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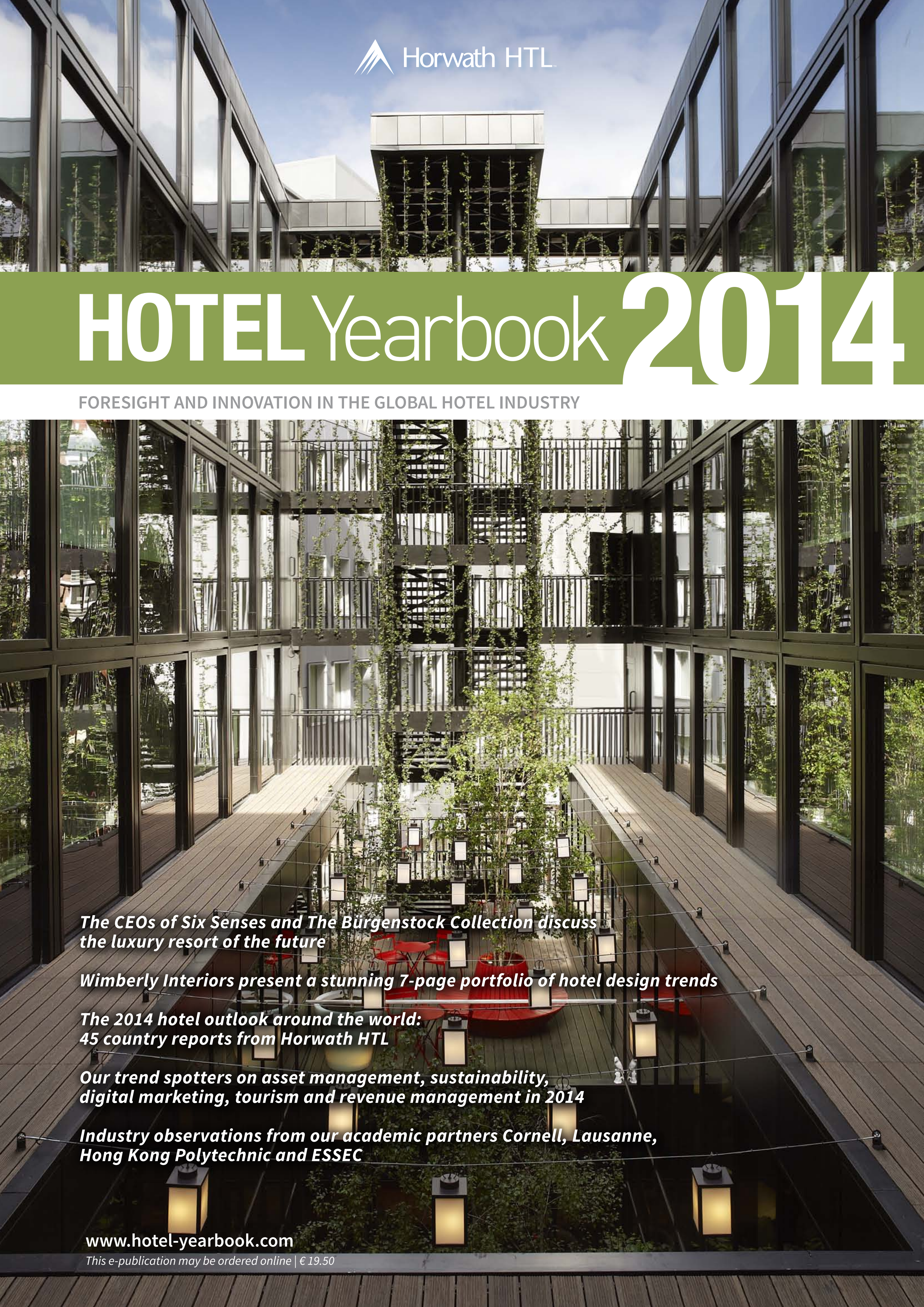
HOTEL Yearbook 2014

FORESIGHT AND INNOVATION IN THE GLOBAL HOTEL INDUSTRY



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2014 COUNTRY REPORT

Horwath HTL

Hotel, Tourism and Leisure

At Horwath HTL, we focus one hundred percent on hotels, tourism and leisure. With over two hundred and fifty professionals world wide, our network can draw on a tremendous amount of international experience and local knowledge that gives us, and our clients, a unique advantage.

We offer a broad range of advisory solutions that covers the whole cycle of the hotel product, starting with planning and development, on to asset management and operational advice, to transactional and financial restructuring. At any stage, Horwath HTL will add value to your project and ensure that you receive the very best support every step of the way.

www.horwathhtl.com

__Philippe Doizelet__ is Managing Partner of Horwath HTL based in Paris. Before joining Horwath HTL, he was Corporate Head of Research at Accor. Philippe's business skills include market and feasibility studies, due diligence services, appraisals and hospitality strategy. Philippe held positions as senior consultant with KPMG Leisure and Tourism and was Strategic Project Manager with Europcar International car rental, and has over 25 years of international experience in the hospitality, tourism & leisure sector.

FRANCE

by ***Philippe Doizelet***

2013 SNAPSHOT

- At the level of the overall French economy, the hotel climate remains stable.
- As per STR Global data, French RevPAR growth as of YTD October 2013 remains moderate at €112 or +1.6% versus 2012.
- Prospects for full-year 2013 confirm RevPAR growth in the range of 1.5% to 2.0%. This performance in RevPAR is driven mainly by ADR growth, whereas occupancy remains stable.
- ADR is being pulled up by the upscale and luxury segments, which are demonstrating a capability to increase their rates above inflation.
- France remains the second largest European market for hotel transactions, including sell and management back deals from hotel groups and trophy assets.

BUSINESS SCENARIOS FOR 2014 AND BEYOND

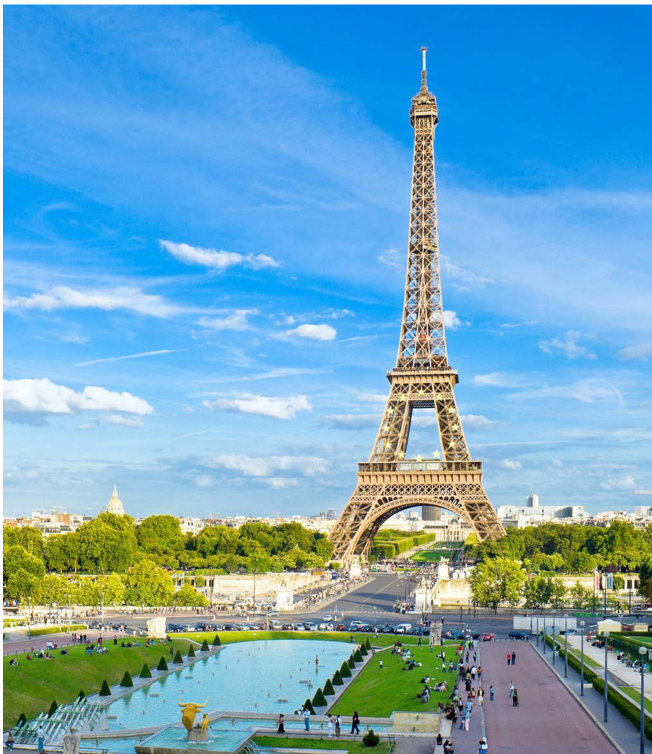
Historically, the evolution of French RevPAR has been influenced by the growth in GDP and major events like the soccer World Cup in 1998 or the rugby World Cup in 2007. No such major event is scheduled in France before the soccer Euro in 2016 and the Ryder Cup in 2018. However, the perspective for 2014 is rather better than in 2013. Prospects for 2014 indicate a forecast of GDP growth of 1.2% comparing favorably with the 0.1% growth rate in 2013. In this context, RevPAR growth for 2014 could be in the range of 2% - 4%, depending on the price sensitivity of demand.

Another important factor will be the VAT increase on hotels taking effect on 1 January 2014. For years, the French VAT rate applicable to hotels was 5.5% on rooms and 19.6% on F&B. In 2009, the Sarkozy government aligned F&B with rooms at 7%, except for alcoholic drinks which remained at 19.6%. The new reduced VAT rate of 10% will apply to hotels and restaurants, whereas the regular VAT rate of 20% will apply to alcoholic drinks (19.6% today).

With this reform, France demonstrates its unstable environment on top of its very complex fiscal regulation. This intervention follows massive tax increases in 2012 and 2013, and will impact the profitability of the hotel sector in 2014. At the same time, labor costs remain very high, whereas recruiting qualified hotel staff is increasingly difficult despite massive unemployment.

Yet the country remains the number one tourism destination worldwide, and Paris the leading destination for international events. Although challenged in its status of global leader, France remains attractive to hotel investors, and sustained hotel values witness the resilience of the French hotel market.

From a development standpoint, French hotel supply has remained stable in volume for several years now, and a significant share of this supply is obsolete. Key opportunities are to be found, knowing France will remain characterized by a two-gear hotel market: On one hand, the Paris region, and to a lesser extent the French Riviera, driven by global business and leisure dynamics, are solid markets. On the other hand, regional markets are more volatile, but could be looked at opportunistically if well located in a city center and/or in a market renewal perspective.

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