



RESEARCH



**AT A GLANCE
Q2 2023**

HOTEL MARKET IN FRANCE
MOMENTUM REMAINS STRONG IN Q2

€1.1bn

INVESTED IN H1 2023

+19 %

VS H1 2022

€76.1

REVPAR IN H1 2023

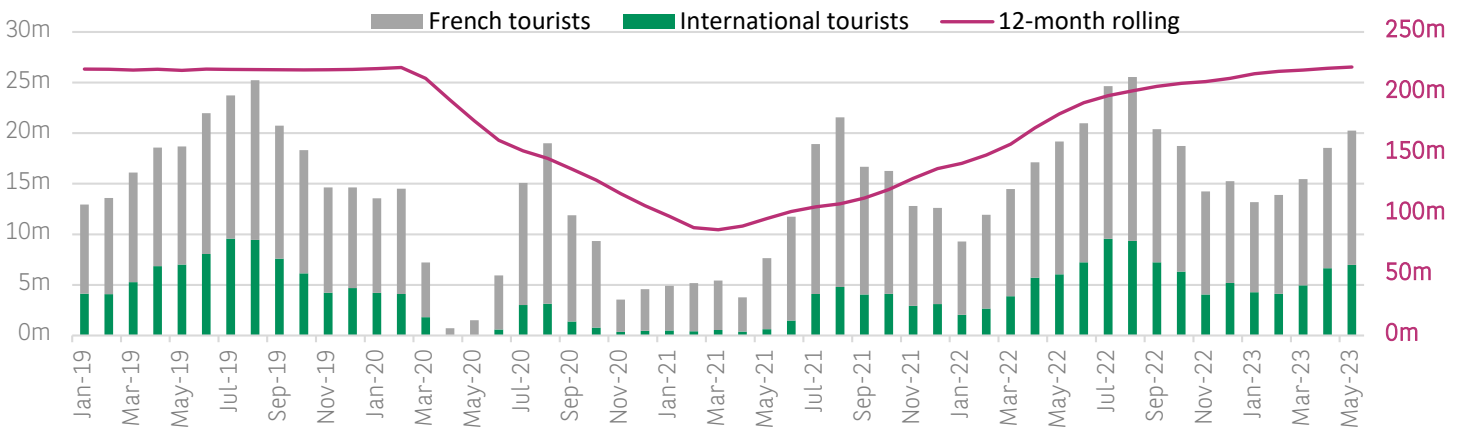
+21.4 %

VS H1 2019

ECONOMIC CONTEXT

Despite the poor economic environment, the French economy grew tangibly in Q2 (+0.5 % q/q), and should achieve slight growth in H2 to finish the year at +0.7 %. Meanwhile, inflation has started to ease. After levelling off at around +6 % y/y between October and April, the CPI grew by +4.5 % in June, and likely by +4.3 % in July. The crest of the wave seems to have passed, and disinflation should continue gradually over the year. Household consumption slipped 0.4 % in Q2, still held back by rising prices, and is limiting economic growth. Despite record employment (unemployment at 6.9 % in Q1), consumer confidence has been in the doldrums since mid-2022, dampened by geopolitical, economic and social uncertainties.

Monthly overnight hotel stays (million)



PERFORMANCE

Hotel nights were above their pre-covid average in April, and 221 million nights were recorded over the 12 months to May 2023. Global air traffic also topped its 2019 level for the first time in May, before dipping slightly in June. However, the recovery remains uneven between regions, with Asian routes still well below their pre-crisis levels, particularly China (down 68 % in June). However, Asian tourist numbers continue to rise each month (14 months of near continuous growth in Chinese-French traffic), and could increase considerably in the coming quarters.

HOTEL INDUSTRY BENEFITING FROM INFLATION

Various social movements continued to affect Q2, adding to an already tense social climate. However, hotel figures remained healthy, reporting RevPAR of € 76.1 (up 27 % on H1 2022) for all segments combined.

Hotels thrived over the first half of the year. There were many events over the period (Paris trade fair, Roland Garros, Paris Air Show, etc.) as well as a full month of long weekends in May. "Revenge" travel continues, which is boosting performance indicators.

Occupancy is close to 2019 levels (-1.5 pts), while the average price continues to rise. This helps to propel revenue per room. In the current economic climate, inflation peaks have helped to drive up the average price, offsetting visitor numbers that are still rather low.

HIGH AVERAGE PRICE

Hotel performance continues to rise. Overall RevPar is up, partly thanks to higher average prices.

The upmarket sector distinguished itself, with revenue per room of € 184.2 (+28.3 % vs. 2019), partly attributable to the sharp rise in average room prices (+34.4 % vs. 2019). However, occupancy was still lower than in 2019 (-3.2 %). This is linked to the number of international tourists, although Chinese guests are yet to make a full comeback.

RevPar in the mid-range segment also flourished (+28.3 % vs. 2019) with an occupancy rate almost matching 2019 (-1 %).

Meanwhile, budget and super-budget hotels are still enjoying positive growth, with RevPar up 15.2 % and 17.2 % respectively vs. 2019.

GROWTH FOR THE FRENCH HOTEL INDUSTRY

All major cities are back to positive RevPar figures compared with 2019. The sector is doing well overall, but the best growth is in Paris. Thanks to its many events (trade fairs, rallies, sports, etc.), RevPar in the capital is up +37.6 % compared with 2019.

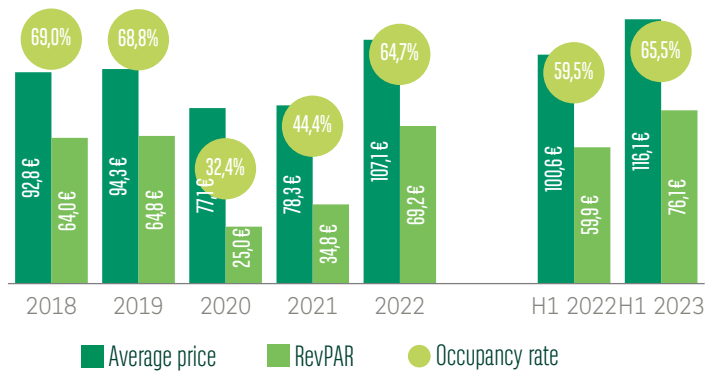
The PACA region also performed very well, taking second place with a RevPar of € 112.4 for Nice (+31.3 % vs 2019) and € 68.3 for Marseille (+22.4 % vs 2019). The region has also regained its pre-crisis guest figures (+0.5 pt vs 2019).

However, visitor numbers in most other regions are down compared to 2019 (-1.5 pt), particularly in Normandy (-4 pts) and Corsica (-5.3 pts).

The overall average price across France has risen by 24.2 % vs 2019. The regions with the biggest increases were Ile-De-France (+31.2 %), PACA (+24.7 %), Corsica (+20 %), Pays de Loire (+19.2 %) and Grand Est (+18.5 %).

Although the rise in the average price is welcome in terms of hotel performance, it could affect France's competitiveness among guests who are more price-sensitive.

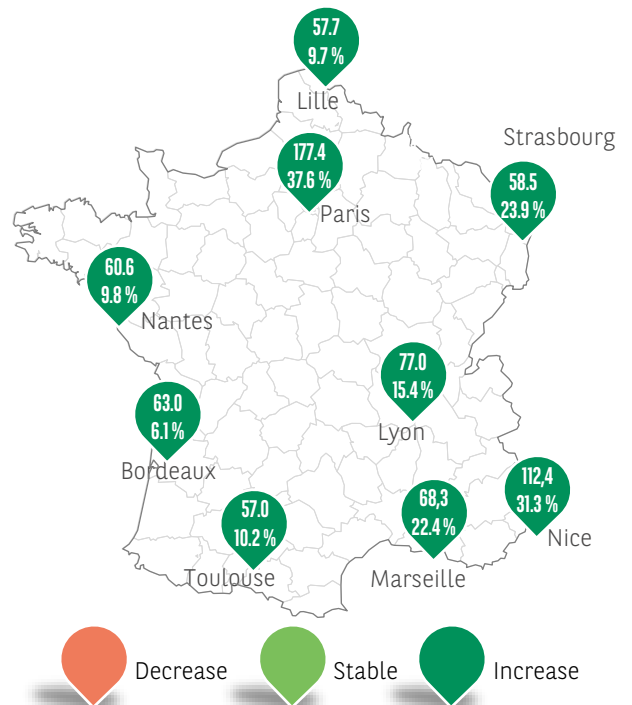
Trading performance in France in € excluding taxes



Trading performance in France in 6 months in € excluding taxes, versus 2019

	Occupancy rate	Average price	RevPAR
Global	65.5 % -1.5 pt	€116.1 +24.2 %	€76.1 +21.4 %
Budget	64.3 % -0.9 pt	€57.5 +18.9 %	€37.0 +17.2 %
Economy	65.1 % -1.9 pts	€85.5 +18.5 %	€55.7 +15.2 %
Midscale	66.6 % -1.0 pt	€131.8 +22.1 %	€87.8 +20.4 %
Upscale	67.2 % -3.2 pts	€274.3 +34.4 %	€184.2 +28.3 %

Trading performance in France in 6 months RevPAR in € excluding taxes, versus 2019



HOTEL INVESTMENT IN FRANCE

There was a 13 % fall in investment in Q2 2023 compared with Q2 2022. Nevertheless, hotel investment was positive over H1 2023 (+19 % vs H1 2022) thanks to a particularly buoyant first quarter (+54 % vs Q1 2022).

French investors are still interested in the hotel industry; France is a very appealing destination, and its market is largely domestic.

Major events such as the 2023 Rugby World Cup and the 2024 Olympic Games will lead to surges in hotel demand. These events are stimulating investment in hotels, with reassuring operational prospects for the coming years.

MOSTLY INDIVIDUAL DEALS

Since the beginning of the year, 55 individual deals have been signed, compared with 3 portfolio transactions.

Highlights over the quarter included:

The 108-room Château Mont Royal in Chantilly, which will join Intercontinental after renovation and become the brand's third luxury opening in France in the last five years. It was bought by the BMF Group and the PFH Group.

Also noteworthy was the off-plan acquisition of the future Ruby Hôtel in Marseille. This is the first hotel under the Ruby name in France with 237 rooms. It will be a few minutes' walk from Marseille's Old Port, the Docks Village shopping centre and the historic Panier district.

REGIONS HIGHLY APPEALING

The regions accounted for half of all deals in France, and some towns are popular with investors looking for desirable tourist destinations, such as ski areas and seaside resorts.

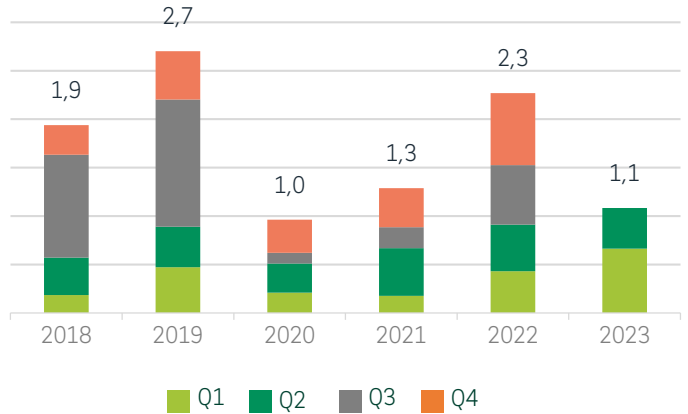
Paris and its environs are still very attractive to many investors, with € 541m invested over the first six months of the year.

Deals in Q1 included:

In the regions: acquisition of the Altaviva premises, a 4-star hotel in Tignes with 146 rooms, as well as a portfolio of 4 hotels totalling 254 rooms in the Rhône and the Yonne.

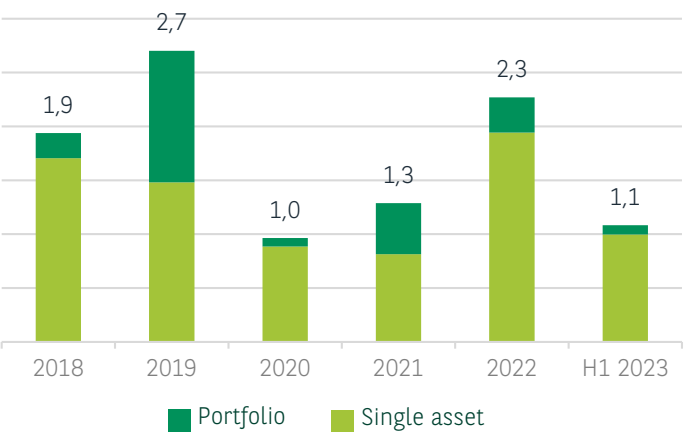
In Île-de-France: the 4-star Hôtel Élysées Régencia in Paris, avenue Marceau (43 rooms), and the 4-star Hôtel Chavanel in Paris, rue Tronchet (27 rooms) both changed hands.

Hotel investment in France by quarter
€ billion



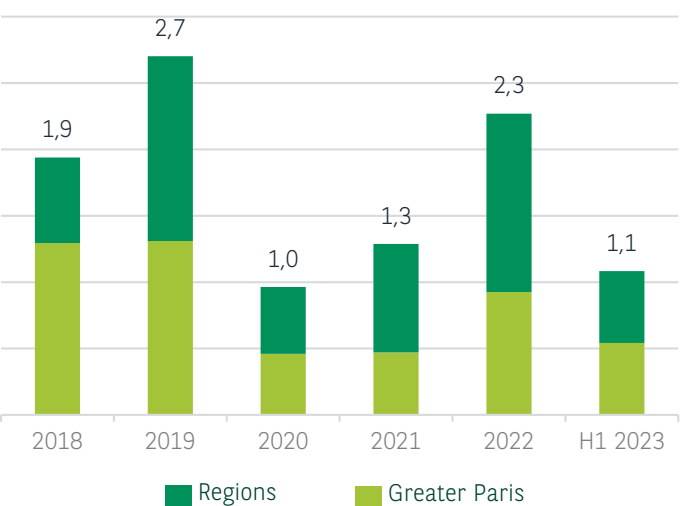
Source: BNP Paribas Real Estate

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

SPORT IS BOOSTING TOURISM

Apart from the high profile that France will enjoy from hosting two major sporting events, i.e. the Rugby World Cup and the Olympic and Paralympic Games, the tourism sector can look forward to significant economic knock-on effects.

According to Atout France, 600,000 international visitors are expected to travel to France for the Rugby World Cup in 2023. This sporting event is a major windfall for the hospitality sector, particularly in the ten host cities*.

Bookings were up sharply in most host cities at the end of May 2023, compared to the same period in 2022 (10 September to 8 October). Hotels in Toulouse and the surrounding area recorded a 400 % increase in demand, and the same increase was recorded in Nantes.

The increases in Paris and Lyon were less spectacular but just as significant, at 150 % and 240 % respectively, while in Saint-Etienne, where demand is generally moderate, booking requests jumped by 2,000 %.

Marseille is forecasting 7 times more bookings in September and October 2023 than in 2022. This global event is contributing to a surge in hotel room prices.

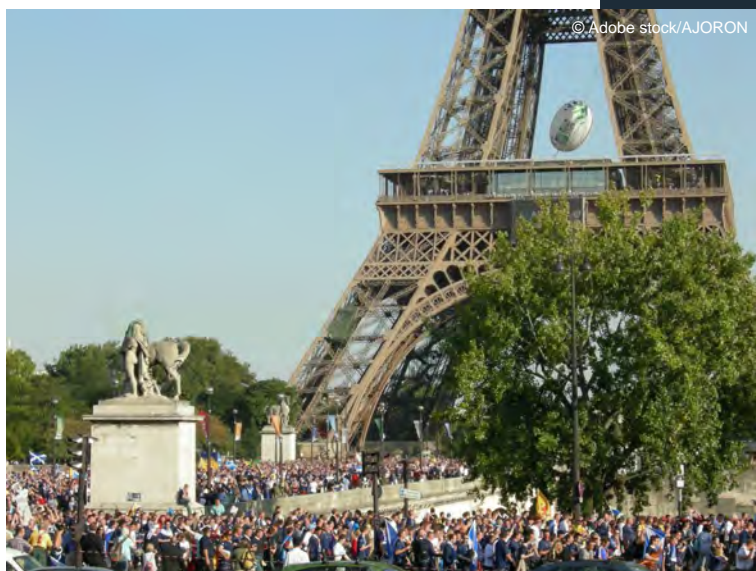
Prices across the country have risen by an average of 15.4 % (vs 2022).

Hotels in host cities have sometimes doubled their prices, as in Lille, where one hotel will be charging double the usual room rate.

The Accor group secured the partnership for the 200th anniversary of the Rugby World Cup. It is managing the accommodation platform for visitors and officials through its ResaEvents reservation centre backed by the expertise of its subsidiary Gekko. The hotel group will also provide accommodation services for the villages, athletes and media.

Through its Accor Live Limitless (ALL) loyalty programme, Accor offers faithful customers unique events, as well as the best rates for all its hotels. This is yet another way for the French hotel operator to promote all its brands.

Other hotel groups are raising their profile worldwide by partnering with the world of sport. Examples include the Marriott group with its Ritz-Carlton luxury brand, partner of the Mercedes AMG Petronas Formula 1 team, and Hilton, a long-standing partner of McLaren Racing, among others.



*Lille, Saint-Etienne, Lyon, Marseille, Nice, Toulouse, Bordeaux, Nantes, Paris, Saint-Denis.

Sources : France Bleu Occitanie, Francetv, voyages d'affaires, Hospitality

SUSTAINABLE TOURISM

Tourism is a key part of the economy. While its financial impact on the industry is considerable, its socio-environmental impact is also very significant. To meet its many challenges as best it can, for several years now the hotel industry has been implementing measures to reduce its impact and thereby limit its greenhouse gas emissions, its energy and water consumption, reduce its waste and in particular the use of plastic. A number of tools and resources have been introduced to help achieve sustainable tourism (standards and labels, guides, platforms, etc.). A study has shown that 8 out of 10 tourists appreciate the fact that the hotel has taken CSR measures.



Labels

Obtaining a label is one way for a company to show its commitment to sustainable development. This is crucial today for many customers who are keenly aware of ecotourism. There are numerous labels on the market, some of which focus on ecology, while others go further, emphasising the environment, sustainable management, environmental, cultural and social-economic impacts. There are several stages to obtaining a label, from a visit to an audit that provides an overall view of the company's objectives, as well as supporting the team and approval of an application by a panel of judges. Examples of labels include:

The international Green Key label is awarded to environmentally friendly tourist accommodation. As of 2023, the Green Key label has been awarded to 411 hotels, representing 38 % of the hotel sector in France. The Ecolabel is a stringent official label applied in all European Union countries. It is demanding in many ways and represents environmental excellence in products and services. There were 327 holders in France in 2021. Green Globe is a worldwide certification that recognises tourism businesses that have embraced social and environmental management. This highly demanding label also requires an annual audit. The Ecogite label, created by the PACA region, enables properties to qualify as Gites de France, guaranteeing travellers environmentally-friendly accommodation. Le label. Hôtels au naturel is awarded to establishments that are deeply involved in the local area and sustainable development.

Commitment Charter

To help the hotel industry tackle the problems caused by climate change, many major players have signed up to a charter of commitments known as the " Plan de Sobriété Eau " (Water Saving Plan). The tourism sector is working to reduce energy consumption and conserve resources with the aim of cutting its water consumption by 10 % by 2030. In parallel, the hotel and catering industry is planning to set up a water monitor to measure how effective the commitments are.

Zero plastic

The 2020 anti-waste law for a circular economy plans to step up the zero-plastic movement and phase out single-use plastic in the EU by 2040. The decree sets out several targets, starting with reducing, reusing and recycling used packaging, banning oxo-degradable plastic consumables and expanded polystyrene boxes. It also involves introducing bulk packaging systems, curbing excessive packaging and banning the free distribution of plastic bottles. On 11 April 2023, the French economic, social and environmental council issued a recommendation entitled "Building an international treaty on plastic pollution", recommending a ban on single-use plastic by 2040. Meanwhile, Paris aims to be a zero-single-use plastic city by the time of the 2024 Olympics.

Plastic in the hotel industry was already being phased out under the 2015 law on energy transition for green growth (French LTECV law). Many hotel operators are now taking a zero-plastic approach over and above what is required by law. They have undertaken to eliminate all single-use plastic items. Examples include the use of approved wood or cardboard to replace room keys, bamboo for pens, china or glass to replace cups, wheat fibre for toothbrushes, and biodegradable substitutes for cotton buds and other toiletries. They provide refillable dispensers or solid products for soaps and shampoos, etc. These are all greener solutions that can be embraced by everyone, whether hotel or customer.

The association Beyond Plastic Med (BeMed) has developed a turnkey methodology to help the hotel trade make the switch from single-use plastics. A pilot scheme was carried out at the InterContinental Marseille - Hôtel Dieu in 2022, and the results showed a 78 % reduction in waste, a 42 % reduction in the cost of consumables, and that staff were getting involved and saving time. Meanwhile, guests are just as pleased with their stay.

Sources : Afnor, UMIH, voyageurs d'affaires, géo.fr, Hôtellerie-restauration, Tendence Hôtellerie, gouvernement.fr, Atout France

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