

BORDEAUX, FRANCE

Improving with Age

Hotel Market Snapshot

June 2016



HOTELS



**BNP PARIBAS
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HIGHLIGHTS

In 2015, with the French territorial reform, Bordeaux has become the capital of the new region Aquitaine – Limousin – Poitou-Charentes, the third largest economic area behind Ile-de-France and Auvergne-Rhône-Alpes, with a GDP amounting to € 158.3 billion in 2013.

Even though it is only the 9th city on a national scale in terms of population, Bordeaux has managed to step into the spotlight in recent years.

The impetus was definitely given in 2006 with the introduction of a new mayor council. Since then, the city has been embellished, galvanised, and derelict areas have been rejuvenated. As a result, today Bordeaux is not only known worldwide for its famous wine, but also often stands out in distinct city rankings. The New York Times chose Bordeaux as the second “best place to go” in 2016, while the CSA Institute Survey positioned the capital of Gironde as the “favourite city of the French people” in 2015. The same year, Bordeaux also received the **“Best European Destination” award**².

Considering this fresh air blowing on the city and its hospitality sector, we figured it was about time we issued a Bordeaux version of our Hotel Market Snapshots.

WHAT'S NEW? WHAT'S COMING UP IN BORDEAUX?

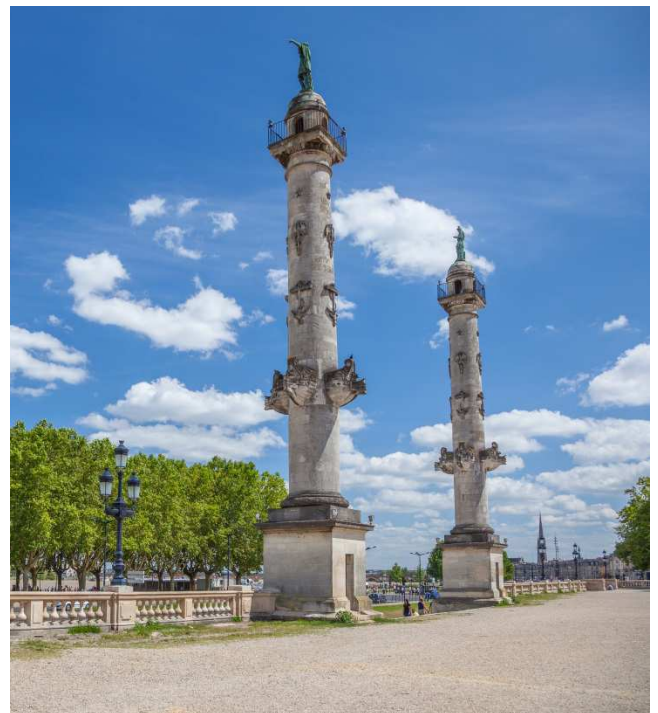
- Following a € 81.0 million investment, the **Cité du Vin** opened on 1 June 2016 in the “Bassins à Flot” district, in the North of the city. Expected to host 450 000 visitors per year, the contemporary building will present the cultural and universal heritage of wine.
- Between 10 June and 10 July 2016, Bordeaux will host **five UEFA EURO 2016** games, including one quarter final. The second largest fan zone after Paris will be installed on the emblematic Place des Quinconces.
- The increasing visibility of Bordeaux on an international scale and the recent and ongoing urban regeneration projects have started to attract **international hotel groups** to the city, until now largely dominated by the French AccorHotels. While InterContinental now operates one of Bordeaux's iconic hotels, one of the most awaited projects is the opening of a 125-room Radisson Blu in 2018. A new Louvre Hotel Group property is also rumoured to arrive in the Saint-Jean train station area.

BORDEAUX - Key Facts & Figures (2015)

Population (Inner City)	245 223
GDP per capita ¹	€ 44 849
Unemployment	10.3%
Tourism Arrivals	998 298
Overnight Stays	1 635 057
% Leisure Tourism	44.2%
% Business Tourism	55.8%
% Domestic Tourism	70.5%
% International Tourism	29.5%
Number of Hotels	143
Number of Hotel Rooms	8 613

¹ Data from 2012 / Source: BNP Paribas Real Estate Hotels, Tourism Observatory Bordeaux, INSEE

² Awarded by the European Best Destinations organisation



Place des Quinconces (Source: © Pierre Violet - Fotolia.com)



Source: © Paul Rommer - Fotolia.com

ACCESSIBILITY

Situated in the heart of France's south-western region, the city of Bordeaux enjoys a favourable location as one of the main gates to the Atlantic Ocean, along the Garonne River which used to drive its commercial economy with one of the country's most dynamic ports. The city's international airport, located 25 km from the centre, serves directly more than eighty destinations. With 5.3 million passengers in 2015, Bordeaux-Mérignac Airport (BMA) is ranked 5th French regional airport after Nice Côte d'Azur Airport, Lyon-Saint Exupéry Airport, Marseille Provence Airport and Toulouse-Blagnac Airport.

Over the past five years, BMA has demonstrated a strong rise in passenger traffic, mostly generated by **the development of low cost airline companies**. Indeed, the number of low cost passengers has recorded an uninterrupted increase since 2011, at a compound annual growth rate (CAGR) of +22.6%. To accommodate this growing demand, BMA opened in 2010 a new terminal dedicated to low cost airlines and which benefited from the addition of a 1 000-m² extension in summer 2015.

Overall, in 2015 the total number of **passengers at BMA exceeded the 5.0 million mark** (5.3 million), recording a +29.4% growth compared to 2011, or a CAGR of +6.7% over the period.

The development of international routes along with Bordeaux's increased international visibility led to a +8.0 point progression of international passengers from 2011 to 2015. Today, foreign travellers account for 46.6% of total passengers. Thirteen new destinations were launched in 2015, while another twelve have opened since early 2016. Mostly seasonal, these include destinations in France, Spain, Portugal, Italy and Germany.

In 2017, construction works for **a new 5 000-m² hall** are expected to start at BMA, to ensure the junction between the two existing halls. The project is scheduled to be delivered in 2019, which should coincide with the completion of the expansion of the tram line A from the city centre to the airport.

DEMAND

Despite decreases in the number of tourist arrivals in 2012 and 2013 – mainly due to a -4.0% decline in national demand between 2011 and 2013, Bordeaux recorded an overall **growth of +11.9% in arrivals between 2011 and 2015**. Following a similar trend, overnights increased by +14.8% over the 2011-2015 period, despite a slight drop of -2.3% in 2012.

As the **"Best European Destination" in 2015**, Bordeaux welcomed close to a million tourists and counted more than 1.6 million overnights. The average length of stay rose from 1.59 nights in 2011 to 1.64 nights in 2015.

Bordeaux Mérignac Airport – Passenger traffic and origins 2011-2015 (in millions)

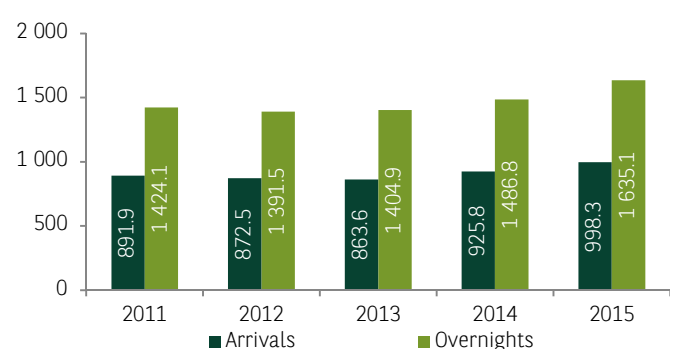


Source: Union des Aéroports Français

Despite fewer inhabitants, Bordeaux stands amongst France's regional cities where congestion is the densest, mainly due to a town planning in favour of pedestrian areas. The city benefits from an **efficient public transportation system** comprising numerous bus and tram lines as well as public boats.

Last but not least, SNCF, the French national railway company, is currently developing the **LGV Sud-Ouest high-speed railway** which will place Bordeaux 2h05 away from Paris from 2017 onwards (against 3h20 today). The capital of Gironde should also benefit from a new high-speed train service to Toulouse in 2024. These developments are expected to enhance the city's attractiveness by making it a central hub in south-western France. As a matter of fact, Eurostar is even considering a direct line London-Bordeaux from 2019 onwards which would connect the British capital to the world's wine capital in 4h30.

Evolution of number of tourists and overnight stays 2011-2015 (in thousands)



Source: Comité Régional de Tourisme d'Aquitaine

While the city welcomes numerous international one-day visitors, whose main purpose of visit is to discover the surrounding region, **overnight stays in Bordeaux are dominated by the domestic market** which generated 70.5% of total overnights in 2015.

Regarding international visitors, European travellers accounted for 69.1% of total foreign overnights in 2015, a stable share (+0.3 point) compared to the year before. In 2015, the top 3 foreign feeder markets were Spain (20.6%), the UK (15.8%) and Germany (6.0%).

Bordeaux has become a popular tourist destination especially amongst overseas travellers. Their share has risen significantly from 24.4% of international overnights in 2011 to 30.9% in 2015 (+6.5 points). Visitors from Americas and Asia & Australia increased their shares by respectively +2.7 points and +3.2 points over the last five years.

Business Tourism

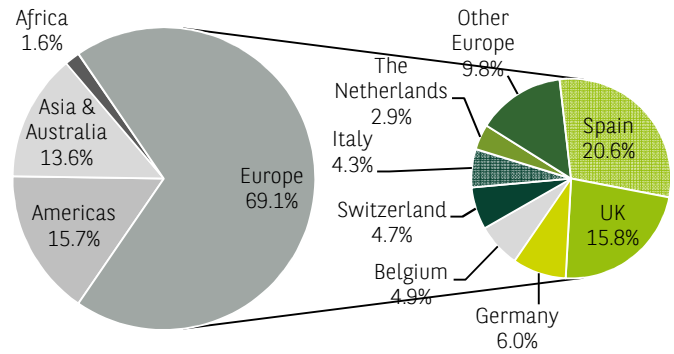
Bordeaux benefits from four main venues dedicated to business tourism - the Exhibition Centre (84 000 m²) comprising an outside terrace (120 000 m²), the Convention Centre (12 000 m²), the Hangar 14 (5 400 m²) and the Cité Mondiale Convention Centre (2 230 m²).

Over the past four years, business tourism in Bordeaux has accounted for more than half of total overnights. The city's well developed infrastructures allowed the organisation of international events such as **Vinexpo, the world's biggest wine and spirit fair** (happening biennially), the International Show Jumping Bordeaux or numerous professional seminars on health and surgery.



The Cité du Vin (Source: © Anaka)

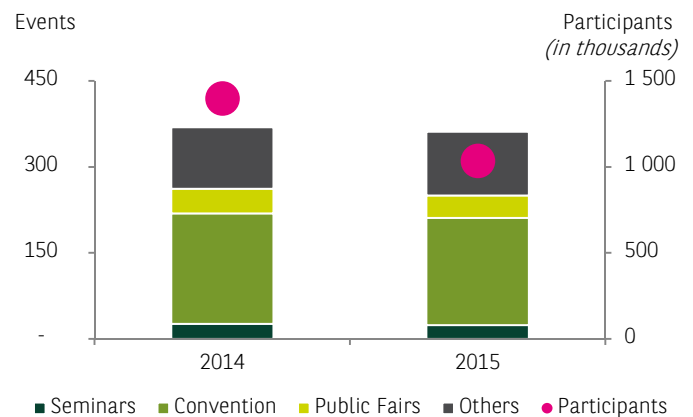
Major international feeder markets (Overnights) 2015



Source: Comité Régional de Tourisme d'Aquitaine

Despite its share of international overnights being relatively low (1.1% in 2015), the **Middle East recorded the most significant increase** in overnights, at a CAGR of +44.9% over the 2011-2015 period.

Number of business events and visitors 2014-2015



Source: Congrès et Expositions de Bordeaux

In 2015, Bordeaux benefited from two major events: the ITS World Congress (12 000 visitors) and the 63rd Hospitality Industry and Trade Union (UMIH, 1 000 visitors). Despite decreases in the number of events and visitors, the organisation of congresses and exhibitions in Bordeaux generated **exceptional revenue performances** in 2015 with over € 29.0 million, a +6.2% increase compared to 2014. In 2017, the construction of a **new hall at the Exhibition Centre** will start, for an expected delivery in 2018. Hall 1 will be subsequently renovated to increase its capacity, thereby enhancing again the attractiveness of the exhibition centre and improving the quality of its infrastructure.

Additionally, the state-of-the-art Cité du Vin offers since June 2016 a 250-seat auditorium and several conference rooms allowing the organisation of meetings and seminars.



Leisure Tourism

Nestled amidst world famous vineyards and close to the Atlantic Ocean, the Arcachon Bay and the Dune of Pilat (Europe's biggest sand dune), Bordeaux benefits from a large number of tourist attractions around the city. However, over the past years the city of **Bordeaux has become a destination on its own**. In 2015, only 45.0% of tourists visiting Bordeaux indicated their main purpose of visit to be outside the city centre.

With its city centre being listed as a **UNESCO World Heritage site** since 2007 and its label of "City of Art and History" received in 2009, Bordeaux is a highly dynamic and attractive cultural destination. The city offers an architectural mix between monuments dating back to the 11th century such as the Saint-André cathedral and urban objects designed by contemporary architects such as the innovative "Miroir d'eau" (the world's largest reflecting pool covering 3 450 m²) on the Garonne's renovated banks or the Chaban-Delmas bridge shaping Bordeaux's landscape with its futuristic outline.

Most recently, two new landmarks emerged in Bordeaux: the **Matmut Atlantique Stadium** (inaugurated in May 2015) and the **Cité du Vin** (June 2016). The first, with a capacity of more than 42 000 seats, welcomed over 885 000 spectators during its first

year of operation, and should host concerts and shows in the next few years. Another major concert hall, the Bordeaux Metropole Arena, comprising 11 000 seats, is currently under construction and should be delivered early 2018 in Floirac, near Bordeaux's Bastide district.

The **Cité du Vin**, with a permanent as well as temporary exhibitions, now completes an existing and attractive wine tourism offer with no less than 650 wine tasting venues and Châteaux in the region. It is estimated that around 400 000 people visited the Bordeaux vineyards in 2015. Besides, the **Bordeaux Wine Festival, Europe's largest wine-related tourist event** held every even year and whose 10th edition will be celebrated in June 2016, attracts about 750 000 visitors.

The capital of Gironde also counts eleven museums which welcomed a record number of over 600 000 visitors in 2015. Amongst others, the Natural History Museum should reopen in 2017 after having undergone renovation works, while the Museum of the Sea is currently under construction for an expected opening in 2018. The Garonne River is also a noteworthy touristic site as it welcomes on a regular basis prestigious boats and ships.

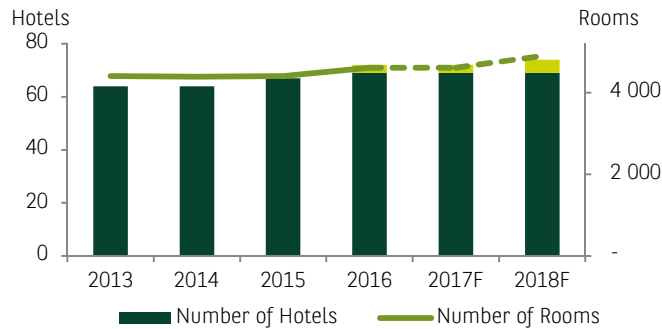


Opera House (Source: © Alain Caboche)



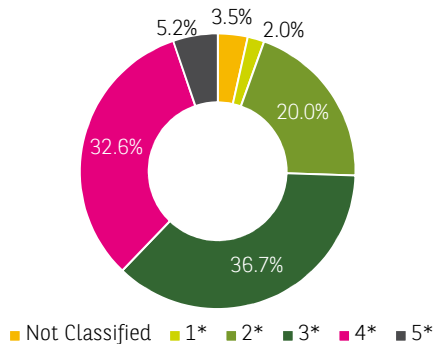
SUPPLY

Hotel supply evolution
2013-2018 forecast



Source: INSEE, Commune de Bordeaux, BNP Paribas Real Estate Hotels

Hotel rooms per category
2016



Source: INSEE, Commune de Bordeaux

One of the most awaited hotel projects is undoubtedly the **Bordeaux Maritime Resort Radisson Blu Hotel in the "Bassins à Flot" district**, near the Cité du Vin. This 4-star property, expected to open in spring 2018, will feature 125 rooms, several meeting spaces, tennis courts, a spa and a 1 000-m² terrace. Another project to keep an eye on is the **conversion of the former Virgin Megastore** (5 500 m²), located Place Gambetta in the city centre, into a 5-star, 150-room property with three bars, a restaurant and a shop. Works should start early 2017 and are undertaken by the Financière Immobilière Bordelaise (FIB). The latter is a major actor on Bordeaux's hospitality market, as it is also the owner of the iconic Grand Hôtel de Bordeaux & Spa which was rebranded as the InterContinental Bordeaux – Le Grand Hotel after the signing of a management contract with IHG in December 2015.

Regarding budget categories, a 2-star property comprising 130 rooms should open its doors under the sustainable concept Eklo Hotels – at an undefined date – in the Bastide district on the right bank. In July 2016, Bordeaux's **first private hostel** will open in South Bordeaux; the Dreamers Hostel will count 80 beds offering private rooms as well as dormitories.

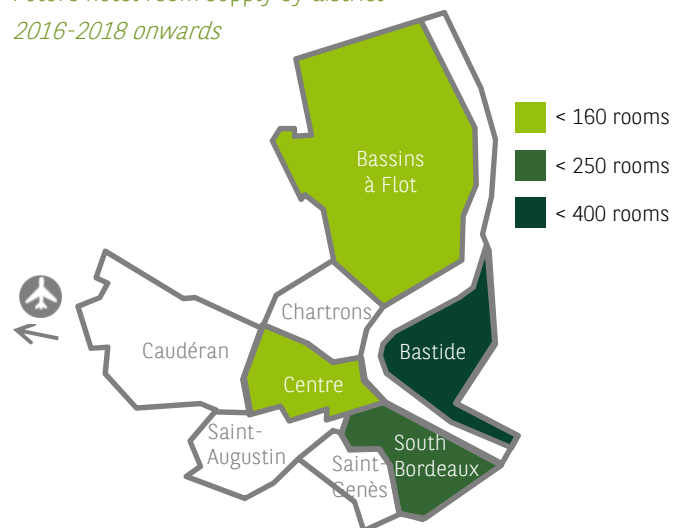
* Information not confirmed at the date of publication

In 2016, Bordeaux counted **69 hotels comprising 4 417 rooms**. Since 2013, the number of hotels has increased by five properties, while the **number of rooms has remained relatively stable**. A general upgrade in hotel categories was induced in 2012 by the implementation of the new French hotel classification. Today, the market is mainly dominated by the **3- and 4-star segments**, representing together 69.3% of Bordeaux's room supply.

Over the past five years, Bordeaux has seen few but interesting novelties in its hospitality sector, essentially characterised by small boutique hotels with an individual outstanding design. In 2013, Mama Shelter chose Bordeaux to open its fifth property. The following year, **two new venues brought up to four the number of 5-star hotels** in the city; the Yndo Hotel opened in October as a 12-room independent property, while La Grande Maison de Bernard Magrez welcomed its first guests in December with six rooms and a gastronomic restaurant recently taken over by Pierre Gagnaire, the 3-Michelin star rated French chef.

Several additional projects are currently in the pipeline, which should add close to 900 units to Bordeaux's room stock in the next years. Indeed, the city has initiated the redevelopment of several neighbourhoods through its **urban regeneration plan "Bordeaux 2030"** aimed at reinforcing its image and visibility through the construction of cultural and economic infrastructures as well as residential units and commercial spaces. The major part of this plan, **Bordeaux Euratlantique**, in the South Bordeaux and Bastide districts and most particularly focused around the Saint-Jean train station area, includes three hotels under development counting more than 100 rooms each. One of them is expected to be operated by Louvre Hotels Group as an upscale property*.

Future hotel room supply by district
2016-2018 onwards



Source: INSEE, Commune de Bordeaux, BNP Paribas Real Estate Hotels

Hotel room supply – Recent openings

2013-2016

Year	Category	Hotel	Rooms	District
2013	2*	Mama Shelter Bordeaux	97	Centre
2014	5*	Yndo Hotel	12	Centre
2014	5*	La Grande Maison de Bernard Magrez	6	Centre
2016	4*	Hôtel Vatel de Bordeaux	12	Chartrons
Total Rooms Recently Opened			127	

Source: BNP Paribas Real Estate Hotels

Hotel room supply – Future openings

2016-2018 onwards

Year	Category	Hotel	Units	District
2016	Hostel	Dreamers Hostel ¹	20 ²	South Bordeaux
2017	4*	Hotel de la Zoologie ¹	40	South Bordeaux ⁴
2018	4*	Hotel Project (Halle Debat Ponsan) ³	166	South Bordeaux
2018	4*	Bordeaux Maritime Resort Radisson Blu ³	125	Bassins à Flot
TBC	5*	Former Virgin Megastore Place Gambetta ¹	150	Centre
TBC	5*	InterContinental Bordeaux – Le Grand Hotel ^{1/5}	+20	Centre
TBC	4/5*	Hotel Project (Cours Saint-Louis) ¹	TBC	Chartrons
TBC	2*	Eklo Hotel ³	130	Bastide
TBC	TBC	Hotel Project ³	120	Bastide ⁴
TBC	Apart.	Project ³	110	Bastide ⁴
Total Rooms in the Pipeline			881	

¹ Conversion project / ² Estimated room number; 80 beds. / ³ Development project / ⁴ Part of Bordeaux Euratlantique / ⁵ Expansion

Source: BNP Paribas Real Estate Hotels

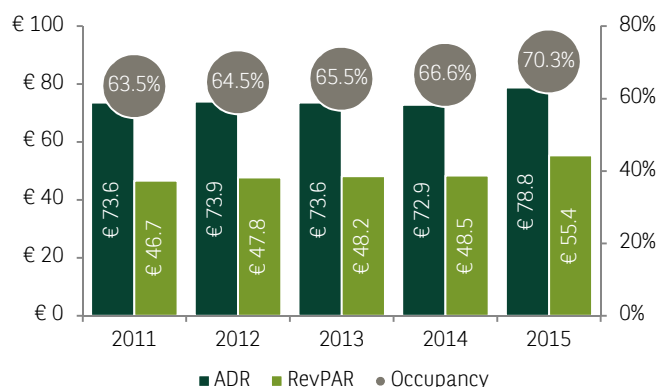


La Grande Maison de Bernard Magrez (Source: © Hotel)



HOTEL PERFORMANCES

Hotel trading performances 2011-2015



Source: MKG Hospitality Database

The opposite graph illustrates a comparison of the RevPAR levels for five major French regional tourist destinations.

Between 2011 and 2015, Lyon clearly led the field with an average RevPAR level exceeding € 60.0. Bordeaux, however, is the only city in this panel to **record a constant positive growth** since 2011, with the highest CAGR of +4.3%.

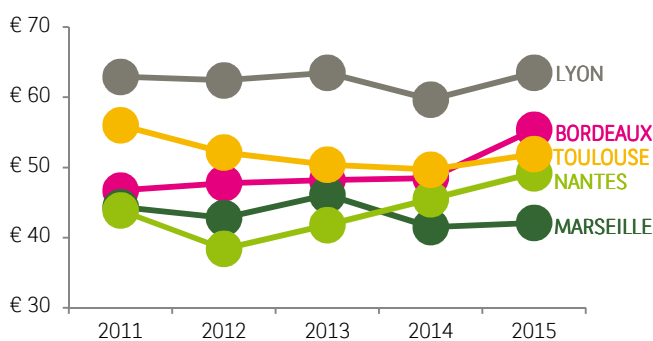
It should be noted that 2015 was an exceptional year for the French secondary cities. All cities showed strong RevPAR performances, but **Bordeaux recorded the strongest progression** (+14.2%), taking over the second place in the panel.

Over the 2011-2015 period, Bordeaux's hotel market recorded increasing performances.

The continuously growing tourism demand translated into a +6.8 point occupancy growth over the analysed period. Despite two successive decreases in 2013 and 2014, ADR recorded a strong rise of +7.0% between 2011 and 2015, leading to an uninterrupted and substantial RevPAR increase. Indeed, the performance indicator **grew by +18.6%** between 2011 and 2015 (at a +4.3% CAGR), reaching its highest level at € 55.4 in 2015 and outpacing pre-crisis levels.

In 2015, Bordeaux particularly benefited from Vinexpo and from its reputation as the **"Best European Destination 2015"**.

Key French cities - RevPAR evolution 2011-2015



Source: MKG Hospitality Database

INVESTMENT MARKET

Given the size of the market, hotel investment activity remains relatively limited in Bordeaux. The majority of single asset transactions recorded over recent years in the city were related to **conversion or development projects**.

Year	Cat.	Hotel	Rooms	Price (€)	Price per Room (€)	Seller	Purchaser
2009	2*	Mama Shelter Bordeaux ¹	97	Not disclosed	Not disclosed	Ville de Bordeaux	ADIM Sud-Ouest
2011	4*	Bordeaux Maritime Resort Radisson Blu ²	125	20 000 000	160 000	ADH concept	Redman Group
2013	5*	Yndo Hotel	12	2 500 000	210 000	Not disclosed	Private Investor
2013	4*	Seeko'o Hotel	45	15 000 000	333 333	ADH concept	123 Venture and Redman Group
2015	5*	Former Virgin Megastore Place Gambetta ¹	150	15 300 000	102 000	Generali Immobilier Conseil	Financière Immobilière
2016	4*	Hotel Project (Halle Debat Ponsan) ²	166	Not disclosed	Not disclosed	Eiffage Construction Immobilier	Crédit Agricole Assurances

¹ Conversion / ² Development

Source: BNP Paribas Real Estate Hotels, Real Capital Analytics

Further transactions concerned budget to midscale hotel assets which were sold as part of larger portfolios. Examples include the acquisitions of an Ibis Budget property and a Campanile hotel by Foncière des Murs and Crédit Agricole Assurances, both in 2011, and four B&B hotels as part of a 160-property portfolio in 2012, also by the same investment partners. In a more upscale category, the Novotel Bordeaux Le Lac was sold by AccorHotels to Turenne Capital in 2013 as part of a 5-property portfolio.

OUTLOOK

2016 is a decisive year for Bordeaux. After the recent opening of the Cité du Vin, several UEFA EURO games will be played in the Matmut Atlantique Stadium in June and July. This will be once again an occasion for the city to present its historical landmarks and its potential on the international scene.

With the inauguration of the LGV Sud-Ouest high-speed railway, **2017 is expected to be another turning point** for the city. The improvement of Bordeaux's accessibility as well as its numerous ongoing regeneration projects such as the Euratlantique project, scheduled to be completed in 2018, have lured investors of all kinds who have anticipated Bordeaux's rise. Real estate prices of all asset classes have been increasing rapidly the last few years, and investor appetite is expected to further grow in the future.

Bordeaux's hospitality sector is equally getting more and more attention, especially from **international hotel groups** which now consider the city as a primary target.

Recent hotel performances can explain this particularly strong interest; demand in terms of **overnights increased by +16.4% over the last three years**, while the total room stock remained stable (+0.6%). The significant new room supply planned for the coming years (+19.9%) should thus be absorbed rather quickly with an expected continuation of the growth in demand.

In this city where the quality of life is high and where demographics expect the **number of inhabitants to grow by +13.0% by 2030** (compared to a +5.5% national average), the development of further additional infrastructures, including leisure and business touristic sites, will be a necessary evolution to maintain and enhance Bordeaux's attractiveness in the coming years.

Not to forget that Bordeaux is not only a destination in itself but also **plays a major role in the country's reputation** as a whole, with its worldwide renowned wine region of the same name.



Seeko'o Hotel (Source: Hotel, © Arthur Péquin)





HOTELS

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We cover every stage of the hospitality property cycle and have a thorough understanding of the different challenges faced by private owners, institutional investors, financing institutions or developers. We provide targeted expertise in response and our service offer is fully adaptable to meet your specific needs and requirements.

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** 16 under direct ownership and 20 alliances*

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Cover page: Place de la Bourse and Miroir d'Eau (Source : © Delphostock - fotolia.com)

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