



The CEE Hotel Market

Overview of 6 Key Cities

CEE Hotel Market Overview

Unlocking opportunities

We are delighted to present our latest report on the Central & Eastern Europe (CEE) hotel market that examines market trends in major capitals across the region.

Hotels located in CEE's capital cities have had an incredibly successful 2016 with cumulative RevPAR growth in excess of 10%, outperforming many other capitals in neighbouring regions of Europe. Tourism is booming and underpinned by strong economic indicators, the region's hoteliers foresee this positive trend to continue.

Hotel investors are taking note and increasingly looking to unlock value in CEE capitals. The prospect of hotel assets with higher yields, increasing tourism demand and significant economic growth are proving to be highly attractive for a wide range of international investors and early adaptors are positioned to benefit from an upswing in these relatively immature investment markets.

This review gives you insight into the fundamentals and trends of key cities in the region including Belgrade, Bratislava, Bucharest, Budapest, Prague and Warsaw.

We hope you will enjoy reading our report and we would be happy to discuss opportunities with you in the near future.



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Belgrade

City of opportunities



Population = 1.7m



GDP per capita = €7,643



Monthly salary = €1,022

Evolution of Supply

Since 2011, the number of hotels in Belgrade increased 7.7% adding 110 beds to the total (an increase of 1.3%). In 2016, 29.8% of available beds were branded leaving the majority of hotels unbranded presenting an opportunity for brands to grow. IHG currently has the strongest brand presence in the city, accounting for almost 1,000 beds.

A major €4bn development of the waterfront is taking place and includes several hotel projects including the Hilton (242 rooms), St. Regis (125 rooms), and W Hotel (120 rooms).

Evolution of Demand

Belgrade recorded compound annual growth of 5.7% in both arrivals and overnight stays between 2011 and 2016. In 2016, Belgrade's growth contracted slightly, but despite this, the general trend is positive with both overnight stays and arrivals up 32% over the timeframe. The average length of stay in hotels remained stable at 2.0 nights over the period.

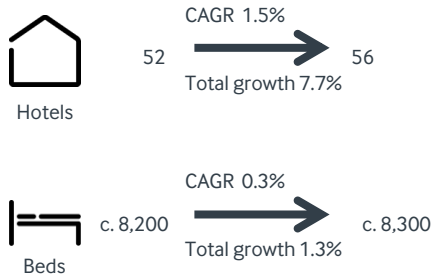
International visitors accounted for 76% of all overnight stays with Turkey, Croatia, Germany and Slovenia being the most important feeder markets.

Hotel Market Performance

Belgrade is the city with the lowest KPIs in this report. However, RevPAR is growing – up 8.2% to €41.09 in 2016. This was primarily driven by occupancy jumping 9.2 ppts to reach 54.9%. However, this was somewhat at the expense of ADR which contracted 10% to €74.83.

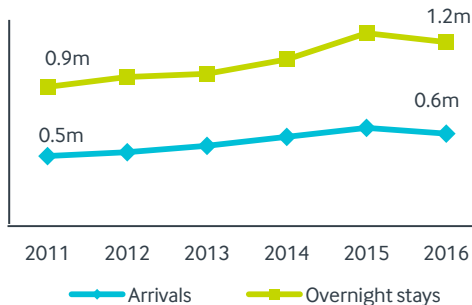
Over recent years, the strong growth in the amount of room supply has put downward pressure on trading. However, with a positive performance in 2016, the market appears to be absorbing this supply and hoteliers should now be able to push ADR.

Evolution of Supply 2011-2016



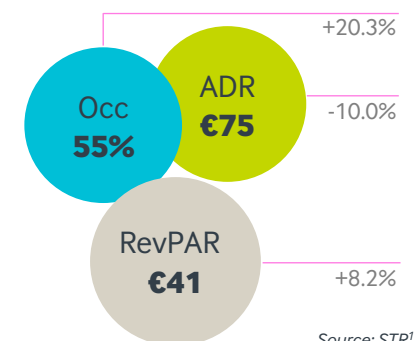
Source: Statistical Office of the Republic of Serbia

Evolution of Demand 2011-2016



Source: Statistical Office of the Republic of Serbia

2016 vs. 2015



Source: STR¹

Bratislava

Highest RevPAR growth in 2016



Population = 0.6m



GDP per capita = €35,352



Monthly salary = €1,427

Evolution of Supply

Since 2011, the number of hotels and beds has remained generally stable posting marginal growth of 0.5% p.a. and 0.3% p.a. respectively.

Circa 40% of hotels (or 5,100 beds) in Bratislava are branded. In contrast to other CEE capitals, no brand has a particularly strong presence. Although Accor and IHG have also two flags on the market, Starwood is market leader, covering 17% (880 beds) of all branded beds.

Pipeline is currently limited with no new hotel openings expected.

Evolution of Demand

Since 2011, arrivals and overnight stays have grown exponentially by 59.5% and 62.4% respectively. On a compound annual growth basis, the market has grown 9.8% p.a. in arrivals and 10.2% p.a. in overnight stays. The average length of stay remained stable at 1.7 nights over the period.

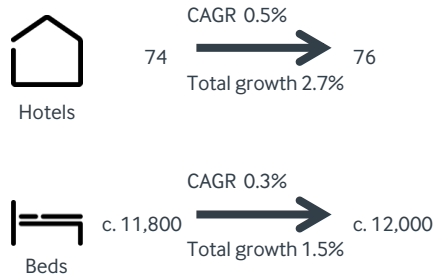
International arrivals account for just over half of overnight stays at 56%. Among the most important source markets are the Czech Republic, Germany, Russia and the UK.

Hotel Market Performance

Strong economic growth and the 2016 EU presidency fuelled demand for hotel rooms and gave trading performance a boost. Both occupancy and ADR improved (by 6.2 pts and 9.5% respectively) and pushed up RevPAR by an astonishing 20.8% in 2016. As the presidency moved to Malta in January 2017, we expect RevPAR growth to decelerate this year.

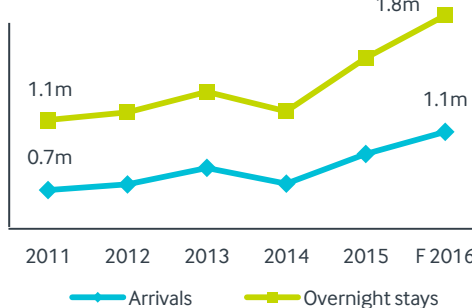
Generally speaking, Bratislava is growing steadily even though it is starting from a low base. It is worth noting however, the city loses out to Vienna on some MICE and corporate business due to its close proximity.

Evolution of Supply 2011-2016



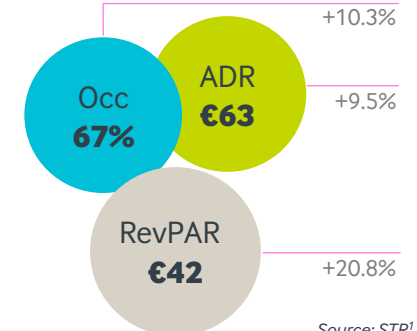
Source: Statistical Office of the Republic of Slovenia

Evolution of Demand 2011-2016



Source: Statistical Office of the Republic of Slovenia

2016 vs. 2015



Source: STR¹

Bucharest

Opportunity knocks



Population = 1.8m



GDP per capita = €22,300



Monthly salary = €820

Evolution of Supply

Since 2011, the number of hotels grew 3.5% p.a. while the number of beds grew 0.4% p.a. which corresponds to total growth of 19.0% and 2.1% respectively over the period.

Circa 54% (or 10,300) of beds are branded in Bucharest and Accor is the most prevalent brand accounting for almost 10% of the 19,000 available beds. Over the next few years, several new hotel openings are expected, the majority of which will be internationally branded including a Mercure and Hilton Garden Inn.

Evolution of Demand

Bucharest has witnessed continuous growth in arrivals and overnight stays over the past five years recording 53% and 57% growth respectively (CAGR of 9.5% and 8.9%). Over the same period, there was a slight drop in average length of stay from 1.7 to 1.6 nights.

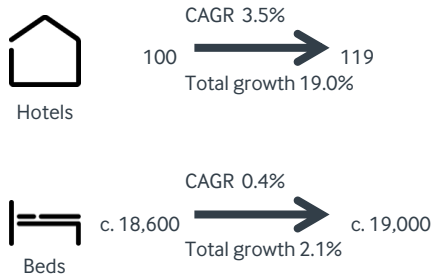
60% of all overnight stays were generated by international visitors, which is a contrast to the rest of Romania where the majority of overnights are generated by the domestic market.

Hotel Market Performance

Due to an overall increase in demand, Bucharest witnessed strong trading growth in 2016. Occupancy improved 3.2 pts to 71.2% while ADR rose 5.8% to €77.88 resulting to a 10.8% boost in RevPAR.

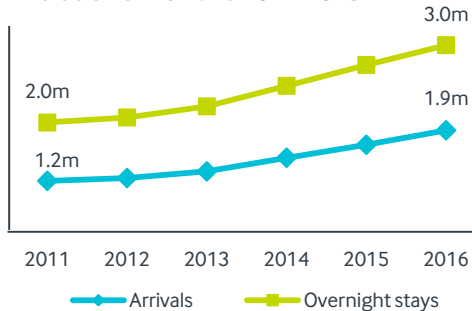
We expect that this positive trend will carry forward into 2017 based on country's increasing attractiveness as a meetings and events destination in addition to important developments in Bucharest's infrastructure.

Evolution of Supply 2011-2016



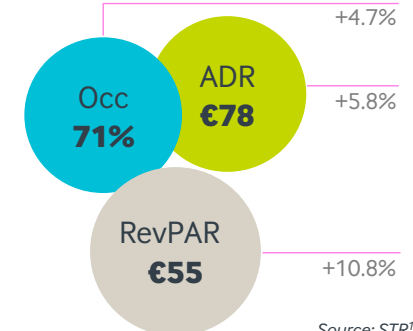
Source: National Institute of Statistics - Romania

Evolution of Demand 2011-2016



Source: National Institute of Statistics - Romania

2016 vs. 2015



Source: STR¹

Budapest

One of CEE's most important economic hubs



Population = 1.7m



GDP per capita = €22,970



Monthly salary = €1,037

Evolution of Supply

Since 2011, the number of hotels grew 2.0% p.a. and the number of beds by 0.9% p.a., which corresponds to 10.6% and 4.6% total growth.

Almost half the bed supply (49%) is branded and the clear market leader is the domestic favourite, Danubius Hotels, accounting for a third of all branded hotels.

An additional 1,000 bedrooms are expected to come online by 2019 including two new brands, 184-room Meininger and a 300-room IntercityHotel, to enter the market.

Evolution of Demand

Over the past five years, overnight stays grew 55% while arrivals grew 50%. On a compound annual growth basis, the market has grown 6.9% p.a. in arrivals and 6.3% p.a. in overnight stays. The average length of stay remained stable between 2.3 and 2.4 nights over the same period.

In 2016, 90% of overnights were generated by international visitors. The most important source markets were the UK (contributing 9.5% of all overnight stays), followed by the US (6.7%), Germany (6.4%) and Italy (6.4%).

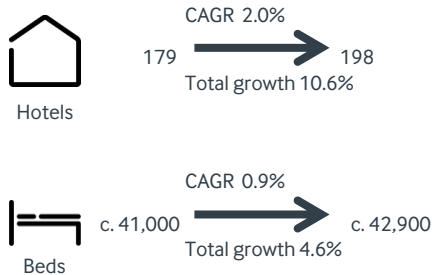
Hotel Market Performance

Budapest's hotel market recorded remarkable improvements in trading performance over recent years, albeit from a low base.

Occupancy grew 2.0 ppts to 75.3% in 2016, while ADR increased 6.1% to €76.02. Overall, hoteliers witnessed a 9.0% increase in RevPAR to €57.25.

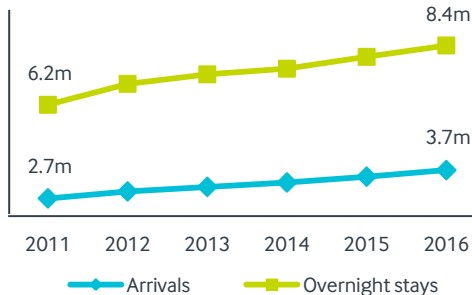
Based on the trading numbers, we expect this positive development to continue in the future. In addition, several new hotel operators will enter the market in the near future and may have an impact on the market's performance.

Evolution of Supply 2011-2016



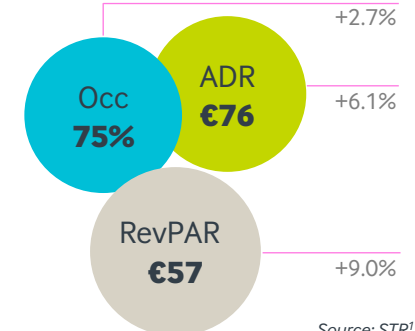
Source: Hungarian Central Statistical Office

Evolution of Demand 2011-2016



Source: Hungarian Central Statistical Office

2016 vs. 2015



Source: STR¹

Prague

The largest hotel market in CEE with the strongest RevPAR



Population = 1.6m



GDP per capita = €32,620



Monthly salary = €1,277

Evolution of Supply

Since 2012, the number of hotels in Prague grew 1.0% while the number of beds grew 2.0%.

In 2016, about a third of all rooms in Prague were branded. The local hotel company EuroAgentur operates most (11) of the branded hotels while Hilton also has a strong presence in the market with almost 2,200 beds.

The pipeline is strong with new brands, such as B&B Hotels and Motel One, entering the market. Meanwhile other brands such as Marriott also plan on strengthening their position by adding a 154-room W Hotel.

Evolution of Demand

Over the past five years, tourist arrivals grew 28.4% while overnights rose by 17.2%. 2016 marked an all time high, with 14.7m overnight hotel stays. The average length of stay in hotels recorded a slight decrease from 2.6 nights to 2.3 nights since 2011.

Just more than 90% of overnight stays were originated by international visitors with Germany (12%), Russia (7%), the US (7%), and the UK (6%) being the most important source markets.

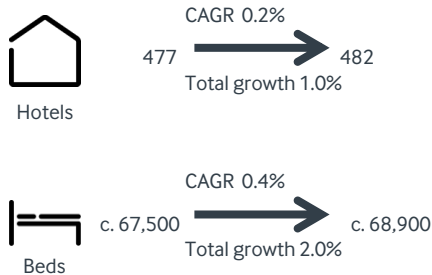
Hotel Market Performance

Prague's hoteliers achieve the strongest occupancy, ADR and RevPAR in the CEE region. In 2016, RevPAR grew 6.0% to €62.81 based on rises in both occupancy and ADR.

Hotel performance has been growing steadily and consistently and the city is still proving attractive to business and leisure tourists alike.

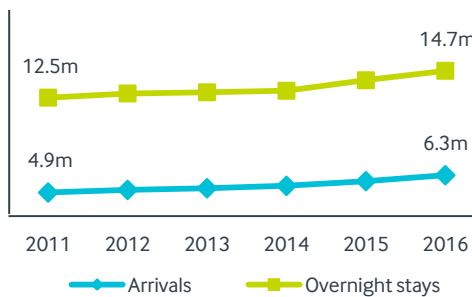
Although strong supply growth may have an impact on performance over the next few years, we expect Prague to remain CEE's strongest market and absorb the new supply with increasing demand.

Evolution of Supply 2012-2016



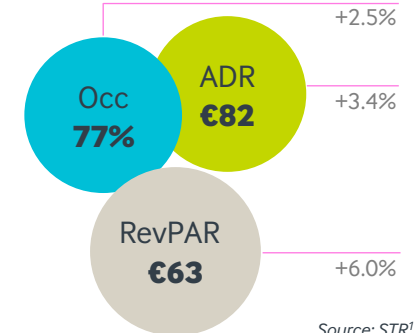
Source: Czech Statistical Office

Evolution of Demand 2011-2016



Source: Czech Statistical Office

2016 vs. 2015



Source: STR¹

Warsaw

A city ready for business



Population = 1.7m



GDP per capita = €30,345



Monthly salary = €1,340

Evolution of Supply

Since 2011, the number of hotels in Warsaw grew 37.1% while bed numbers grew 21.7%. In contrast to other CEE capitals, branded hotel supply accounts for the majority at c. 64% of total supply (or 8,300 beds). Furthermore, more internationally branded hotels are expected to enter the market or strengthen their position in the next few years including Motel One, Moxy, Raffles and IHG brands Indigo and Holiday Inn.

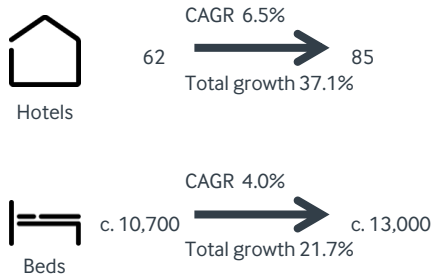
Evolution of Demand

Over the last five years, demand for hotel rooms has witnessed continuous growth. The market registered a compound annual growth of 5.4% in arrivals and 6.2% in overnight stays. In 2016, Warsaw reached remarkable numbers and saw a total increase of 30.1% in arrivals and 34.8% in overnight stays. The average length of stay showed marginal growth approaching 1.7 nights. Warsaw benefits from strong domestic and international demand, with 42% of overnights being generated by international visitors with the UK, the US, Germany and Spain being the top source markets.

Hotel Market Performance

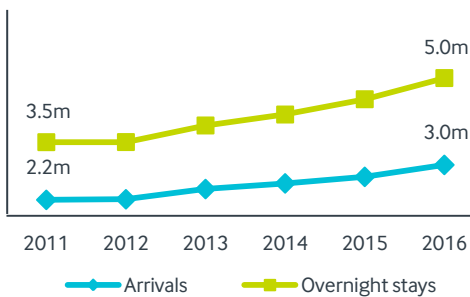
Warsaw's hotel market recorded healthy growth in trading performance over recent years, with a high share of business travellers to leisure guests. Warsaw experienced strong growth in 2016 with occupancy up 2.1 ppts to 76.6% while ADR grew 3.1% to €67.87. This resulted in 6.0% RevPAR growth to €51.99. The strong hotel supply of different hotel categories coming to the market may have an impact on the overall performance, similar to the situation in Budapest and Prague.

Evolution of Supply 2011-2016



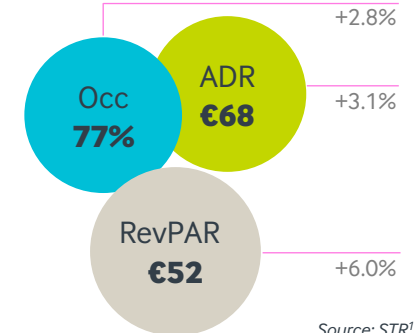
Source: Central Statistical Office of Poland

Evolution of Demand 2011-2016



Source: Central Statistical Office of Poland

2016 vs. 2015



Source: STR¹

Christie & Co

Overview

An introduction to Christie & Co

We are the leading hotel and leisure advisers in Europe

- Christie & Co was founded over 80 years ago, and has been publicly listed on the Alternative Investment Market (AIM) for more than 10 years
- We are the leading valuers, consultants and brokers across Europe in our specialist sectors with unrivalled experience in hotel real estate
- With **280 professionals** across **32 offices** we have the largest team of dedicated specialists
- We act on behalf of:
 - International investors and developers
 - International lending and investment banks
 - Major, regional and multiple operators
- We complete **500 valuations** annually and currently have more than **400 hotel sale instructions**
- In 2015 we launched a dedicated Asia desk and have become exclusive advisors to some of Asia's largest investors



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