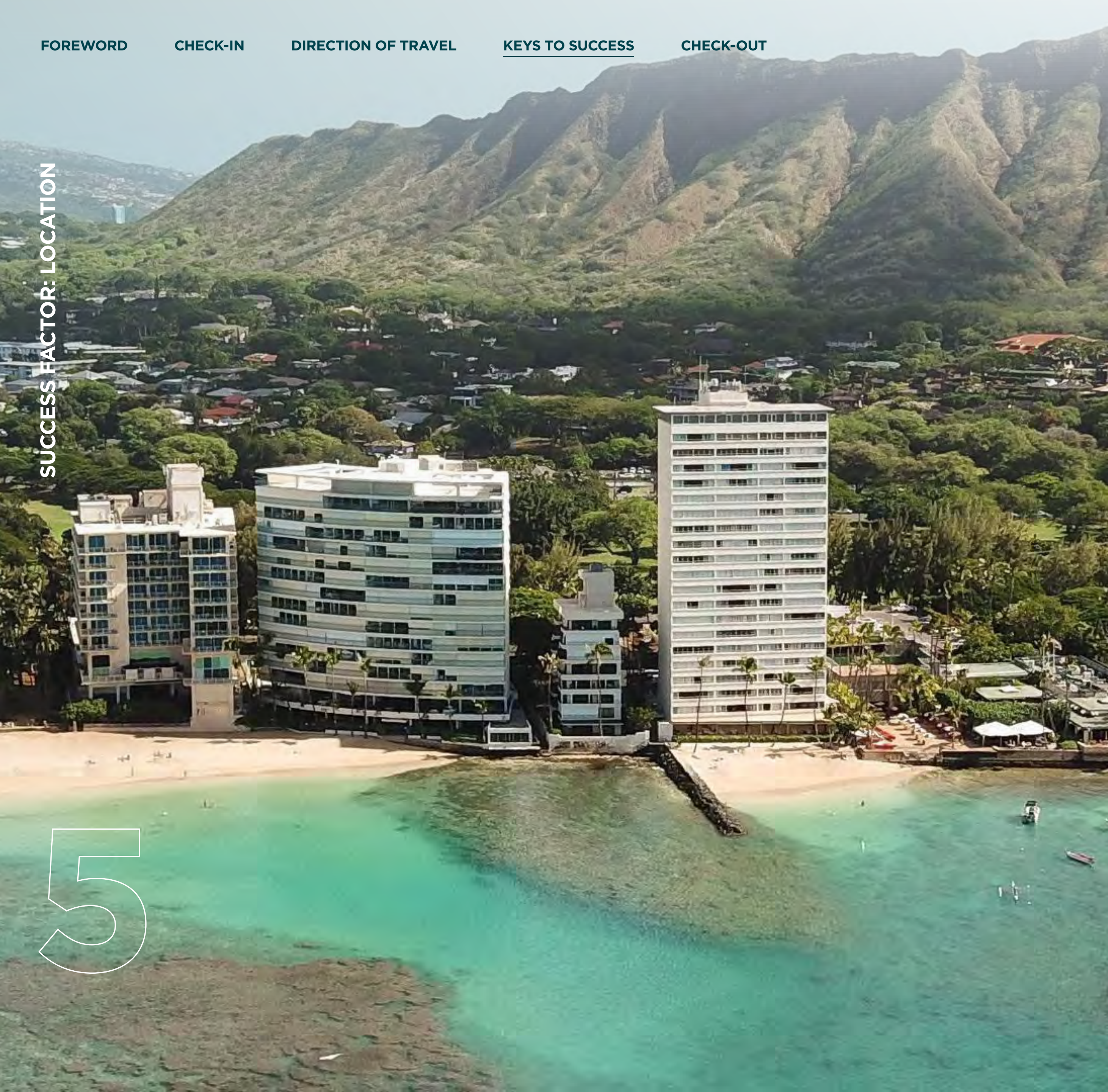
It's a people business.

For Christoph Hoffmann (founder of 25hours Hotels and Bikini Island Mountain & Resort), it is clear that strong partnerships will become increasingly important, as hybrid/management agreements will play an increasingly central role in Europe.

When it comes to flexibility in rental agreements, good cooperation is crucial. By agreeing variable rents with as high a fixed portion as possible, it is easier to weather difficult market phases. In the event of a recovery, the variable component makes it possible to reap the rewards of the improved economic result.

For Markus Beike (Development Director for Germany & CEE at Staycity), the topic of relations is also of great significance. It's about 'sustainability for mutual benefit. All parties must implement things together – and want to do so. It is about a willingness to overcome any challenges together (e.g. rent reductions, deferrals, etc.) and about tenants and landlords seeing each other as a team. Just like in a marriage, it's all about partnership on an equal footing.'





Location, location, location – hotels are no exception.

Whether serviced apartments, traditional hotels or micro living, whether budget or luxury: when deciding on a transaction, the criterion of having the right product in the right location continues to apply.

When it comes to location, Christoph Hoffmann is light-heartedly confident that the location of airport, trade fair and congress hotels is to some degree inextricably linked to the airports, trade fairs and congress venues themselves. But he believes that 'there's a bit more flexibility nowadays in the lifestyle and, in some cases, the luxury segment. Visibility and being easy to find have always been of great importance alongside prestigious micro-locations. With Google and the like, things have changed a little. Somewhat more hidden, but cool or charming, micro-locations, perhaps even in combination with lower costs or more attractive buildings and spaces, are also an option. This is also the case to a certain extent in the leisure segment. A destination that hoteliers create themselves, making them independent of an established location, has a greater chance of success today.'

In this respect, the 'ABBA' locations, for example, are now much more attractive. This means A-locations in B-destinations, and B-locations in A-destinations.

Check-out

Conclusion and outlook

The hotel property market is on the cusp of a major phase of transformation. Hotel properties are still viewed as an attractive asset class.

A journey into the future: Dissipation of the notion of space.

Travel as a contrast to everyday life will become obsolete in the future, as will holidays as a counterpoint to work, when mobility becomes part of everyday life and work becomes part of being on the move. Being on the move will then be an everyday occurrence, just as commuting is already firmly embedded in commuters' daily and work rituals.

If we look into the distant future, we can assume that we will no longer experience mass tourism in its current form, which is only about visiting and not about forging genuine connections. Then, when everyone can feel at home anywhere as a matter of course, this will automatically give rise to relationships and resonance. It is the 'Anywheres', the modern nomads, who already

exemplify this cosmopolitan lifestyle. Long-stay hotels are now being established all over the world. Their model is aimed precisely at those digital nomads or all those who move confidently in a wide variety of places, who feel at home everywhere and who are not restricted to geographic location when it comes to 'settling down'.

The industry will overtake itself and become part of a sophisticated everyday culture in which resonant spaces take centre stage. Then, at the latest, it becomes obsolete to think in terms of guests and residents. The challenge of the future will be to create products and services that offer encounters and quality of life to all people, whether they are only spending a few days or an entire period of life in a place.



Future opportunities for investors.

The transaction market is currently out of balance, with investors and developers alike waiting out the current phase. In the medium term, yields must once again exceed inflation expectations, and individual transactions are already showing significantly higher yield requirements on the part of investors.

As expected, the volume of transactions will increase significantly in 2024 and the following years due to refinancing and investment requirements in existing portfolios. This phase offers enormous opportunities, especially for investors with strong equity capital. Benefits include lower purchase prices, stronger negotiating positions and the opportunity to acquire first-class properties in strategic locations.

Investors should include hotel properties in their portfolio.

Long-term and fixed leases make hotels attractive investments with a constant cash flow. This is also reflected in the low fluctuations in the total returns of hotel properties in the eurozone over the past 20 years. In addition, hotel companies around the world are increasingly implementing measures to become more sustainable, socially effective and ethical. With ESG compliance, investors can increase their cash flow and improve the value of the property at the same time. This could further influence the growing interest of investors and further boost the already high level of liquidity, especially as hotel investments also generate attractive and relatively high returns.





Ultimately, it is the focus on human values and needs that gives hotels long-term strength for the future and thus enables them to be operated successfully. We firmly believe that we are ready and able to embark on this journey and would be happy to take you with us.'



Dirk Schuldes
Head of the Hospitality and Shopping
Real Estate Division

Glossary

ADR

The average daily rate (ADR) represents the average revenue per paid and occupied room on a given day.

B-Leisure

A portmanteau of the terms 'business' and 'leisure', symbolising the fusion of business and leisure travel, one of the major changes in travel behaviour, especially after the pandemic.

Cookie-cutter brands

A term used to describe brands that have few distinguishing features and are very similar to each other. These brands can often be seen as generic or interchangeable, as they are heavily guided by proven models and practices rather than promoting innovation and individuality.

F&B

An abbreviation of 'food and beverage' that describes culinary offerings during a trip or stay.

Longevity

This trend, mainly popularised in the United States, reflects people's growing desire to age healthily. An interdisciplinary approach to prolonging healthy life spans by optimising biological ageing processes and reducing health risks.

RevPAR

RevPAR stands for 'revenue per available room' and is a way of assessing the profitability of a hotel. It is calculated as follows: room revenue divided by number of available rooms.



About us

Commerz Real Group boasts global property expertise and an experienced hospitality team.

Property
expertise

Management of around **240 properties with over 4,000 lease agreements**; average annual leasing volume of around 200,000 m²

150 employees acquire and manage properties – from both a commercial and technical standpoint – with a focus on offices, retail, hotels and logistics

17 locations in Germany and abroad ensure an extensive network in international markets

Comprehensive expertise in structuring investment solutions under German and Luxembourgish law

In-house **legal and tax expertise** with profound knowledge of national and international legal and tax issues



Hospitality
team

Global experience

A well-established eleven-strong hospitality team for **over 30 years**

A more than **seven-billion-euro track record** in auditing and monitoring hotel transactions and financing

Excellent reputation in the industry

Assets under management of two billion euros

Unique **market overview** and **extensive knowledge** of hotel operators and investments

In-depth knowledge of contract types, cash flow models and their operational monitoring

About us

WHAT SPURS US ON

We create sustainable living environments that inspire. Success through responsibility.

Commerz Real

Commerz Real is the Commerzbank Group's asset manager for investments in tangible assets and has over 50 years of international market experience. More than 800 employees manage assets of around 34 billion euros at the headquarters in Wiesbaden and 17 other sites and subsidiaries in Germany and abroad. Commerz Real combines comprehensive asset management know-how and broad structuring expertise to create its characteristic range of tangible asset-oriented fund products and individual financing solutions. Our portfolio also includes entrepreneurial investments with investments in tangible assets in the key segments of real estate and renewable energies. In its role as the leasing service provider of the Commerzbank Group, Commerz Real also offers tailored equipment leasing concepts.

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