

# GERMAN HOSPITALITY MARKET KEEPS EXPANDING



German hospitality stakeholders identify a specific trend of the sector. The number of hotels in Germany is decreasing, but the number of guest beds goes up. Nearly 700 new hotels are planned to be built in the next three years, with 100,000 rooms, representing almost 17 billion euros of investment.

“It is starting to get unsettling,” says Markus Luthe, chief executive of the German Hotel Association. “One must ask, whether the demand will cover this capacity expansion”.

**If the rising trend of inflow continues like in the past eight years, then the number of extra hotel rooms will be sufficient.** Tourism has been flourishing since then. Good economy, political stability, zero interest rate policy. All these factors made travelling in Germany attractive, according to the association’s chairman Otto Lindner.

However, according to Lindner, it is a very unpredictable state. Hardly any other industry is so vulnerable to terror attacks or political crises. “Travel costs are the first thing to be cut off in companies,” he describes the consequences of a downturn. Therefore, it was questionable if the real estate prices climbed higher and higher, as did the selling prices of hotels and rents for tenants. In some places there are signs of overcapacity within the German hospitality market.

Lastly, the average yield per hotel room has improved by 2% to 68 euros in 2017. This value included even unused rooms. For booked rooms, guests paid an average of 95 euros plus VAT. According to the Federal Statistical Office, the utilization of hotels was 62.1% in 2017. This is a slight increase of 0.3%.

Surprisingly, at first glance, the number of hotels in Germany fell by 300 to 32,700 in one year. At the same time, around 10,000 more hotel rooms are available than a year before. This is a consequence of big hotels and companies crowding out the small units, according to Luthe.

Especially for smaller providers, it is also difficult to find staff. “We have a huge loss of trainees,” says Lindner. According to him, this is due to the good training and special communication skills of his colleagues in the industry and not because of low salaries.

However, Lindner reaps an objection from the relevant trade union. For years almost half of budding cooks, hotel and restaurant professionals have been broking off their education. The fundamentals are often poor quality of training and working conditions. “Many are abused as cheap labor and have to work

overtime,” says spokeswoman Karin Vladimirov.

“Some break off, others fail the test and others are thrown out,” she summed up the difficult situation. **After training, hotel and restaurant specialists would receive a monthly wage of 1725 to 2148 euros, depending on the state.**

However, the payment is often undercut because two-thirds of companies are not bound by collective agreements. The statutory minimum wage of 8.84 euros per hour is the lower limit.

Lindner points out that since 2010 the industry has created almost 50,000 jobs. It is therefore a “business of people for people”. In face of debates about digitalization and distribution channels, this is often too little. In the industry, one can also make a career without an academic degree.

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