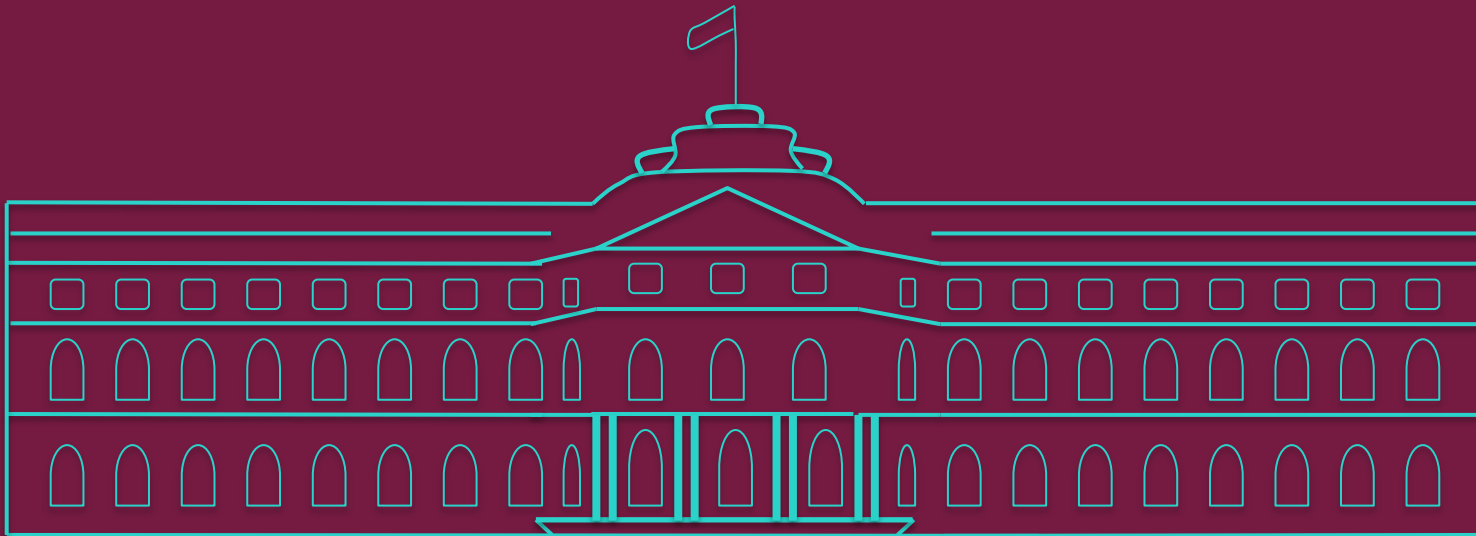


+ Stuttgart – A Hotel Market on the fast Track

A Snapshot of Baden-Württemberg's Capital

October 2015



Christie + Co



+ Stuttgart: A City with great Potential

By Lorina Callenberg, Consultant Investment | Letting

Until recently, Stuttgart was hardly considered to be among Germany's primary hotel property investment locations. This, however, is beginning to change. As a popular tourist destination and thriving business location, Baden-Württemberg's capital has always attracted millions of visitors every year – and the new trade fair at the city's airport has almost undoubtedly given the hospitality market a new stimulus, with excellent performance figures to prove it. Over the past years, Stuttgart's hotel market has been growing rapidly and a number of exciting property developments are under way, fuelled by the ongoing railway and urban development project "Stuttgart 21". As a result, Stuttgart has great potential to make it on the wish lists of an ever increasing amount of investors.

Economic Powerhouse and rich cultural Scene

Stuttgart has almost 600,000 inhabitants and is Germany's sixth largest city. Located in the heart of one of Europe's most thriving metropolitan regions, the capital of Baden-Württemberg has a strong economy, particularly known for its high-tech industry. As Stuttgart is alleged to have been the starting point of the worldwide automotive industry, it is often referred to as the cradle of the automobile. Today, Mercedes-Benz and Porsche have their headquarters in Stuttgart as well as renowned manufacturers of automotive parts such as Bosch and Mahle. Other prominent tech giants who have their global or European headquarters in the city include Celesio, Hewlett-Packard and IBM.

The new trade fair – located at Stuttgart's outskirts next to the airport – is Germany's ninth largest exhibition centre. Opened in 2007, it hosted circa 1.3 million visitors and 21,400 exhibitors in 2014. A key feature of the trade fair is its adjacent car park which does not only offer space for some 4,200 vehicles but also boasts the world's second largest advertising sign, which promotes "Bosch" across the building's facade.

However, Stuttgart is not just all about business – it also offers a wide range of cultural and leisure activities. The Staatstheater (State Theatre) is a frequently awarded and internationally known venue for theatre, opera and ballet productions, while sports events and concerts are staged at Schleyerhalle on a regular basis. The famous funfair "Cannstatter Wasen", which provides entertainment over a 17-day period, lures some four million visitors to Stuttgart every

year. The city's sights include a variety of museums such as the Staatsgalerie (State Gallery), the Mercedes Benz and Porsche Museums, the Hegelhaus – the birthplace of the philosopher Georg Wilhelm Friedrich Hegel – as well as a number of landmarks such as the Schlossplatz (Castle Square), Solitude Castle, Altes Schloss (Old Castle), Neues Schloss (New Castle) and the Wilhelma Zoo. Shopping enthusiasts are drawn to Königsstraße, a boulevard with specialist shops, department stores, cafés, restaurants and relaxation areas while the historic Bohnenviertel (Bean Quarter) with its wine bars, boutiques and narrow cobbled streets invites people to a stroll.

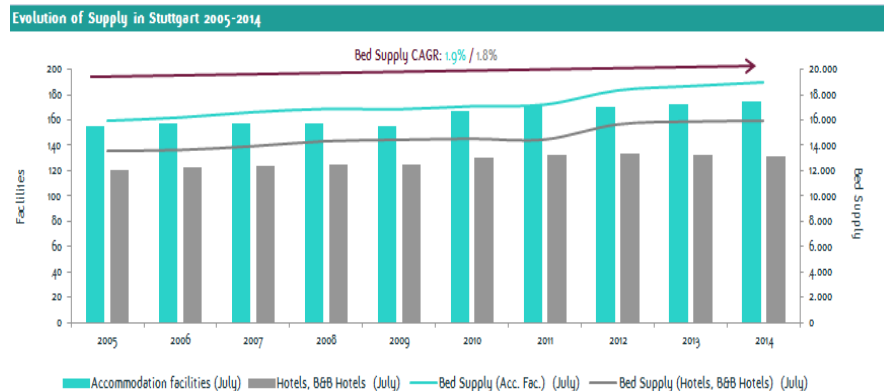


Source: Google Maps

+ Supply and Development Trends

Growing Supply fostered by “Stuttgart 21”

In 2014, the capital of Baden-Württemberg recorded 175 accommodation facilities with a total bed supply of 18,900, of which 131 were categorised as “hotels and bed-and-breakfast hotels”, totalling some 15,900 beds. Stuttgart’s bed supply as a whole – i.e. in all accommodation facilities – increased by circa 1.6 per cent in 2014, compared to the previous year. The attractiveness of the location is reflected by the continuous rise of hotel supply: Between 2005 and 2014 the number of hotels and bed-and-breakfast hotels increased by circa 8.0 per cent.



Sources: Statistisches Landesamt Baden-Württemberg, Christie + Co Research

Development Trend set to continue

While Stuttgart’s hilliness has made it difficult for developers to find suitable construction space and, as a result, until recently the lion’s share of new project developments have taken place on the city’s outskirts, the urban development project “Stuttgart 21” has opened up a multitude of new development opportunities for both investors and hotel operators. In fact, a number of hotel development projects concentrate in the new Europaviertel (European Quarter) close to Stuttgart’s central station, just north of the city centre and part of “Stuttgart 21”. A very prominent example is “Cloud No 7” which promises to be an eye-catching building and the landmark of the Europaviertel: The 18-storey skyscraper with residential and hotel space is set to be completed in summer 2016. The hotel will comprise 275 bedrooms as well as five long-stay apartments and be operated by the Steigenberger group under their lifestyle brand, Jaz in the City.

A stone’s throw from Cloud No 7 is another urban district: MILANEO, which was completed at the end of August this year. The mixed-use scheme offers Stuttgart’s residents and visitors a variety of shopping possibilities, but also housing complexes, office spaces and a new hotel. The 165-bedroom Aloft Stuttgart, a lifestyle brand by Starwood Hotels & Resorts, opened its doors at the end of July. A further two hotels are expected to open over the next two years in the Europaviertel: a Holiday Inn Express as well as a Hampton by Hilton.

+ Supply and Development Trends

Additions to Supply in Stuttgart until 2018						
Hotel Projects	Location	Category	Rooms	Status	Anticipated Opening	
2016						
Jaz in the City Stuttgart	Wolfram Straße, Heilbronner Straße	****/*****	175	under construction	summer 2016	
Nordic Pure Hotel	Schorndorfer Str. 60	***	123	under construction	summer 2016	
Motel One Stuttgart-Bad Cannstatt	Badstraße 20	**	140	under construction	fall 2016	
2017						
Hampton by Hilton	Wolframstraße, Nordbahnhof Straße	-	161	in planning	2017	
Holiday Inn Express	Wolframstraße, Nordbahnhof Straße	-	140	in planning	2017	
Design Hotel	Nädlerstraße	-	min 80	in planning	spring 2017	
Moxy Stuttgart Flughafen	Stuttgart Flughafen/Messe	-	176	in planning	spring 2017	
Kogresshotel	Flughafenstraße	****	260	in planning	towards the end of 2017	
Additions to Supply (in planning and under construction)			1.255			

Source: Christie + Co Research, as of October 2015

Stuttgart's airport is also popular among hotel developers: While the Dorint Airport Hotel Stuttgart with 155 bedrooms and four conference rooms already opened its doors in summer 2015, a 176-bedroom Moxy Hotel is expected to open in Spring 2017 and another congress hotel towards the end of 2017.

Stuttgart seems to be particularly attractive for lifestyle and boutique hotel chains. Nordic Pure are also jumping on the bandwagon and plan to open a hotel of their innovative design brand in Fellbach close to Stuttgart in summer 2016, after their debut in Munich in 2015.

The map below illustrates the new projects and their location:



Source: Christie + Co Research

+ Demand Trends

Demand for Hotel Accommodation on the Increase

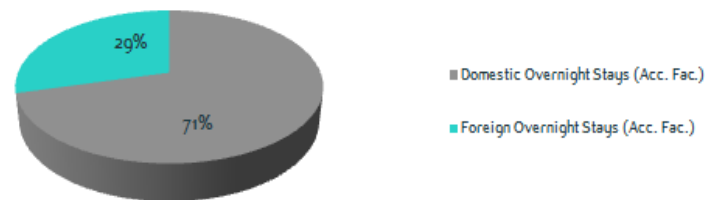
With its great variety of sights and cultural attractions on the one hand and its economic strength on the other, Stuttgart proves attractive for leisure tourists and business travellers alike – a popularity which reflects in strong demand figures. In 2014, Stuttgart registered about 1.8 million arrivals and 3.5 million overnight stays in all accommodation facilities, of which 1.6 million arrivals and 3.0 million overnight stays account for hotels and bed-and-breakfast hotels respectively. This implies that overnight stays in hotels – including bed-and-breakfast hotels – picked up by 8.2 per cent in comparison to the previous year and by circa 46 per cent from 2005 to 2014.

With about 357,000 overnight stays in accommodation facilities, October 2014 was the strongest month, which can partly be attributed to the “Cannstatter Wasen” – a funfair which starts in mid-September and lasts until mid-October. In July, important events such as “consense” – an international trade fair and congress for sustainable building – take place in Stuttgart and attract both foreign and domestic visitors. This further explains the rising number of overnight stays during this month – 323,000 in 2014.

While 71 per cent of demand is still generated by domestic visitors, Stuttgart is becoming increasingly attractive for foreign visitors. In 2014, circa 29 per cent of overnight stays were

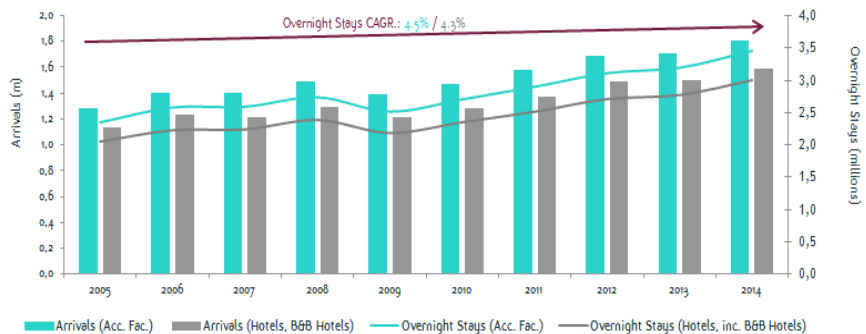
induced by travellers from abroad – an increase of nearly 53 per cent compared to 2005. With 15 per cent, the greatest percentage of foreign overnight stays is obtained by travellers from the United States, closely followed by Switzerland which accounts for 11 per cent of all recorded overnight stays.

Domestic and Foreign Demand in Stuttgart 2014



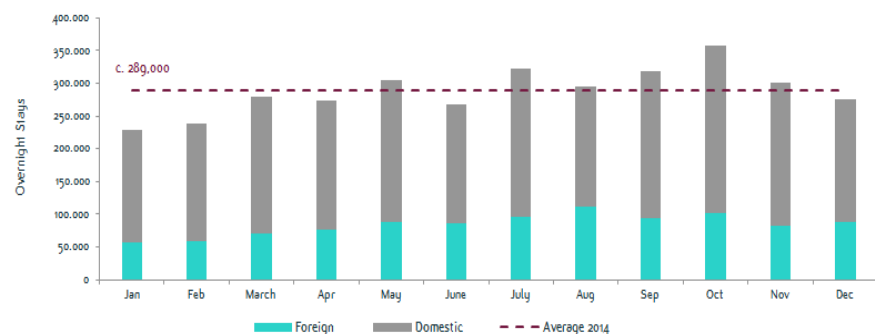
Source: Statistisches Landesamt Baden-Württemberg, Christie + Co Research

Evolution of Demand in Stuttgart 2005-2014



Sources: Statistisches Landesamt Baden-Württemberg, Christie + Co Research

Seasonality of Demand in Stuttgart 2014



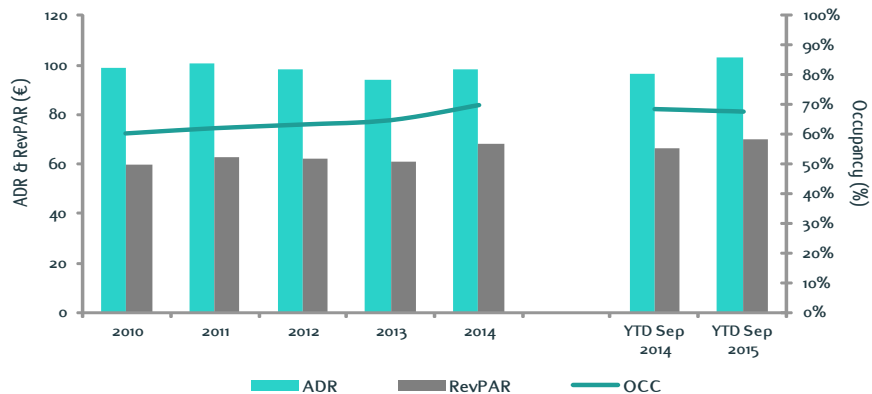
Sources: Statistisches Landesamt Baden-Württemberg, Christie + Co Research

+ Hotel Market Performance

Hotel Market Performance back on the Rebound

As Stuttgart's hotel market has traditionally relied predominantly on the commercial segment, it was hit relatively hard by the effects of the financial crisis in 2009, seeing significant decline in occupancy. But recently, Baden-Württemberg's capital has been on a path to recovery with positive performance figures to prove it: In 2014, Stuttgart registered an year-on-year increase of about 12 per cent in RevPAR and an occupancy rate of circa 70 per cent – which equals approximately a 7.5 per cent gain compared to 2013.

Operating Performance in Stuttgart 2010-2014



Sources: STR Global, Christie +Co Research

Stuttgart – an attractive Location for both Hotel Operators and Investors

With many international companies located in the capital of Baden-Württemberg, Stuttgart has established itself as a flourishing and economically strong location with a lot of upside potential as a tourist hotspot.

“Stuttgart 21” will transform the city's main station into a high-tech underground hub, offering speedy rail links to Paris and Budapest, which will further promote Stuttgart's hospitality market and raise its attractiveness both nationally and internationally. On the other hand, this urban development project will also provide the required space for new accommodation to meet the growing visitor demand.

As Stuttgart undergoes this transformation, it will turn from an “insider tip” into a key location for hotel operators and investors alike.

+ Brief Introduction to Christie + Co

We are the leading Hotel and Leisure Advisers in Europe

About Christie + Co

- A member of **Christie Group Plc**:
 - Partnership founded in 1935
 - Publicly listed on Alternative Investment Market (AIM)
- Specialists** in the leisure and licensed Sectors:
 - Hotels, hostels, leisure properties
 - Restaurants, public houses, bars
 - Retail, care and nursing homes
- 16 offices across the UK**
 - Birmingham, Bristol, Cardiff, Edinburgh, Exeter, Glasgow, Ipswich, Leeds, London, Maidstone, Manchester, Milton Keynes, Newcastle, Nottingham, Reading and Winchester
- 16 international offices**
 - Aix-en-Provence, Barcelona, Berlin, Bordeaux, Dublin, Frankfurt, Helsinki, London, Lyon, Madrid, Munich, Paris, Rennes, Stockholm, Vienna and Warsaw

Our Services

- Hotel and leisure property agents, valuers and advisers for 80 years
- We are **the most active hotel agent in Europe** with more than 400 current hotel sale instructions
- Christie + Co is the only agent to have a **dedicated hotel specialist in every office location**
- 515 hotel valuations** each year
- All types of hotel and leisure properties in all locations
- Specialist **valuers, consultants** and **property advisors** acting for:
 - Major hotel operators
 - International developers and investors
 - Local and regional owners and investors
 - UK and European lending banks
 - International lending and investment banks
- Dedicated consultancy and valuation teams in the UK, Austria, France, Germany, Ireland, Scandinavia, Spain and Poland
- Fully integrated with hotel agency and hotel investment & development teams

Christie + Co international Network



+ Contact

Lukas Hochedlinger MRICS – Managing Director Germany, Austria & CEE

E Lukas.Hochedlinger@christie.com

T +49 (0) 173 651 0352

Lorina Callenberg – Consultant Investment/Letting

E Lorina.Callenberg@christie.com

T +49 (0) 89 2000 00 717

Christie + Co

Pfisterstraße 6

D-80331 Munich

T +49 (0) 89 2000 007-0

F +49 (0) 89 2000 007-10

W christiecorporate.com

christie.com

+++++