

News Release

City Review: Berlin Compiled by Christie + Co

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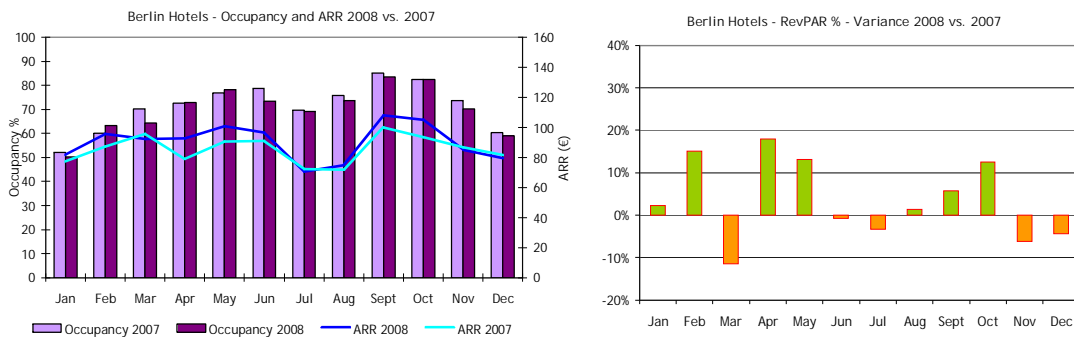
According to the latest city review by Christie + Co, using data provided by STR Global, Berlin hotels recorded a 4.6% decrease in RevPAR in January 2009 compared to the same month in 2008. Preliminary figures for February 2009 suggest that the downward trend is continuing with a further decrease in occupancy (down 5.9 pts) as well as a decline in ARR of 2.5%.

Almost 20 years after the German reunification, Berlin has developed into an important economic centre with many national and international companies having headquarters or representations in the city. Berlin is also host to the German government as well as many other political institutions and was ranked as the second conference and congress destination in the world according to the ICCA city ranking published in April 2008. In recent years, Berlin has developed into a major city break destination, attracting a large number of national and international leisure travellers.

Trends in Hotel Market Performance

Despite a decrease in occupancy (1.5 pts) Berlin hoteliers recorded a 3.7% RevPAR increase in 2008, with ARR growing by 5.9% compared to the previous year.

STR Global Trend Report - Berlin - Full Year 2008 vs. 2007



STR Global Trend Report – Berlin 2008 vs. 2007									
	2008			2007			Variance		
	Occ (%)	ARR (€)	RevPAR (€)	Occ (%)	ARR (€)	RevPAR (€)	Occ pts	ARR %	RevPAR %
Full Year	70.0	91.1	63.8	71.5	86.0	61.5	-1.5	5.9%	3.7%

Note: The above table is based on STR Global's customised and consistent sample set as available on the 20 of February 2009 for 91 Berlin hotels. The variance in occupancy is expressed in percentage points.
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The period April to June is traditionally strong for Berlin hotels as are the autumn months September and October. In 2008, March results were negatively impacted by the early Easter holidays in Germany, which led to a slump in meeting and conference business, whereas exceptionally high numbers of events in February, April and October resulted in significant RevPAR growth. In line with other key markets in Germany, Berlin hotels recorded decreasing RevPAR in the last months of the year, which was mainly caused by the general economic downturn.

The following table sets out preliminary results for the first two months of 2009, as provided by STR Global.

STR Global Trend Report - Berlin 2009 YTD vs. 2008 YTD									
	2009			2008			Variance		
	Occ (%)	ARR (€)	RevPAR (€)	Occ (%)	ARR (€)	RevPAR (€)	Occ pts	ARR %	RevPAR %
Jan	49.8	78.8	39.2	50.3	81.8	41.1	-0.5	-3.6%	-4.6%
Feb	57.4	93.2	53.5	63.3	95.6	60.6	-5.9	-2.5%	-11.6%

Note: Data for 2008 and January 2009 is based on STR Global's customised and consistent sample set as available on the 3rd of March for 91 Berlin hotels. Preliminary data for February 2009 is based on STR Global's daily data sample set as available on the 3rd of March for 90 Berlin hotels. The variance in occupancy is expressed in percentage points.
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Similarly to the last months of 2008, Berlin hoteliers experienced declines in both occupancy and ARR in January 2009, leading to an overall decrease in RevPAR of 4.6%. Whereas RevPAR grew by 15.1% in February 2008, preliminary data for February 2009 shows a decrease of 11.6%, suggesting that Berlin hoteliers face difficult times ahead.

Trends in Hotel Supply

Berlin has seen a continuous growth in hotel supply over the last years. In 2008, over ten new hotels with more than 1,600 guest rooms opened their doors. Branded hotels entering the market included the Best Western Hotel Am Spittelmarkt (244 rooms), Express by Holiday Inn Berlin City Centre West (158 rooms) in Kurfuerstenstrasse and Best Western Hotel City East (140 rooms) in Frankfurter Allee. Moreover, the former Sofitel Schweizerhof re-opened its doors as Pullman Schweizerhof (383 rooms) after extensive refurbishment, while the EuroHotel Berlin Airport extended its room capacity by 60 rooms to 156 rooms.

Altogether Berlin's supply pipeline is filled with around 50 projects, totalling over 11,600 new rooms to be added to the market in the next years. Although the upscale segment continues to dominate the supply pipeline, representing almost 50% of the additional room capacity, the budget segment is seeking to increase its share. Motel One is currently developing four budget properties with a total

room count of approximately 1,500, namely the Motel One an der Urania (411 rooms), Motel One Berlin Bellevue (248 rooms), Motel One Leipziger Strasse (304 rooms) and Motel One Lehrter Strasse (515 rooms). Furthermore, two EasyHotels are being developed, with the EasyHotel Hackescher Markt (120 rooms) under construction and the EasyHotel Checkpoint Charlie (200 rooms) at the planning stage. Ramada is developing an H2-Hotel (280 room) at Alexanderplatz, which will be the first H2-Hotel in Germany and Meininger City Hotels & Hotels are realising two projects, the Meininger City Hostel & Hotel near the city's main train station and the Meininger City Hostel & Hotel near Berlin's new International BBI Airport, which is set to be opened by 2011.

Trends in Hotel Transactions

Berlin has proved itself as an interesting location for investors, with a number of hotels and hotel projects changing hands in recent years. In 2007, the German real estate development company Investa Immobiliengruppe acquired the hotel project Leonardo Royal (350 rooms) near Alexanderplatz for €42m, while the Danish investor Baltic Property Trust bought the Seminaris CampusHotel (186 rooms) project for €34m. Moreover, the Ibis Berlin Reinickendorf (116 rooms) was sold to an Israeli investor for an undisclosed sum. In 2008 several hotel projects changed ownership. At the beginning of the year, Commerz Real purchased the InterCityHotel Berlin Airport (200rooms) for €22m. The hotel development company GBI AG sold the projects Motel One an der Urania (411 rooms) to the Hamburg-based Lloyd Fonds and Motel One Berlin Bellevue (248 rooms) to Axa Investment Managers for an undisclosed amount. A Spanish investor acquired a 3-star hotel project on Stresemannstrasse (89 rooms), near Anhalter Bahnhof, while two hotels, namely the Grand Hyatt Berlin (342 rooms) and the Mandala Hotel Berlin (157 rooms) were purchased by SEB Asset Management as part of 'Quartier Potsdamer Platz' for a total amount of €1.3bn.

Outlook

Despite the current downward trend in hotel performance, Berlin's event calendar for 2009 is expected to produce a positive year for the city's hoteliers. Besides the 20th anniversary of the fall of the Berlin wall, the city celebrates the 60th birthday of The Federal Republic of Germany and the parliament and government's move to Berlin. Sports and cultural events include the 12th IAAF World Championships in Athletics, the 90th anniversary of the foundation of the school for design 'Bauhaus', and the re-opening of the 'Neues Museum' on the Museum Island. The Great Berlin Wheel and the documentation centre Topographie des Terrors are also scheduled to open in 2010. Despite this, the general economic downturn and the large number of new hotel projects in the city remain areas of concern, with competitive pressure likely to increase significantly over the next few years.

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Notes to Editors

Christie + Co uses desk-based research and experienced local industry specialists to produce bi-monthly city reviews. Hotel trading data is provided by STR Global.

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