



# PARIS SPRING IN THE STEP MARKET PULSE

APRIL 2018

## TOURIST ARRIVALS – 2017



▲ **9.9% YOY**  
16 MILLION

## AIRPORT PASSENGERS – 2017



▲ **4.5% YOY**  
102 MILLION

## BEDNIGHTS – 2017

▲ **11.7% YOY**  
36 MILLION



## CONFERENCE MARKET – 2016

**MOST MEETINGS IN EUROPE**

**#1 ICCA RANKING**



## MARKET PROFILE

Paris is one of the world's leading business and cultural centres, and its influence on politics, education, entertainment, media, fashion, science and the arts contributes to its status as one of the world's major cities. Paris enjoys an exceptionally well balanced mix of business and leisure demand, which allows the City of Lights to have both a broad seasonality and strong average rate. Since the presidential election in May 2017, the business environment in France has experienced positive change, and the new president is well placed to implement plans to enact pro-business reforms despite resistance from the public and trade unions.

## TOURISM DEMAND

Overall visitation to Paris is robust and has remained broadly stable at 15-16 million over the past ten years. The terrorist attacks in Paris in 2015 and in Brussels and Nice in 2016 disrupted visitation to Paris, although the European Football Championships in 2016 offset some of this fall. Figures for 2017 indicate a recovery with a year-on-year increase of 10% in visitation thanks to a return of the international market (accounting for 58% of visitors). US visitors – the number one source country – and Chinese visitors returned in 2017 in record numbers. Some markets, however, have not yet fully recovered, such as the UK (Brexit?), Italy and Japan. Another sign of the tourism revival is the increase in visitors at the Louvre, the world's most-visited museum, up by 10% in 2017. 2018 looks promising with large events organised like the Gay Games in August, the 2018 Ryder Cup in September and the biennial Paris Motor Show in October.

## HOTEL PERFORMANCE

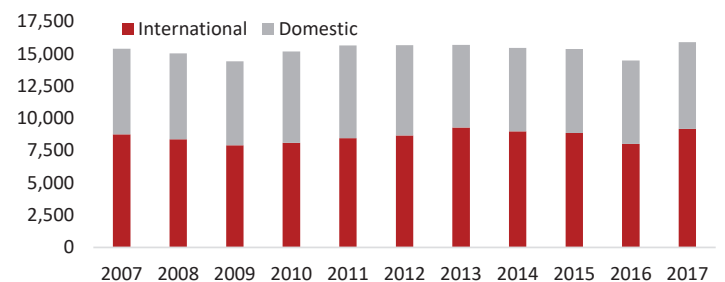
- After a few years of RevPAR decline, hotels showed signs of recovery in terms of volume in 2017, but haven't yet reached the high 80s achieved in the peak year of 2014. Meanwhile, the average rate in Paris remained under pressure in 2017;
- However, Paris's average rate performance remains at the top end in a Europe-wide comparison. 2018 looks promising with a return of average rate, according to hoteliers, and RevPAR growth seems to be trending upwards close to double figures.

## ECONOMIC INDICATORS – FRANCE

|                  | 2017A | 2018F | 24-MONTH FORECAST |
|------------------|-------|-------|-------------------|
| GDP GROWTH (%)   | +1.9  | +2.0  | ▲                 |
| CPI (%)          | +1.0  | +1.4  | ▶                 |
| UNEMPLOYMENT (%) | 9.5   | 9.0   | ▼                 |

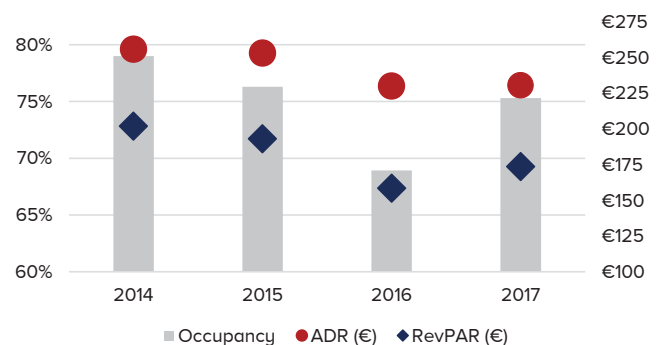
Sources: Economist Intelligence Unit; IMF

## VISITATION



Source: Paris Tourism Office

## KEY METRICS\*



Source: HVS Research

\*Sample of approx. 15,600 rooms

## HOTEL SUPPLY

Paris's hotel room supply at the upper end of the spectrum has increased significantly since 2012. As of the end of 2017, Paris had 1,600 hotels providing some 81,500 rooms. In 2017, around 1,600 rooms opened in the market including reopenings like the Hotel de Crillon (under Rosewood) and the Ritz with a partial inventory (the rest of the rooms will open in mid-2018).

The city has a substantial number of hotel projects in the pipeline (circa 6,400 rooms over the next four years) with the most relevant ones shown in the table. A third of the future openings will be located outside Paris intramuros and 16% are reopenings. Some significant trophy assets will come back to the market such as the Hotel du Louvre, the Hotel Le Lotti and the InterContinental Paris Le Grand. Other luxury hotel openings include the Hotel Lutetia, the Fauchon L'Hotel Paris, the Cheval Blanc Samaritaine Paris and Bulgari Paris.

Innovative hotel concepts were also launched in Paris such as the recently opened The Hoxton, the citizenM Paris Gare de Lyon and Yooma Urban Lodge. New brands to enter the market in the future are Motel One, 25hours Hotel, Joe&Jo (AccorHotels' new brand), MEININGER and Kimpton (part of IHG Group).

## INVESTMENT MARKET

Paris's hotel investment market is rather liquid and sought-after despite the recent turmoil. The most recent and significant hotel transaction was The Westin Paris – Vendôme, sold by Singapore sovereign wealth fund GIC to Henderson Park for €550 million (or €1.3 million per room, the highest per key European transaction in 2017, still to complete). The asset is Henderson Park's second landmark hotel in Paris following its acquisition of the city's largest hotel, Le Méridien Etoile, in 2016. For the latest value trend, please refer to our annual *European Hotel Valuation Index*, which showed that, despite a decrease in 2016, Parisian hotels still had the highest values over the past ten years compared to the European markets.

## OUTLOOK

After the violence that rocked France in 2015 and 2016, Paris remains a favourite for investors and no uncertainty seems to have been factored into acquisitions. The city is still one of the most attractive markets in Europe and, once again, has the highest price per room in our HVI. Despite the poor performance of the market in 2016, the overall perception remains one of strong performance, with the city's hotels recording the highest average rates in the world, and high barriers to entry compounding potential investment returns. The future organisation of large events, such as the 2023 Rugby World Cup and the 2024 Summer Olympic Games will certainly help maintain Paris's ranking at the top.

## HOTEL PIPELINE

| Property  | Rooms | Opening         |
|---|-------|-----------------|
| Hotel de Crillon, A Rosewood Hotel                  | 124   | Recently Opened |
| The Hoxton, Paris                                   | 172   | Recently Opened |
| citizenM Paris Gare De Lyon                         | 338   | Recently Opened |
| Niece Paris Curio Collection by Hilton              | 52    | Recently Opened |
| Motel One Porte Dorée                               | 255   | May 2018        |
| Hotel de Berri, a Luxury Collection Hotel           | 76    | May 2018        |
| Hotel Lutetia                                       | 184   | May 2018        |
| Maison Astor Paris, Curio Collection by Hilton      | 135   | Jun 2018        |
| 25hours Hotel Terminus Nord                         | 236   | Aug 2018        |
| Fauchon L'Hotel Paris                               | 54    | Sep 2018        |
| JO&JOE Hotel Gentilly                               | 240   | Q4 2018         |
| Hotel Barriere Le Fouquet's (Extension of 19 rooms) | 81    | Q4 2018         |
| Hotel du Louvre, The Unbound Collection by Hyatt    | 165   | Dec 2018        |
| MEININGER Hotel Porte de Vincennes                  | 249   | Dec 2018        |
| Hotel Le Lotti                                      | 79    | Mar 2019        |
| Bulgari Paris                                       | 76    | Dec 2019        |
| InterContinental Paris Le Grand (Refurbishment)     | 470   | Q1 2020         |
| Cheval Blanc Samaritaine Paris                      | 72    | Jan 2020        |
| Hilton Paris Eiffel Tower                           | 118   | Mar 2020        |
| Kimpton Hotel Paris Opera                           | 149   | Q2 2020         |
| SO Sofitel Paris Champs Elysees                     | 102   | Q1 2021         |

Source: HVS Research

## HOTEL TRANSACTIONS

| Property                                 | Sale Date | Rooms | Estimated Price (€)   | Per Room (€) |
|--|-----------|-------|-----------------------|--------------|
| Motel One Porte Dorée (forward sale)     | Jan 2018  | 255   | Undisclosed           |              |
| LAZ' Hotel Spa Urbain                    | Dec 2017  | 56    | 21,800,000            | 389,000      |
| Westin Paris*                            | Dec 2017  | 428   | 550,000,000           | 1,285,000    |
| Holiday Inn Paris Auteuil                | Jun 2017  | 46    | 12,600,000            | 274,000      |
| ibis Paul Bourget                        | Apr 2017  | 180   | Undisclosed           |              |
| JO&JOE Hotel Gentilly                    | Dec 2016  | 240   | 32,000,000            | 133,000      |
| Le Méridien Etoile                       | Nov 2016  | 1,025 | 344,000,000           | 336,000      |
| Holiday Inn Paris Saint-Germain des Pres | Sep 2016  | 134   | Portfolio Transaction |              |
| Pullman Paris Tour Eiffel                | Aug 2016  | 461   | Undisclosed           |              |
| Pullman Paris Bercy                      | Jul 2016  | 396   | Undisclosed           |              |
| Sofitel Paris Le Faubourg                | Mar 2016  | 147   | 162,000,000           | 1,102,000    |

Source: HVS Research

\*Yet to complete

## VALUE TREND

REVPAR



CAPITALISATION RATES



HOTEL VALUES



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