

GENEVA

RIPE FOR BUDGET?

MARKET PULSE

FEBRUARY 2018

TOURIST ARRIVALS – NOV 2017



▲ 4.2% YOY
1.3 MILLION

AIRPORT PASSENGERS – 2017



▲ 5.0% YOY
17.4 MILLION

EUR:CHF – JAN 2018

9.4% YOY ▲
€1.17:CHF1.00



CONFERENCE MARKET – 2016

0.5% YOY ▲
1,443,000 ATTENDEES



MARKET PROFILE

Geneva is the second most populous city in Switzerland (after Zürich) with a total population of around 200,000 (2016). The destination is widely regarded as being a global city, mainly on account of the presence of numerous international organisations, including the headquarters of many UN agencies (ITC, WHO, UNHRC). The economy is focused on the service sector with a large number of financial institutions, private banks especially. The city is also considered a hub for the watchmaking industry, with numerous luxury brands headquartered there, and is home to major international research and development laboratories.

ECONOMIC BACKGROUND

Over the last decade, the Swiss franc has appreciated significantly against the euro, making the country more expensive for foreigners. The peg against the euro at CHF1.20 put in place in 2011 was lifted in January 2015. While it led immediately to another abrupt appreciation, the Swiss franc weakened in January 2018 to its lowest level since the lift at CHF1.17.

HOTEL PERFORMANCE

- While Geneva benefits from relatively stable business demand throughout the week, the hotel market continues to suffer, although 2017 was slightly better, from its inability to capture the leisure segment during weekends and public holidays, which explains the historical marketwide average occupancy of around 64-65%;
- Even though average rate has decreased significantly over the last decade, Geneva's hotel market still achieves one of the highest average rates in Europe. The decision to lift the peg on the Swiss franc to the euro in January 2015 has put more pressure on hoteliers who were forced to decrease prices.

ECONOMIC INDICATORS – SWITZERLAND

	2017A	2018F	24-MONTH FORECAST
GDP GROWTH (%)	+1.0	+2.1	▲
CPI (%)	+0.5	+0.9	▲
UNEMPLOYMENT (%)	3.0	3.0	▶

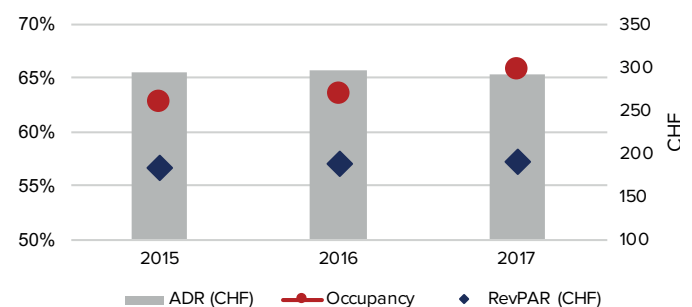
Sources: Economist Intelligence Unit; IMF

EXCHANGE RATE EUR:CHF



Source: Oanda

KEY METRICS*



* Branded hotels (upscale to luxury)

Source: HVS Research

TOURISM DEMAND

While visitation to Geneva grew moderately between 2006 and 2014 to reach 1.4 million visitors, 2015 and 2016 were more difficult years owing to the currency dynamics. Year-to-November 2017 numbers indicate a positive trend with a year-on-year increase of 4.2%. Geneva's tourism industry appears to have benefited from the tragic events taking place in Paris and London as some travellers visited the Swiss city instead. Switzerland is perceived as a safe destination.

HOTEL SUPPLY

Hotel supply has remained relatively stable in recent years, with minor variations related to the reorganisation of some hotels' inventory and renovation works. As of October 2017, Geneva had 120 hotels providing some 15,238 rooms, which is quite substantial given the small size of the city. The market is geared towards the upper end of the spectrum with four- and five-star hotels accounting for more than 55% of the total room inventory.

The majority of the recently opened properties and new supply will complement the somewhat limited budget offer and bring well-known economy lifestyle concepts to the city. At the luxury end of the sector, opportunities have arisen for new brands following the recent deflagging of the Hotel Metropole and the Richemond as well as the development of a 26-room property rumoured to be operated by the Aman Group.

INVESTMENT MARKET

Geneva's hotel market is rather illiquid, mostly due to a lack of sellers, with very few transactions taking place in recent years, as illustrated in the adjacent table. The most recent hotel transaction was the acquisition of the Hotel Suisse Geneve by SPA Immobilien Schweiz from Swiss Prime Site. For the latest value trends, please refer to our annual *European Hotel Valuation Index*.

OUTLOOK

The outlook for visitation to Geneva remains stable, despite a slowdown in the conference market, as the effects of lifting the currency peg are expected to materialise in the coming months in light of the booking lead time for large events. While barriers to entry in the city centre remain extremely high, the development of the budget sector on the outskirts might help hoteliers attract leisure demand to a destination that has thus far been particularly expensive to visit.

VISITATION



Source: OFS

HOTEL PIPELINE

Property	Rooms	Opening
ibis Geneve Centre Lac	122	Recently Opened
The Ritz Carlton Hotel de La Paix	74	Recently Opened
ibis budget Palexpo	112	Recently Opened
ibis Styles Palexpo	111	Recently Opened
ibis Styles Carouge	119	February 2018
Groupe BOAS	147	2019
Proposed Hotel West Park Vernier	TBC	2019
YotelPAD Plan-les-Ouates	118	2019
CitizenM	144	2020
MEININGER Geneva	104	2020
Radisson Blu Hotel	250	2021

Source: HVS Research

HOTEL TRANSACTIONS – SWITZERLAND

Property	City	Sale Date	Number of Rooms	Estimated Price (CHF)	Price Per Room (CHF)
Park Hotel Weggis	Weggis	Jul 2017	52	45,000,000	865,000
NH Fribourg	Fribourg	Aug 2016	122	Undisclosed	
Hotel Suisse Geneve	Geneva	Mar 2016	57	27,400,000	481,000
Palace Luzern	Lucerne	Dec 2015	136	50,000,000	368,000
Mövenpick Lausanne	Lausanne	Mar 2015	337	74,000,000	220,000
MGallery Zurich	Zurich	Feb 2015	138	33,250,000	241,000

Source: HVS Research

VALUE TREND

REVPAR

CAPITALISATION RATES

HOTEL VALUES



Lionel Schauder

Associate
lschauder@hvs.com
+44 20 7878 7757

Arlett Hoff, MRICS

Director
ahoff@hvs.com
+44 20 7878 7753

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HVS London
7-10 Chandos Street
London W1G 9DQ, UK
HVS.com