

# The market for serviced apartments

In recent years, the market for so-called serviced apartments\* has been increasingly fed by an enhanced investor demand. As a result, transaction volumes have steadily increased. Structurally located between hotel and housing, it can be seen as a niche product and a hybrid form of residential use, with correspondingly heterogeneous, but overall higher user charges. Composed of individual apartments, serviced apartments include completely furnished rooms as well as additional services (weekly cleaning service, reception, catering services, etc.), in comparison to normal housing. The range of services varies, depending on the provider and the customer requirements, between low degree of service and hotel room service. Currently, the majority of serviced apartments is located in an urban environment (central location, close to transport hubs, trade fairs, commercial centers, event centers, etc.) and primarily visited by long-term users.

\*Similarly, the term "boardinghouse" is often used.

## Niche product – between hotel and living

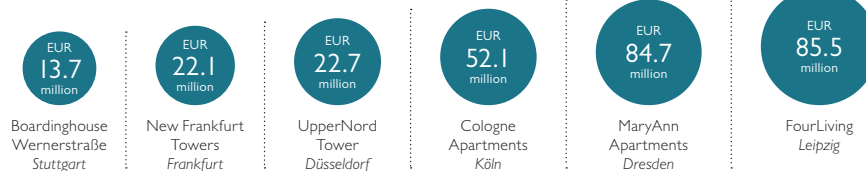
HOTEL MARKET	SERVICED APARTMENTS	HOUSING MARKET	MARKET TREND
Short stay		Long stay	
Fully furnished	Fully furnished + character of an apartment (1-3 rooms)	Unfurnished/ (partly) furnished	<ul style="list-style-type: none"> <li>Increasing mobility in the modern business world</li> <li>Central location, accommodations + long-term stays</li> <li>Higher living comfort is required</li> <li>Higher demand for services</li> </ul>
24 hours reception	Partly available, however limited services	No reception	
Complete service offered	Low degree of service up to hotel service standards	Usually no services are available	TARGET GROUPS
Kitchenette possibly available, complemented by room service	Usually kitchen + supporting services offered	Kitchen is available	<ul style="list-style-type: none"> <li>Commuters</li> <li>Students</li> <li>Young professionals</li> <li>Business travelers (long-term)</li> <li>New arrivals</li> </ul>

## Status quo of the serviced apartment market in Germany

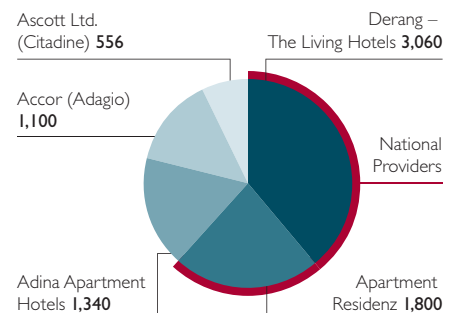


Although there is a dominance of national providers, Germany is increasingly becoming the main focus of international parties. Some of the hotel chains added serviced apartments as a new category in their range of products. The innovative concepts often turn out to be more successful. Important locations are currently Munich, Berlin, Frankfurt, Hamburg and Düsseldorf. In addition, the cities Cologne, Stuttgart, Hanover, Leipzig and Nuremberg can be seen as locations with large potential for the future. The transaction volume until the end of 2018 is forecast at € 235 million by us.

### TRANSACTIONS IN 2017 AND 2018



### THE 5 LARGEST PROVIDERS ACCORDING TO THE NUMBER OF APARTMENTS (22% OF THE TOTAL MARKET)



## Forecast

All in all, we assume that the overall market will continue to grow, primarily fed by a change in the labour market. The share of serviced apartments in the hotel market will rise up to 10% by 2030. Co-working, project structures and an increasing number of business travelers are push factors for this development. The growing supply in the future can be seen in the number of planned serviced apartments until 2020. In this regard, the cities Berlin and Hamburg are responsible for 14% of the pipeline. Due to the previously balanced provider structure, the increasing mobility and the trend towards "home away from home", there is a high level of investor interest.



3,342  
PLANNED UNITS  
UNTIL 2020 IN  
GERMANY

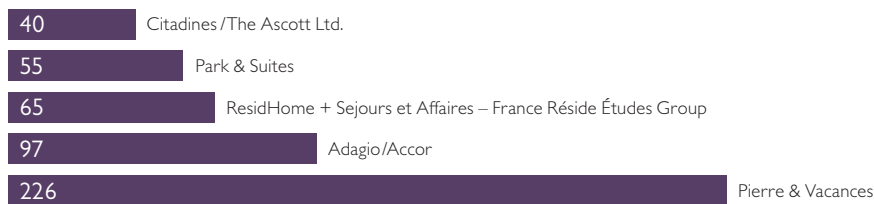
# The market for serviced apartments

While serviced apartments have already been able to establish themselves on the North American continent, Europe is now increasingly opening up to this niche product. So far, Europe accounts only for a small percentage (13.8%) of the total global market. However, there are signs of a clear growth strategy due to planned construction projects until 2020.

## Status quo of the serviced apartment market in Europe

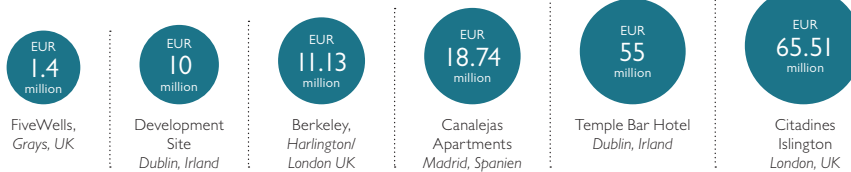


THE 5 LARGEST PROVIDERS BASED ON NUMBER OF SERVICED APARTMENT BUILDINGS  
(REPRESENTING 26% OF THE EUROPEAN MARKET)

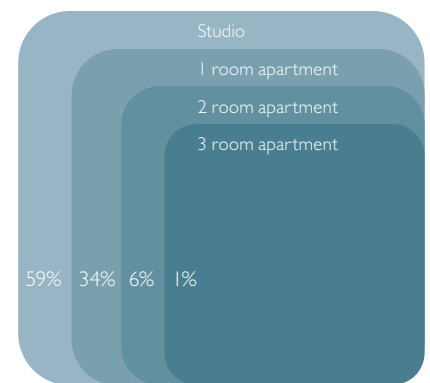


Number of serviced apartment buildings →

TRANSACTIONS IN 2016 AND 2017



AVAILABLE ROOM CATEGORIES

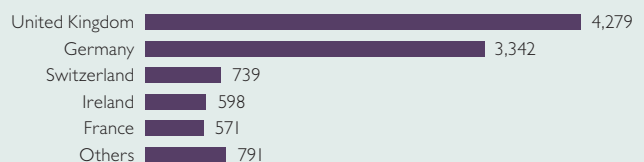


## Forecast

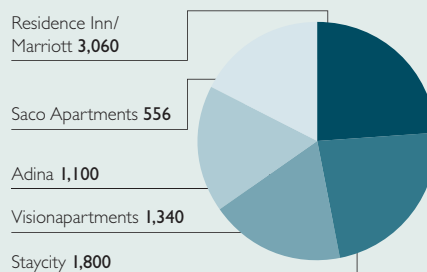
More serviced apartments are planned across Europe, with the United Kingdom (41.5%) and Germany (32.4%) accounting for the largest share of the 10,320 planned units. At the same time, this suggests a clearly focused distribution within Europe. Until the end of 2018, we expect a transaction volume of around € 525 million in UK/Ireland, Germany, France, the Netherlands, Sweden, Denmark und Spain.

From our point of view, potential locations that can become attractive for the serviced apartment market are those metropolitan areas whose labour markets are subject of the mentioned change (co-working, project structures, professional mobility). Overall, Catella Research expects a strong growth within the European market. However, this won't affect all countries equally, but primarily the economically strong cities with a high degree of international connectivity.

PLANNED NUMBER OF APARTMENTS UNTIL 2020



PLANNED APARTMENTS ACCORDING TO PROVIDERS UNTIL 2020 (50% OF THE PLANNED UNITS)



Quelle: Catella Research 2018/The Apartment Service/HVS/RCA/Deutsche Hypo/Thomas Daily

Catella is a leading specialist in property investments, fund management and banking, with operations in 13 European countries. The group has sales of approximately EUR 211 million and manages assets of approximately EUR 16 billion. Catella is listed on Nasdaq Stockholm in the Mid Cap segment.

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