



Catella: Boutique and lifestyle hotels booming – investors set their sights on suburban locations

The tourist industry is booming: In 2018, Catella Research counted more than 3.1 billion overnight stays in Europe – an increase of 2.2% compared to the previous year. The asset class of hotels therefore remains popular with investors. Last year, the transaction volume in Europe came to around EUR 23 billion. Boutique, lifestyle and economy hotels are increasingly entering the market to cater to users' needs. According to Catella Research, more than 4,500 hotels are currently being constructed or planned in Europe – initial signs of crowding-out can be seen and suburban locations are becoming more popular.

In terms of the analysis of global transaction volumes, hotel investments are still in fourth place – after office, residential and retail properties. The most money was invested in the UK last year, at almost EUR 7.7 billion. Germany was in third place at EUR 3.89 billion. According to Catella Research, three factors are particularly important to investors when making investment decisions: the location, the concept and the operator. Brand hotels therefore still rank highly. However, new types of hotel are entering the market, with established brands developing boutique and lifestyle hotels in order to attract a younger audience for whom authenticity, local flair, individual design and technical facilities play an important role. For example, Marriott intends to open 14 more hotels under the Moxy brand throughout Europe this year. Accor is planning to open another 50 locations for its lifestyle brand Jo&Joe by 2020. At the same time, there are a growing number of economy hotels that attach importance both to affordable prices and to high quality (e.g. prizeotel).

“A very diverse supply structure has become established in the investment triangle consisting of the location, the concept and the operator,” explains Prof. Thomas Beyerle, Head of Group Research at Catella. “Individual, authentic experiences are becoming an increasingly important focus of travel and are therefore also being incorporated in hotels' business models. Additional tourism services are finding their way into hotel concepts.”

This growing experience economy has also benefited alternative offers, especially Airbnb. In London, this accommodation platform currently hosts 60,858 offers. With new campaigns such as “Airbnb Plus”, which incorporates the luxury segment, the pressure on the hotel sector is growing.

“Hotels are already jumping on the bandwagon and offering several functions in one space with mixed use. This can be seen in the booming niche product of serviced apartments. Is the hotel intended to be an ideal place to work, or more of a retreat? This is one of many questions that the hotel sector will have to ask itself in the future,” says Beyerle.

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4,500 new hotels currently being developed throughout Europe

Development pipelines are very well filled, with more than 4,500 hotels currently being constructed or planned in Europe, according to Catella Research. As a result, the company already sees signs of increased pressure on urban locations, which is leading to predatory competition. “Investors are increasingly broadening their focus to include suburban areas,” says Beyerle.

The full analysis can be found at catella.com/research.

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