



RESEARCH

**AT A GLANCE
Q1 2023**

HOTEL MARKET IN FRANCE

ENCOURAGING PERFORMANCE

€0.6bn

INVESTED IN Q1 2023

+39%

VS Q1 2022

€62.4

REVPAR IN Q1 2023

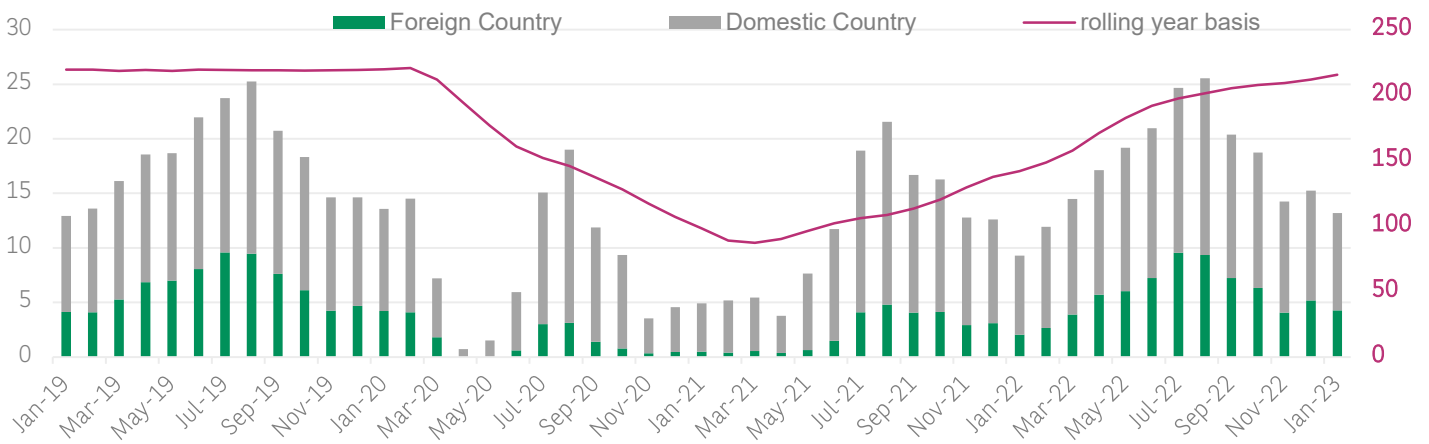
+16.6%

VS Q1 2019

ECONOMIC CONTEXT

Despite ongoing inflation gripping the global economy, French GDP has proved more resilient than expected. It is expected to grow by +0.5% in 2023, after +2.6% last year. However, rising prices continue to dampen consumer sentiment. Household purchasing power and consumption fell in 2022. Food has now superseded energy as the main component of this inflation, which will be slow to fall, having reached a year-on-year increase of +6.3% in February. Nevertheless, the economy is still underpinned by a strong job market, with unemployment nearing an all-time low (7.0% in Q4 2022).

Monthly overnight hotel stays (million)



PERFORMANCE

Following the series of lockdowns in 2020 and 2021, tourism appears to have at last recovered in 2022. Yet although tourists have been returning since 2022, hotels still reported -16% fewer overnight stays in Q1 than during the pre-Covid period. The fall rises to -36% for stays by foreign tourists. Conversely, there was a record number of over 50 million overnight stays in July and August during the summer holidays.

As such, 2022 ended up a shade below 2019 (-3%), but the share of international tourism is back to its pre-crisis level. The end of the zero-COVID policy in China should help Asian tourism to recover, after rather a weak year in 2022. Momentum in 2023 is therefore favorable, even though social unrest at the beginning of the year could have a negative impact on stays in major cities.

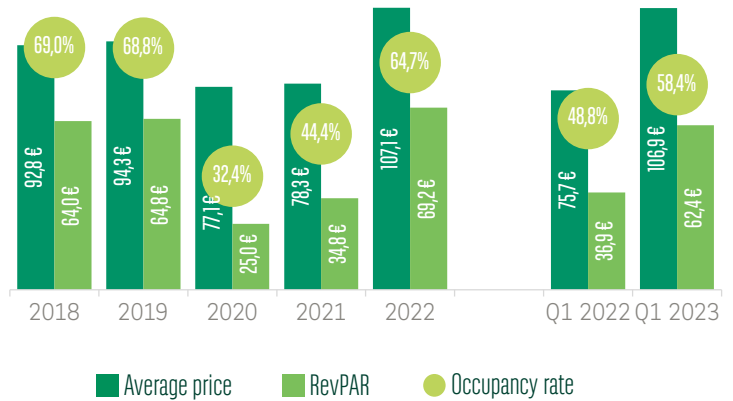
HOTEL TRADE PICKING UP AGAIN

Although the beginning of 2023 was affected by various strike actions, Q1 was a very good quarter for the hotel trade with average RevPAR at €62.4 (+42.8% vs Q1 2022).

There were good visitor numbers for ski resorts over the winter period compared to the previous season. The return of foreign customers, especially the British (+15% vs. 2019 according to Insee), was also a highlight. Early 2023 was the first Q1 without a lockdown in 2 years; the 2021 and 2022 seasons were badly affected by the health measures.

There has also been an increase in average price (+19.9% vs Q1 2019).

Trading performance in France in € excluding taxes



HEALTHY TREND ON ALL SEGMENTS

The overall hotel figures show a robust trend. The average price is up for all segments (+19.9% vs 2019).

The high-end sector showed the strongest growth compared to 2022 but also vs 2019 with RevPAR growth of +23%, and average price up +29.6%. However, the segment is yet to return to its pre-crisis level (-3.2 basis points vs. 2019). The mid-range hotel sector also performed very well, with the occupancy rate close to its 2019 level (-0.6 basis points). Super-budget and budget hotels continued their momentum with growth of 12.1% and 10.1% respectively vs. 2019.

These outstanding figures further demonstrate the strength of the hotel industry's recovery.

Trading performance in France in 3 months in € excluding taxes, versus 2019

	Occupancy rate	Average price	RevPAR
Global	58.4% -1.7 pt	€106.9 +19.9%	€62.4 +16.6%
Budget	57.3% -1.5 pt	€53.7 +15.0%	€30.8 +12.1%
Economy	58.1% -2.1 pts	€79.6 +14.1%	€46.2 +10.1%
Midscale	59.5% -0.6 pt	€121.9 +18.3%	€72.5 +17.1%
Upscale	59.2% -3.2 pts	€249.3 +29.6%	€147.5 +23.0%

RECOVERY WELL UNDERWAY

Most cities have returned to positive RevPAR vs. 2019 but this growth is partly due to the increase in the average price (+19.9% vs. 2019). The return of foreign customers to ski resorts should also be considered, as should the school holidays and the continuation of post-covid "revenge travel".

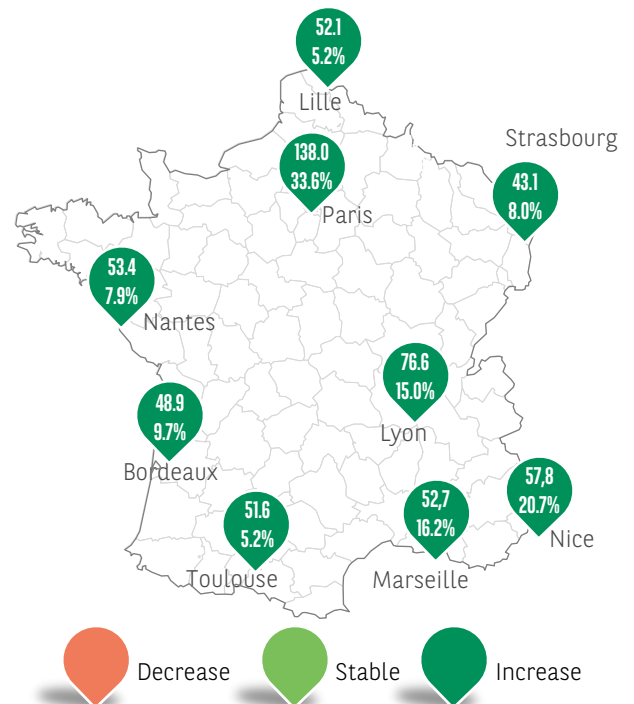
Indeed, visitor numbers have not recovered in all regions (Corsica -7.9 pts, Brittany -4.2 pts, Normandy -4.8 pts), with some struggling to get back to pre-crisis levels. Fortunes could change with the arrival of spring.

Meanwhile, occupancy rates in the PACA and Centre Val de Loire regions have recovered handsomely, with RevPAR up by +17.9% and +17.4% respectively compared to 2019.

Paris performed best over the period in terms of both visitors and average price (+32.4% vs. 2019).

Despite high inflation in France, the hotel industry is regaining its appeal.

Trading performance in France in 3 months RevPAR in € excluding taxes, versus 2019



HOTEL INVESTMENT IN FRANCE

Investment in hotels in Q1 2023 came in at €598m (+39% vs Q1 2022). This was a strong start to 2023, with Q1 +27% higher than its 10-year average.

These figures show that investors are still keen on this asset type, we also note that almost all of them are French.

There was one eye-catching deal for over €100m during the quarter, which was the acquisition of the 4-star Hotel California (Paris 08) by TIKEHAU CAPITAL.

INCREASE IN INDIVIDUAL TRANSACTIONS

Once again, most deals were for individual assets (28 vs 2 portfolios). All told, €558m changed hands in individual deals, vs €40m for portfolio transfers.

Two portfolios were transferred over the quarter:

- The acquisition of the Campanile portfolio by the ETERNAM group, consisting of four hotels in Bayonne, Poitiers, Vierzon and Brest totalling 192 rooms.
- The acquisition of three hotels (Mercure Omaha Beach, Mercure Rouen Champs de Mars and Ibis Rouen Champs de Mars) by Extendam, Bpifrance and Atypio (272 rooms).

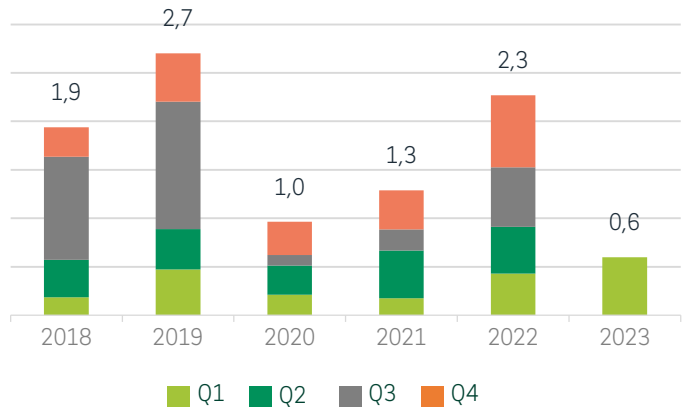
REGIONS AS ATTRACTIVE AS EVER

In early 2023, the regions once again accounted for most transactions in France, with 52% vs 48% for Greater Paris.

However, there were nine significant deals in Q1 in Greater Paris, including the off-plan purchase of the future Moxy by Marriott with 91 rooms in Clamart, and the Eiffel Blomet hotel in the 15th arrondissement of Paris, by La Financière M.P. Landowski.

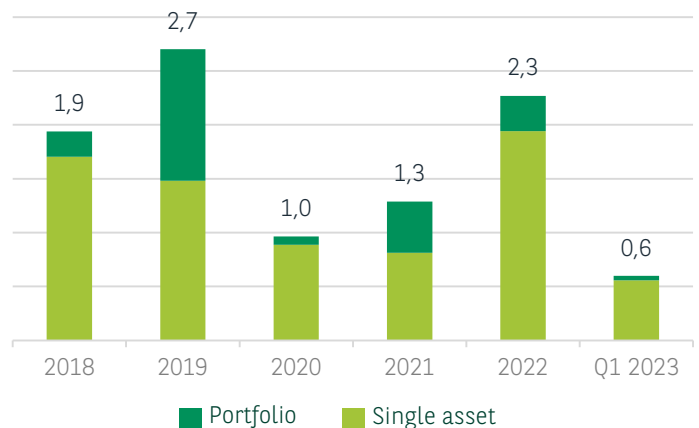
In the regions, we note the acquisition of the Pullman Cannes Mandelieu Royal Casino in Mandelieu La Napoule by Poseidon Hospitality (a 4-star hotel with 213 rooms) and the purchase of the 4-star Splendid hotel in Cannes by a private investor (62 rooms).

Hotel investment in France by quarter
€ billion



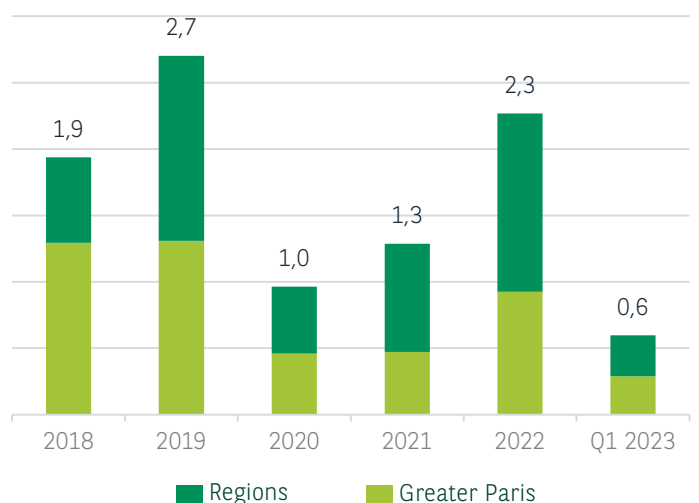
Source: BNP Paribas Real Estate

Hotel investment in France by type
€ billion



Source: BNP Paribas Real Estate

Hotel investment in France by geographical breakdown
€ billion



Source: BNP Paribas Real Estate

HOTEL & TOURISM NEWS

CHINESE CUSTOMERS TRICKLING BACK

The Chinese quarantine is over. Since January 8, travellers to or from China now only need to have a negative Covid test taken within the last 48 hours. France has long awaited the return of Chinese customers, but despite the lifting of health restrictions, the recovery is far from reaching pre-crisis levels.

Indeed, tourism professionals have been struggling to restore the pace of air traffic between France and China to 2019 levels for several weeks. By March 2023, France had recovered 87% of its traffic compared to 2019. The Chinese are back to just 20% (vs 2019).

Air France currently has only one flight per week to Beijing and two to Shanghai. Although the airline plans to step up this frequency, it does not plan to exceed 14 flights a week this summer. Whereas Chinese airlines are allowed to fly over Russia, European airlines are banned from doing so. This skewed competition increases the journey time to China by 2 to 3 hours, resulting in additional fuel and crew costs.

The risk is that in the long term only Chinese companies will fly between France and China.

Air traffic with China (thousands of passengers per month)



FOCUS ON THE LIFESTYLE CONCEPT

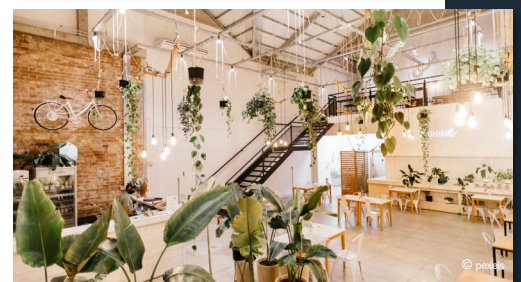
While lifestyle is by no means a new hotel concept, it is the sector that has enjoyed the highest growth in recent years. Generally speaking, it is a modern concept offering a unique experience. The hotel in this case is an elegant venue with more convivial and relaxed living spaces where everyone can find their place. The setting is designed to attract and mix the target customers. It marries urban culture with luxury. There are now different ranges in this sector which offer the best personalised experience.

These new hotels attract business travellers, families as well as locals. More than just a hotel, it is a relaxing environment where guests and local residents can meet. These boutique hotels offer spaces for work, socialising or peace and quiet so as to provide guests with an ideal location and all-round wellbeing (activity, experience, sharing, etc.).

Special attention is given to food, drink and entertainment. These urban premises offer a 24-hour restaurant-bar option and high-quality service. Digitalization is core to this concept and meets the requirements and new habits of connected customers, providing them with swift, smooth service, regardless of where they are.

These hotels are usually located in stylish, historic or fashionable city centres. The decoration is carefully thought out. The place is designed to be modern and bold, but above all elegant. An original touch is needed to make the place stand out.

Several operators have been launching lifestyle concepts, such as Hilton with the Tempo and Motto hotels, Marriott with Moxy and Aloft, as well as Best Western with its Aiden brand. The Accor group has meanwhile taken centre stage with Ennismore. In 2021, Ennismore and Accor formed a joint venture, combining Ennismore's know-how with the Accor group's strength to create the autonomous entity "Ennismore". So far, this new lifestyle hospitality business has 14 brands and over 100 hotels. Several new projects are currently being developed.



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