

GERMAN HOTEL SECTOR WITH INCREASING SALES BUT DECLINING MARGINS



The hotel industry in Germany has faced tumultuous times in the past few years. However, there is hope for the future, as economists predict a slight economic recovery in the coming years. This cautious optimism is a positive sign for hotel operators forecasting an upturn in 2024.

The German hotel sector is expected to achieve record sales in 2023, despite its constant changes and challenges. As per STR Global, the utilization rate has improved significantly compared to 2022 and is currently around 65% as of the end of September 2023. Although this is almost 10% lower than the record year of 2019, the average rate (net sales per room sold) as of the end of September 2023 was 11% higher than that in 2019. Furthermore, pre-booking levels for the last quarter of 2023 have risen by up to 10% compared to the previous year. The hotel industry is expected to continue to grow in 2024.

After three years of crisis, 2023 will mark the turning point within the hotel market, rebounding in 2024 to reach 2019 sales and profits.

In the Treugast Rating 2023 survey, 27 leading hotel companies in Germany were asked about their expectations for the future. Despite the economic recession, these companies anticipate sales to increase by approximately 15% in 2023, as compared to the previous record year of 2019. However, the profit margin in 2023 is predicted to decline by 1.9% because sales growth cannot fully compensate for rising costs. Economic growth and an expected increase in consumer spending in 2024 will likely result in more than 80% of hotel operators forecasting increasing sales and earnings. Only 15% of the surveyed hotel companies expect their sales and earnings to remain the same, and only one company predicts their figures will decline slightly in 2024.

The German hotel market continues to show promise and dynamism. The current rating recognizes three hotel companies as benchmarks in growth, innovation, and performance, in addition to the industry sentiment barometer.

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