

Hotel market Hamburg

Full speed ahead!



Hamburg – Economic environment

Hamburg – engine of the north

Since the founding of its port, Hamburg together with its neighboring municipalities has developed into one of the most important commercial and economic centers in Europe. Owing to its geographical position directly by the Elbe River and its excellent infrastructure, this Hanseatic city has become an attractive business location. The second largest city in Germany is now home to Montblanc, Airbus, the DAX-company Beiersdorf as well as many other internationally significant companies.

There are numerous research institutions and universities in Hamburg, and the link between science and business has had a positive impact on the city. For example, the project “Innovations Kontakt Stelle” was launched by Hamburg Chamber of Commerce together with the local universities in order to promote Hamburg as a business location. By 2020, the Hanseatic city is expected to become one of the leading regions of innovation in Europe.

Millions of visitors are attracted to this city and its many architectural and cultural places of interest each year. The historical warehouse complex in the Speicherstadt and the Elbe Philharmonic Concert Hall in the Hafencity district, which is currently under construction, impressively represent the city’s architectural heritage. Touristic and traditional highlights such as Hamburg’s fish market, St. Michaelis Church and the Reeperbahn in the St. Pauli district also are perennial favorites with visitors.

After New York and London, Hamburg is the third largest city for musicals in the world and attracts millions of leisure tourists. A planned fifth musical theater could even help Hamburg overtake London and become the musical capital of Europe.

Hamburg’s highlights also include ceremonial ship launches and the annual birthday celebration in honour of the Hamburg harbour. In 2013 for its 824th anniversary, the largest port festival in the world welcomed around 1.5 million visitors. Moreover, there has also been growth in cruise tourism thanks to continually increasing passenger numbers. A new record of approximately 550,000 cruise passengers helped Hamburg to rank third behind Southampton and Copenhagen, and it is coming closer to reaching its goal of welcoming more than one million sea passengers by 2021. This is a positive development that will also benefit Hamburg’s economy as a whole.

Overview

Hamburg	
Population (January 2014)	1.75 million
Area (in km ²)	755
Unemployment rate (in %, January 2014)	7.9
Purchasing power (in € per capita, 2014)	23,469

Sources: Northern Statistical Office, German Federal Employment Office, GfK

Infrastructure – significant milestones are attained each year

Hamburg's return to the Elbe

The start of construction in the HafenCity district in 2003 created the largest inner-city development project in Europe at present. A total of ten neighborhoods have been developed in an area covering 157 hectares and feature a variety of residential buildings and offices as well as leisure, retail and cultural facilities. By the end of 2025, a lively maritime district is scheduled to be created along the Elbe River which includes a total of 6,000 homes for 12,000 inhabitants and service buildings which will create more than 45,000 jobs. After 11 years of construction, there are now 56 completed projects and a further 48 projects are either being constructed or planned. The total volume of investments for the transformation of these former port and industrial areas amounts to approximately € 11 billion.

In a dynamic project like HafenCity, not a year passes without attaining significant milestones. For example, Hamburg's new subway line "U4" started operating in 2012 and now connects this area to the inner city. Another achievement was the opening of the 170m long bridge "Baakenhafenbrücke" in 2013, thus improving the accessibility of the Baakenhafen neighborhood. At the start of 2014, students from the HafenCity University moved into the Elbtorquartier district. This sustainable new development provides space for more than 2,000 students and teachers, who have helped mold the neighborhood into a center of knowledge.

In order to meet the growing popularity of cruise tourism and its increasing number of passengers, Hamburg is planning to build two new cruise terminals. The current Cruise Center is to be replaced by a newly built combined hotel-terminal complex in HafenCity. This new terminal complex with a two-story check-in area of 3,000 m² is to welcome its first passengers by 2018. Moreover, plans for an additional terminal for cruise ships have been finalized and will be built on the south bank of the Elbe in the Steinwerder district.

The Hanseatic city is also popular with trade fair and conference visitors as well as exhibitors and organizers. In 2013, a total of 44 events took place on the trade fair site, which has 11 halls with an exhibition space of 87,000 m² as well as additional open space amounting to 10,000 m². Its most prominent trade fairs include Internorga (every 3 years, last held in 2012), the SMM (every two years, last held in 2012) and the hanseboot (held annually), all of which ensure that the city's capacity is used well. The full calendar of trade fairs and new guest events ensure that Hamburg is well-set for the future. For example, this includes the leading trade fair WindEnergy, which will celebrate its premiere in September 2014.

Hamburg's next large construction project is already on the horizon. Around € 194 million is to be spent renovating the Congress Center Hamburg in order to maintain and improve its competitiveness. However, the redevelopment of this congress center that was first built in 1973 will not begin until 2017.



Tourism demand – Hamburg on course for success

Hamburg is in the top ten of most popular city destinations

High demand in both the business and the leisure travel segments continues to be recorded in the Hanseatic city. Since the turn of the century, tourism in Hamburg has spectacularly developed and the number of overnight stays has steadily grown in the last ten years. In 2012, the Hanseatic city had already reached its stated goal of becoming one of the top ten most popular city destinations by 2015, which consequently pushed Amsterdam out of this select group of cities.

Hamburg is on course for success. Nearly 5.9 million arrivals and 11.6 million overnight stays were registered in 2013, thus setting new records. An annual growth rate of 6.8% for arrivals and 7.8% for overnight stays has been recorded in the reporting period. In contrast to the national trend, the average length of stay has increased slightly from 1.9 to 2.0 days.

Demand

Year	Arrivals (thou.)	Overnight stays (thou.)	Length of stay days
2004	3,263	5,946	1.8
2005	3,451	6,435	1.9
2006	3,844	7,177	2.0
2007	3,985	7,402	1.9
2008	4,116	7,728	1.9
2009	4,368	8,190	1.9
2010	4,732	8,947	1.9
2011	5,083	9,530	1.9
2012	5,604	10,634	1.9
2013	5,880	11,603	2.0
CAGR 2004–2013	6.8 %	7.8 %	-

Source: Northern Statistical Office (as of February 2014)

Explanation: Arrivals/overnight stays in all types of accommodation

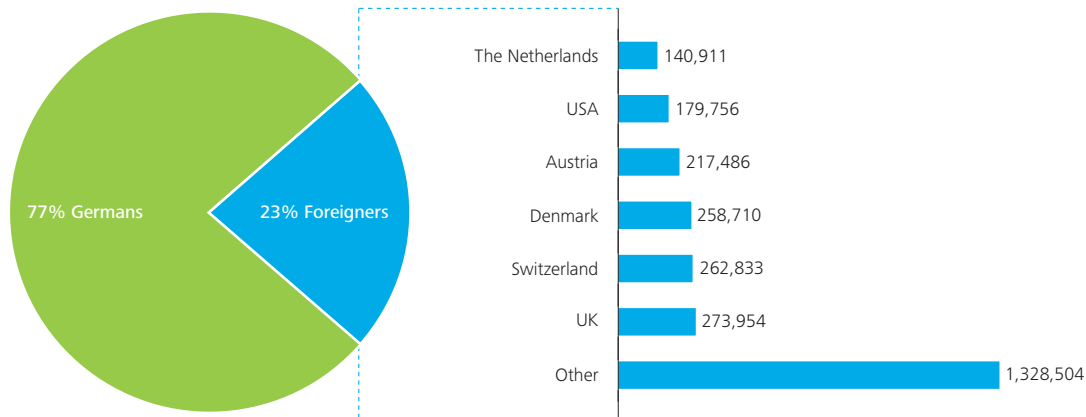
Demand – aspiring for more internationalism

Over the last few years, the ratio between national and international guests has remained constant. Domestic overnight stays in 2013 remains the most significant share at 77%. As a result, the internationalization of the city continues to be a top priority for Hamburg Tourismus GmbH. The small proportion of foreign guests staying overnight is primarily due to the shortage of direct international flights. Great Britain, Switzerland and Denmark were among the most important foreign source markets in 2013.

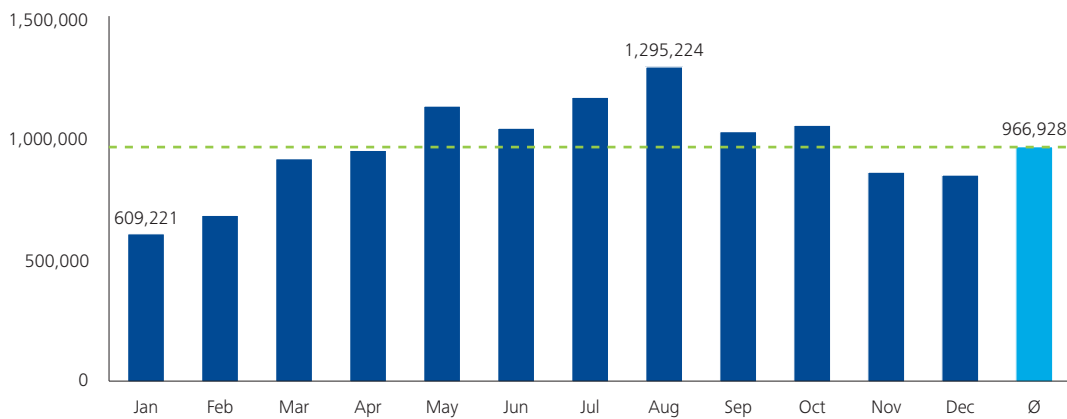
In 2013, the Hanseatic city recorded a growth in overnight stays every month in comparison to the previous year. The most popular months for visiting were from

May to October. The 34th German Evangelical Church Assembly and the Port Birthday, both of which are large visitor attractions, were celebrated in May. Various events took place in June such as the 10th Hamburg Harley Days or the Schlagermove, whilst July was marked by congresses such as the 96th Lions Club Convention and Melanoma Congress. During the August vacation period, Hamburg is always fully booked, particularly when the weather is fine and fans of the Cyclasics, Christopher Street Days or HSV occupy all available rooms. Even though September recorded above average figures, there was still relatively low demand as the SMM was cancelled due to changes in the event calendar. On the other hand, October benefited from events such as hanseboot and the Deutscher Schmerzkongress.

Visitors' origins



Seasonality



Source: Northern Statistical Office

Explanation: Overnight stays in all types of accommodation in 2013

Tourism supply – Growth across the board

Hamburg – a sought-after location

Supply has continually grown in line with the demand in the last few years. In the period between 2004 and 2013, the supply of accommodation in Hamburg has risen from 279 to 334 establishments, which is an average growth rate of 2.0%. The number of beds also increased in this period from 33,439 to 52,771 (CAGR 5.2%). There was strong growth especially in 2012. Saturation of the Hamburg's hotel market seems to be far off. This is confirmed by the impressive new record result of 59.6% for bed occupancy.

Many new hotels were opened in Hamburg in 2012 and there was a particularly strong trend towards hostels and hotels in the 4-star category.

The Generator Hostel with 700 beds began the trend in January 2012 and a further 2,000 beds were added by A&O Hamburg City. The 4-star Superbude St. Pauli hotel (89 rooms) that belongs to 25hours also welcomed its first guests in 2012. Furthermore, the following hotel chains came onto the market: Arcotel Onyx Hamburg (215 rooms), Barceló Hotel Hamburg (193 rooms) and Scandic Hamburg Emporio (325 rooms). In comparison to the many new additions to the market in 2012, the last year was rather quiet. The budget hotel Henri (65 rooms), a small subsidiary of the luxury hotel Louis C. Jacob, started operating in January 2013 and the 3-star Le Boutique Hotel from Centro Hotel Group (24 rooms) opened at the end of 2013. Only a total of 180 beds came onto the market in 2013.

Beds on offer

Year	Establishments	Beds	Bed occupancy
2004	279	33,439	50.2%
2005	281	33,848	51.7%
2006	286	35,364	55.8%
2007	285	36,701	55.9%
2008	292	39,528	53.7%
2009	303	42,845	54.1%
2010	312	45,807	54.2%
2011	315	47,690	55.2%
2012	326	52,590	56.2%
2013	334	52,771	59.6%
CAGR 2004–2013	2.0 %	5.2 %	-

Source: Northern Statistical Office (as of February 2014)

Explanation: No. of establishments/beds in all types of accommodation

Nearly half the rooms on offer are in the 4-star segment

The following table provides a market segment breakdown of the available rooms on the Hamburg hotel market:

Rooms on offer

	*	**	***	****	*****	Total
Number of rooms in private hotels	163	320	1,359	2,160	745	4,747
Number of rooms in hotel chains	516	3,871	2,368	8,190	1,646	16,591
Total number of rooms	679	4,191	3,727	10,350	2,391	21,338

Sources: Hamburg Hotel Directory 2013, Deloitte analysis

These figures relate to accommodations in the hotel or B&B categories in the city of Hamburg, as documented in the Hamburg Hotel Guide and from data collected by Deloitte. Pensions, guesthouses and inns have not been included. Those hotels, which are not officially recognized by the German Hotel and Restaurant Association DEHOGA, were classified according to the establishment's own records, star ratings on popular booking websites such as HRS, Trivago or Expedia and, in some cases, our own rankings.

The number of rooms in Hamburg across all star categories amounts to 21,338. Branded hotels account for 78%, whilst private hotels make up the remaining 22%. Nearly half the rooms on offer are in the 4-star segment. The proportion of 2-star establishments is also relatively high due to the new additions in the last few years.

According to our Deloitte rankings, Accor with its brand of 1- to 5-star establishments are undisputedly number one. The largest hotel group in Europe provides approximately 14% of the branded rooms. Motel One with its four establishments is ranked second and A&O owing to its fourth establishment managed to rank third whilst IHG and Carlson Rezidor are ranked fourth and fifth respectively.

Ranking

Hotel company	Share of branded rooms
Accor	14.2%
Motel One	8.4%
A&O	7.3%
IHG	5.8%
Carlson Rezidor	5.7%
Novum	5.3%
Steigenberger	4.5%
NH Hoteles	3.9%
Marriott	3.8%
Best Western	3.2%

Source: Deloitte analysis

Hotel performance – Fantastic occupancy

Noticeable increase of RevPAR from the previous year

Performance in 2013 was particularly impressive. In comparison with five major German cities (Berlin, Düsseldorf, Frankfurt, Cologne und Munich), Hamburg recorded the highest occupancy rate and is ranked second on the RevPAR ranking. What is especially encouraging is the fact that the average revenue per room could be improved in all segments.

Traditionally, the hotels in the economy range enjoy the highest occupancy rates as they operate aggressive pricing policies and generate revenue based on the volume of business. The mid-range hotels have also performed very well and successfully withstood pressure from both the top-end and the budget-end of the market. In no other major city has the mid-range

segment managed to maintain a comparable price increase in relation to the previous year. With a RevPAR increase of 7.5%, these hotels are among the major winners of 2013. The 4-star hotels also performed well and the 5-star hotels had to accept only minor losses in relation to its room rates.

An overall RevPAR increase of 4% for all hotels is primarily thanks to positive developments in room occupancy. However, many hotels have increased their prices, which is partly due to the introduction of a culture and tourism tax for non-business travelers on 1st January 2013. The revenue from this tax is to solely benefit tourism, cultural and sporting projects. However, the aim to alleviate pressure on the city's budget through the implementation of this tax has so far been unsuccessful.

Performance

Hotels	Occupancy		Average room rate		Revenue per room	
	2013	Change YOY	2013	Change YOY	2013	Change YOY
2-3-star hotels	80.8%	+2.4%	71.44 €	+1.2%	57.75 €	+3.7%
3-3+-star hotels	74.2%	+2.7%	84.73 €	+4.7%	62.86 €	+7.5%
4-star hotels	77.8%	+2.6%	96.35 €	+1.5%	74.96 €	+4.1%
5-star hotels	75.8%	+4.1%	133.76 €	-0.1%	101.37 €	+4.0%
All hotels	78.0%	+4.1%	102.18 €	-0.1%	79.69 €	+4.0%

Source: STR Global, selected competitive sets



Hotel projects – Hotel complexes and premieres

Hotel projects in the pipeline – Hamburg is more popular than ever

After so few hotels came onto the market in 2013, it is expected that this year more new hotels will open. The supply has consistently expanded across all star categories. The top dog Accor launched a new hotel complex consisting of Ibis Budget and Ibis, while Foremost Hospitality is to realize a dual project of two hotels, the

Hampton by Hilton and Holiday Inn Express, in 2016. IHG will strengthen its presence in Hamburg through franchising. New products are also to make their debut in the Hanseatic city such as Prizeotel, Ininside and Hampton by Hilton. The developments of The Fontenay are also eagerly awaited and are expected to set new standards in the luxury segment.

Hotel projects

Project	Operator	Location	No. of rooms	No. of stars	Opening
Novum Hotel Hamburg Alster	Novum	St. Georg Strasse	40	3	April 2014
B&B Hotel Harburg	B&B Hotels	Theodor-York-Strasse	100	2	May/June 2014
B&B Hotel Hamburg Nord	B&B Hotels	Habichtstrasse	170	2	July 2014
Ameron Hotel Speicherstadt	Althoff Hotels	Am Sandtorkai	192	4	Summer 2014
Prizeotel Hamburg City	Prizeotel	Högerdamm	216	2	Summer 2014
Citadines Apart'Hotel Michel Hamburg	The Ascott Limited	Ludwig-Erhard-Strasse	128	4	Summer/ Autumn 2014
Hotelpark Hamburg City Hauptbahnhof Ibis Budget	Accor	Amsinckstrasse	196	1	October 2014
Hotelpark Hamburg City Hauptbahnhof Ibis	Accor	Amsinckstrasse	252	2	October 2014
InterCityHotel Hamburg Dammtor-Messe	Steigenberger Hotel Group	St. Petersburger Strasse	275	3	Winter 2014
Holiday Inn Express Hamburg-City Hauptbahnhof	Foremost Hospitality	Close main railway station	117	3	2014
Ramada Hotel Hamburg Hammerbrook	Hospitality Alliance	Amsinckstrasse	261	4	Autumn 2015
Sportlife Hotel Othmarschen	n.d.	Paul-Ehrlich-Strasse	276	3	End of 2015
Hotel Campus Futura	Jufa Gruppe	Versmannstrasse (HafenCity)	220	2	2015/2016
The Fontenay	n.d.	Fontenay	130	5	July 2016
Lidl Hotel Reeperbahn	n.d.	Nobistor/Holstenstrasse	180	2–3	Summer 2016
Westin Elbphilharmonie	Starwood Hotels & Resorts	Am Kaiserkai	244	5	October 2016
Stadthaushotel Hamburg HafenCity	Verein Jugend hilft Jugend	Shanghaiallee/Hongkongstrasse	n.d.		End of 2016
Ininside Hotel Hamburg HafenCity	Meliá Hotels International	Högerdamm	205	4	2016
Hotelpark Hampton by Hilton	Foremost Hospitality	Sonninkanal	161	3	2016
Hotelpark Holiday Inn Express	Foremost Hospitality	Sonninkanal	104	3	2016
Holiday Inn Hamburg City Nord	Bierwirth & Kluth Hotel Management	Überseering	297	4	2016
Boutique Hotel	n.d.	District Stadthöfe	130	4	2017
Hotel Kreuzfahrtterminal	n.d.	San-Francisco-Strasse/ Chicagostrasse (HafenCity)	400	4	n.d.
Hotel Oberfinanzdirektion	n.d.	Rödingsmarkt	147	5	n.d.
Kameha k-star Hotel Hamburg/Harburg	LH&E Lifestyle Hospitality & Entertainment Group	Eco City (Harburger Hafen)	100–150	4	n.d.
Wunderland Hotel	n.d.	Am Sandtorkai/Am Sandtorpark	210	n.d.	n.d.

Source: Deloitte research

The Hamburg market has also significantly contributed to the record year for hotel transactions in Germany. For example, the following transactions took place: REAL I.S. Investment GmbH purchased Motel One Hamburg Alster; Dohle Gruppe the Fairmont Vier Jahreszeiten; Kühne Immobilien GmbH acquired the former InterContinental Hamburg; Ärzteversorgung Niedersachsen the Le Royal Méridien Hamburg; and Deko purchased Arcotel Onyx. Further investments are still available to entice both national and international investors.

Don't miss our next newsletter focusing on the hotel market in Düsseldorf!



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