

February 2017



# Hotel Market Bucharest A Rising Star



# Bucharest Overview

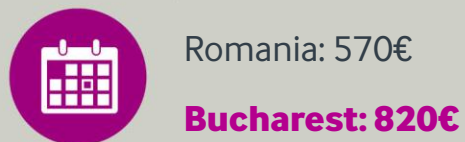
## GDP 2016



## Inflation



## Monthly Salary



## Unemployment Rate



## Population

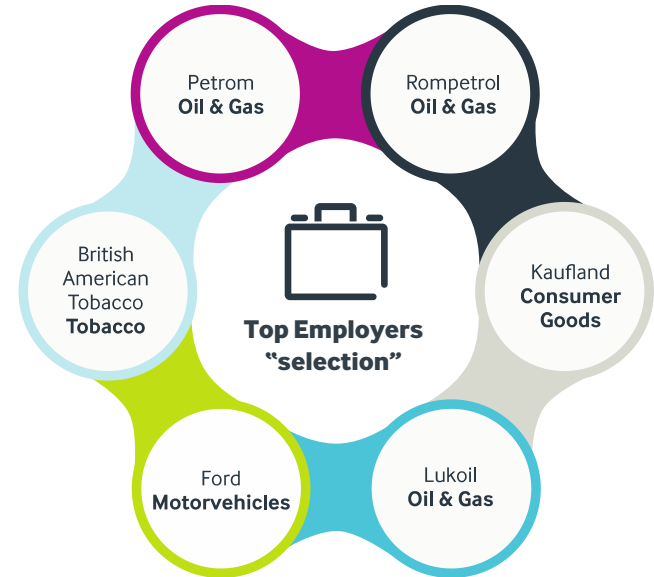


## Bucharest Overview



### Major Tourist Attractions

- Cișmigiu Gardens
- Herăstrău Park
- Romanian Patriarchal Cathedral
- Revolution Square
- Palace of the Parliament
- Arcul de Triumf
- Stavropoleos Monastery
- CEC Palace
- National Museum of Art of Romania

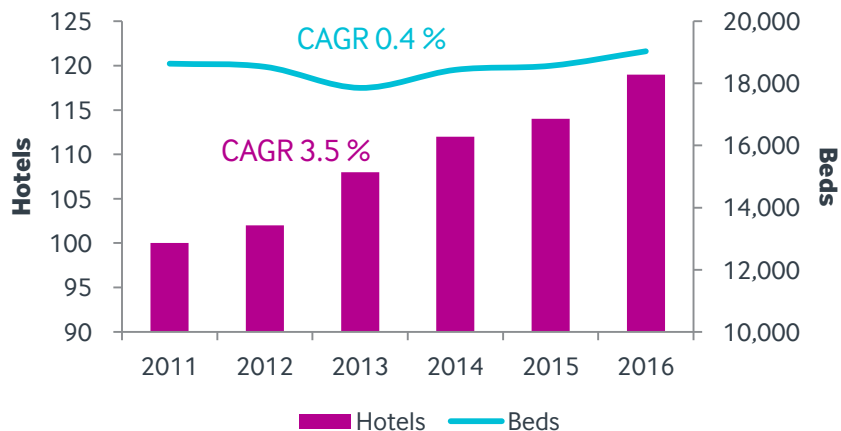


### Economic Growth

After six years of continuous growth, the Romanian economy is still going strong. The World Bank predicts a GDP growth of almost 4%, which is below the Finance Minister's forecast of c. 5%, yet still clearly above western European growth rates. Bucharest is the economic motor of Romania. 10% of Romania's population live in the capital generating more than 20% of the country's GDP. Emigration could become an increasing challenge for the local economy and is a trend that can be observed in the entire country. In the past four years, the population of Bucharest shrank by 2.3%.

The World Bank still foresees positive growth for the years ahead, however at a tamer pace.

## Hotel Market Supply



Following the end of the financial crisis, Bucharest has experienced continuous growth in the number of hotels. This is likely to be a direct result of the economic prosperity the city experienced over the past six years. Unlike in most Western European cities, however, the newly opened hotels tend to be smaller than the existing ones. Hence, in the period under review, the average number of rooms per hotel dropped from 186 to 160 beds. The small drop in available beds in 2013 was caused by the closing of several hotels.



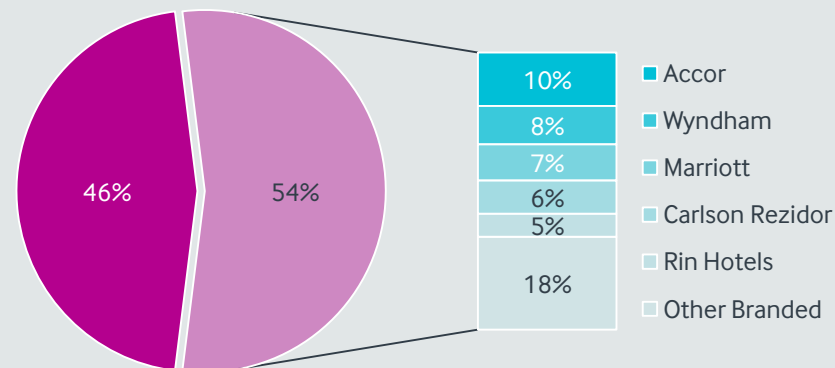
**Bucharest saw a total increase of 19% in hotels and 2% in beds over the last five years**



Sources: Romanian National Institute of Statistics; Christie & Co Research



## Branded vs. Unbranded Supply



Accor has the strongest brand presence with five hotels, followed by Wyndham and Phoenicia with four, and Best Western with three hotels. In terms of branded beds, Accor is leading the game with almost 2,000 beds under its flag. With the opening of a Mercure (97 rooms) and a Hilton Garden Inn (201 rooms), Accor and Hilton plan to further strengthen their positions in the market. In 2016, the National Statistical Office counted c. 19,000 available beds in Bucharest, of which 54% (c. 10,300) are branded.



**More than two thirds of Bucharest's room supply is not affiliated to a brand**



# Hotel Market Demand

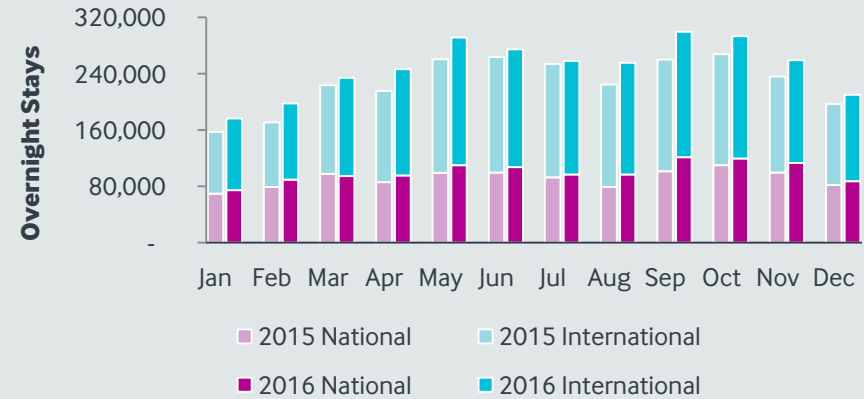
With the exception of 2009, Bucharest recorded continuous growth in arrivals and overnight stays in hotels, and across all types of accommodation. The market registered a compound annual growth in arrivals of 7.7% and 5.4% in overnight stays, indicating a drop in length of stay from c. 2 days to c. 1.6 days. In 2016, Bucharest reached a record level of 1.9 million arrivals and 3 million overnight stays. 60% of all overnight stays were originated by foreign visitors, in comparison to Romania where international guests account for 21%. Attracting both business and leisure tourists, Bucharest is Romania's business hub, with stronger demand for business travel in comparison to the country as a whole. The two airports Henri Coandă and Băneasa-Aurel Vlaicu registered a record of 11 million passengers in 2016, equalling a compound annual growth rate of 8.1% over the last five years.

## Evolution of Demand (in million)



Source: Romanian National Institute of Statistics; Christie & Co Research

## Seasonality – Domestic vs. Foreign Demand



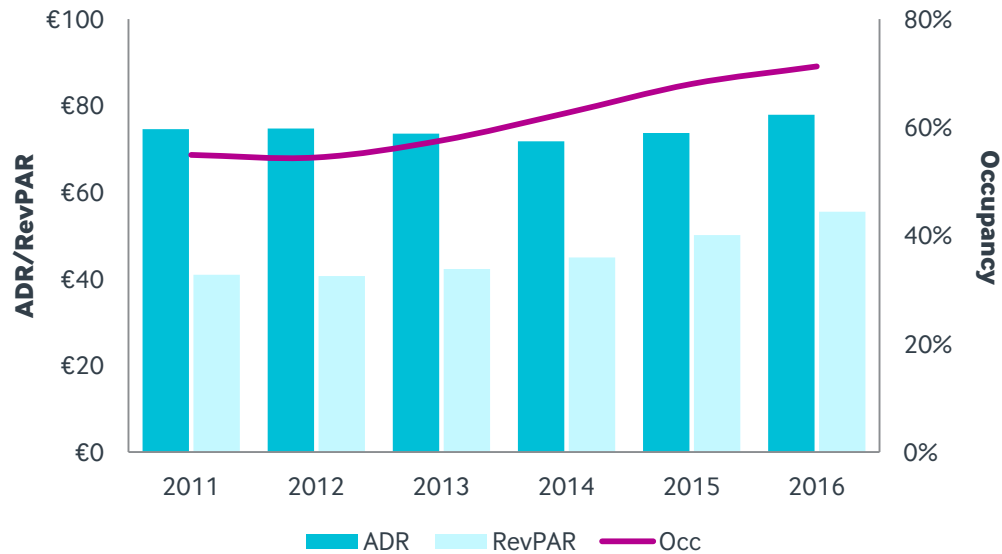
Bucharest is a year-round destination with visitation peaks in spring and autumn, often caused by some of the most important business and leisure events taking place during these months. Romexpo, Romania's largest exhibition centre, is located in Bucharest and hosts the largest trade fairs in the country, e.g. INDAGRA (annual agricultural trade show) and TIB (annual tech fair).



**Demand in Bucharest has developed very positively, especially in terms of arrivals**



**Hotel Market Performance 2011-2016**



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# RevPAR in 2016

# 55.5€

Due to an overall increase in overnight stays, the occupancy rate improved over the last five years, reaching 71.1%, which is equal to a compound annual growth rate of 5.4%.

The Average Daily Rate (ADR) fluctuated quite a bit in recent years. It suffered a decline of 3.8% up until 2014, but has subsequently seen a strong recovery, reaching 77.8€ last year.

The Revenue Per Available Room (RevPAR) has been highly occupancy driven, improving continuously from 2011 to 2016 at a compound annual growth rate of 6.3%.



## Outlook

## A Rising Star



**The transactional market is picking up speed as opportunistic investors are seeking higher yields**



The Bucharest hotel market has yet to fully recover, however, the remarkable growth the market achieved the years after the financial crisis demonstrates positive fundamentals.

Bucharest has made tremendous progress in its hotel sector, reporting upward trends in overnight stays and improved hotel performance, backed by increasing demand. As a result of the positive trend, there has been a growth in supply, with more international hotel chains entering the market.

Bucharest's hotel investment market is still in its infancy, but there are many reasons why investors are convinced of its potential. Apart from the improvement of mentioned hotel indicators and the enhancement of the country's meetings and conference industry, Bucharest is developing its road and rail infrastructure. The new metro line from the train station to the airport will create a new office hub in Bucharest, providing opportunities for new hotel properties.

The overall economic growth of the country, coupled with favourable property prices in comparison to key European markets such as London, Paris or Munich, will continue to catch the attention of opportunistic foreign investors, attracted by the growing potential of both the business and leisure segments.

## Transactions

Year	Property	Category	Capacity
2015	Howard Johnson Grand Plaza Hotel Bucharest	Luxury	285
2015	K+K Elisabeta	Upscale	67
2014	JW Marriott Bucharest Grand Hotel (shares)	Luxury	402
2009	Hello Hotel	Budget	150

The yield battle in key European markets keeps shifting international investors' focus towards hotel assets in secondary European capitals with more attractive yields.

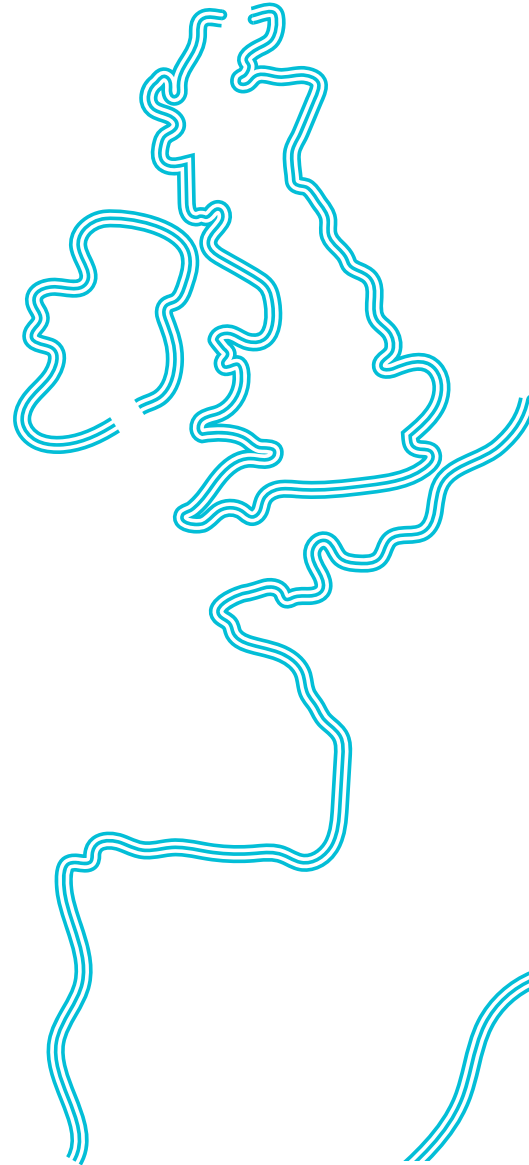
After recognising almost no transactional activity in the years after the global financial crisis, Bucharest recorded some notable transactions lately. The JW Marriott Bucharest Grand Hotel was sold by the Bank of Cyprus to STRABAG SE in 2014, followed by the acquisition of K+K Elisabeta by Highgate Hotels and the Howard Johnson Grand Plaza Hotel by Tatika Investments in 2015.

These transactions, along with assets currently on the market, underline the rising interest of both domestic and international players.

# 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 **300 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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