

News Release

City Review: Munich Compiled by Christie + Co

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According to the latest city review by Christie + Co, using data provided by STR Global, Munich hotels recorded a 1.3% increase in RevPAR for the first eight months of 2008 compared to the same period last year, despite occupancy levels falling by 1.3 percentage points. Preliminary figures for September show a slight drop in RevPAR of 0.5% compared to the previous year.

Widely known for the 'Oktoberfest', Munich is Germany's third largest city and, as such, benefits from excellent traffic connections and a strong local economy. The city is home to a large number of international and national companies and offers a trade fair centre, which attracts more than 30,000 exhibitors and over two million visitors every year. It is also a popular destination for leisure travellers from all over the world. The share of international travellers, representing close to 50% of all overnights generated in 2007, is significantly higher than in other key German markets.

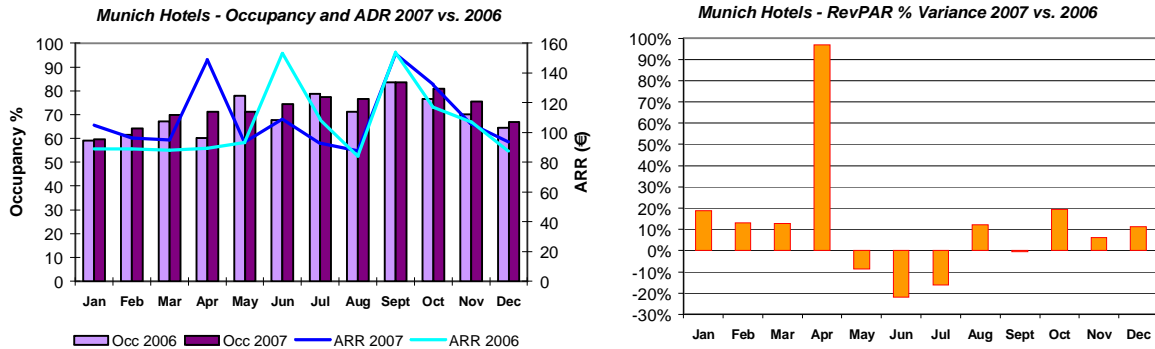
With the city attracting a well balanced mix of business and leisure travellers, the local hotel market benefits from relatively stable demand levels during the week and throughout the year.

Trends in Hotel Market Performance

The following graphs present data sourced from STR Global, highlighting the change in RevPAR between 2006 and 2007. Munich hoteliers enjoyed a 7.4% RevPAR increase in 2007, compared to 2006, as a result of a rise in occupancy (Occ.) levels (2.6 percentage points) and a 3.6% increase in average room rates (ARR).



STR Global Trend Report - Munich Full Year 2007 vs. Full Year 2006



STR Global Trend Report – Munich 2007 vs. 2006									
	2007			2006			Variance		
	Occ (%)	ARR (€)	RevPAR (€)	Occ (%)	ARR (€)	RevPAR (€)	Occ pts	ARR %	RevPAR %
Full Year	72.6	110.2	80.1	70.1	106.4	74.6	2.6	3.6%	7.4%

Note: the above graphs and table are based on audited monthly and daily data received by STR Global for a consistent sample of 48 hotels, totalling 9,898 rooms (ending August 2008).
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In April 2007, local hoteliers recorded an exceptional 96% increase in RevPAR during that month as a result of the 28th BAUMA exhibition - an international trade fair for construction machinery. However, the months of June and July, which were strongly impacted by the FIFA world championship in 2006, showed significant decreases in terms of ARR. As usual, demand levels peaked during the months of September and October, when the annual beer festival 'Oktoberfest' took place.

Year-to-date results for the first nine months of 2008 show a downward trend in occupancy rates, whereas ARR increased compared to the previous year.

STR Global Trend Report - Munich 2008 YTD vs. 2007 YTD

	2008			2007			Variance		
	Occ (%)	ARR (€)	RevPAR (€)	Occ (%)	ARR (€)	RevPAR (€)	Occ pts	ARR %	RevPAR %
Jan	59.5	102.6	61.0	59.7	104.9	62.6	-0.2	-2.2%	-2.6%
Feb	64.3	101.0	64.9	64.1	96.5	61.9	0.2	4.6%	4.9%
Mar	57.6	91.7	52.8	69.9	95.2	66.5	-12.3	-3.7%	-20.6%
Apr	73.6	104.6	77.0	71.2	149.0	106.0	2.4	-29.8%	-27.4%
May	70.8	111.2	78.8	71.1	93.4	66.4	-0.3	19.1%	18.7%
Jun	74.7	114.8	85.8	74.4	108.9	81.1	0.3	5.4%	5.8%
Jul	79.5	108.2	86.0	77.3	92.8	71.7	2.2	16.6%	19.9%
Aug	73.0	114.6	83.6	76.4	87.2	66.7	-3.4	31.4%	25.4%
YTD Aug	69.3	106.0	73.4	70.6	102.8	72.5	-1.3	3.2%	1.3%
Sep	77.9	153.2	119.3	83.5	143.7	119.9	-5.6	6.6%	-0.5%

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Trends in Hotel Supply

Munich has seen steady growth in hotel supply over recent years and this is set to continue with seven new hotels already opened since the start of 2008, adding around 900 rooms to the city's capacity.

The 150-room Express by Holiday Inn hotel opened its doors near Munich Airport in April 2008. The following month, two further three-star properties opened in close vicinity to the city centre - the Hotel Angelo (150 rooms) and the Hotel Cocoon (44 rooms). May also saw the opening of the budget B&B Hotel Munich North (132 rooms) on Frankfurter Ring. The Leonardo Hotel Munich City Centre opened near the main train station in July, adding a further 80 rooms to the three-star segment. This summer also saw the budget Motel One Munich City West (121 rooms) open its doors on Landsberger Strasse, shortly followed by the opening of the four-star Azimut Hotel Munich City East (167 rooms) on Kronstadterstrasse. Last month saw the city's most recent opening, with the four-star Treff Hotel Munich City Centre adding another 64 rooms on Schillerstrasse.

2008's opening pipeline is set to be surpassed next year, with another nine hotels scheduled to open. New properties will include a 72-room boutique hotel at Viktualienmarkt, another budget Motel One Hotel Sendlinger Tor (244 rooms), and an Ibis Hotel (200 rooms) in the Westend district. The city's three and four-star segments will be enhanced by the addition of a Hotusa Hotel (146 rooms), a Citadines Aparthotel (230 apartments), both at Arnulfpark, a Novotel at Munich Airport (250 rooms), and the Leonardo Hotel Munich Schwabing (72 rooms). Another four hotel projects are scheduled for completion by the end of 2011, including another Motel One Hotel of 250 rooms, a four-star Hotel BISS (66 rooms), a 255-room Dolce Hotel in Unterschleissheim, and a 426-room, four-star Leonardo Hotel Munich Olympiapark.

'As a key player for over 30 years in the Munich hotel market, we from ArabellaStarwood strongly believe in the future of the city as a solid hotel destination. Therefore we are constantly committed to invest and maintain our portfolio of over 2,000 rooms on a high level in order to offer a top-quality product and service, combined with attractive and well known brands. Since Munich benefits from a well-balanced mix of travellers across all segments, we are able to offer a broad range of our different brands within the city.'

Christian Böll, Managing Director - ArabellaStarwood Hotels & Resorts GmbH



Trends in Hotel Transactions

From a transactional perspective, despite strong investor interest, Munich is characterised by the scarcity of properties for sale. This has led to only a few single asset transactions taking place in recent years. The Marriott Munich Hotel alone has changed ownership three times between 2003 and 2008. It was first acquired by Blackstone Group in 2003 and resold to Marriott International in 2005. In early 2008 JER Partners acquired the property, with Marriott retaining a long-term management agreement. Another transaction of note was the acquisition by Herkules Grundbesitz of the Atrium Hotel Munich, for €14.9 million in 2007.

Additionally, a number of hotels in the city have been sold as part of portfolio transactions, including the Rocco Forte Charles Hotel in 2006, which was part of the mixed-use development Lenbachgärten. The same year saw two Ininside Premium Hotels change ownership as part of Sol Meliá’s acquisition of Ininside Premium Hotels Group. This was followed by Blackstone’s sale of three German Mercure Hotels, including one property in Munich, for €58 million to property investment company, Mountain Capital. The most recent portfolio deal including properties in Munich took place earlier this year, when the Austrian Hotel Company Portfolio was sold to a Russian investor.

Without a doubt, the Bavarian capital is one of the most robust hotel markets in Germany, with future prospects remaining positive despite the general economic slowdown in the country.

For further information please contact:

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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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