



PARIS, FRANCE
Hotel Market Snapshot

No Shade in the City of Lights

January 2015





HIGHLIGHTS

Paris, the political, cultural and economic capital of France, counts approximately 2.3 million inhabitants, making it by far the country's largest city before Marseille and Lyon.

Currently **one of the world's most visited cities**, Paris welcomed 15.6 million arrivals in 2013 and 36.7 million overnights.

Thanks to its diversified infrastructure, historical heritage sites and cultural activities, the City of Lights benefits from a well-diversified demand between domestic and international travellers and between leisure and business clientele.

Our Paris Market Snapshot will give you a comprehensive insight of the city's hotel market today and in the near future.

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

- To gain economic competitiveness on the international scene, the "Grand Paris" project was initiated with the objective to improve the accessibility and connectivity of Paris' suburbs and to reduce congestion in the existing public transportation network. Construction works have started in 2014 and the first trains will operate from 2017 onwards until the complete network is finished in 2030.
- After an extensive refurbishment of € 430 million over 4 years, **the Peninsula Paris opened its doors in August 2014**. The luxury hotel includes 200 rooms and suites, 6 restaurants and bars, terraces, a spa and private reception rooms.
- In an effort to remain competitive, recent and upcoming openings have also triggered major renovation programmes at a number of upscale and luxury properties in Paris including the Ritz, the Hotel de Crillon, the Lutétia, the Hyatt Regency (former Concorde Lafayette) and the Hotel du Louvre to be rebranded Andaz.
- **Most recent openings included the Jacques Garcia-designed La Réserve Paris** which opened in February 2015 in a Haussmann-style mansion in the 8th district. It features 40 rooms, a spa, a seasonal French restaurant and a 16-metre indoor swimming pool.

PARIS - Key facts & Figures (2013)

Population	2.28 million
GDP	197 616 million
GDP per capita	86 712
GDP growth	0.6%
Unemployment	8.3%
Tourism arrivals	15.6 million
Overnight stays	36.7 million
% Leisure tourism	61.0%
% Business tourism	39.0%
% Domestic tourism	32.4%
% International tourism	67.6%
Number of hotels	1 478
Number of hotel rooms	77 438

Source: BNP Paribas Real Estate Research, Office du Tourisme et des Congrès, Paris, INSEE



Pont Alexandre III (Source: © rdnzl - Fotolia.com)



ACCESSIBILITY

Paris has 2 main international airports, Paris Roissy Charles de Gaulle and Paris Orly, both part of the group Aéroports de Paris. Roissy Charles de Gaulle international airport, located 25 km north of Paris, is the 2nd busiest European airport in terms of passenger traffic just after London Heathrow. Paris Orly airport, located 20 km south of Paris, is mainly dedicated to national flights and short and medium-haul destinations such as Southern Europe, French overseas territories and North Africa.

Thanks to the high quality of aviation infrastructures and the direct connectivity with high-speed trains, **Roissy CDG airport is a hub of international importance.**

Passenger numbers welcomed by Paris Charles de Gaulle and Orly Airports reached a record high level in 2013 at 90.3 million. Over the 2003-2013 period, the number of passenger has increased at a compound annual growth rate (CAGR) of +2.5%.

In June 2012, the Roissy CDG airport opened a new satellite (S4) of its 2E terminal dedicated to long-haul flights. Both airports are expected to benefit from further improvements and investments in the coming years in order to accommodate the growing demand.



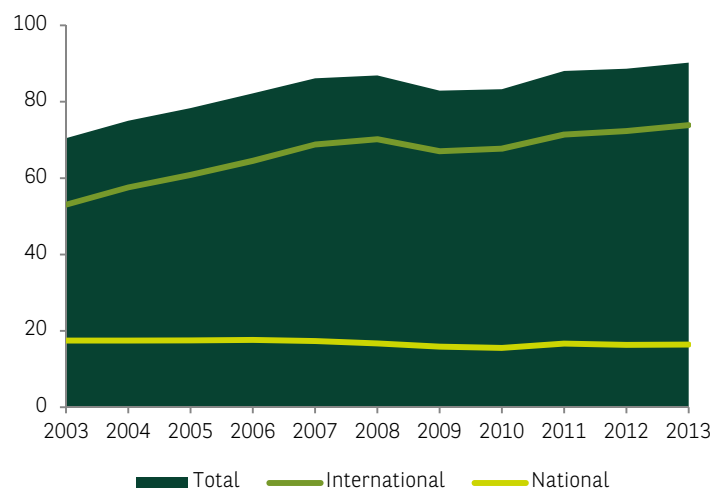
Gare du Nord (© Nicolas ROCHETTE - Fotolia.com)

DEMAND

Paris remained in 2013 one of **the most in-demand tourist destination worldwide, welcoming approximately 15.6 million arrivals**, and generating nearly 36.7 million overnight stays close to the record level observed in 2011 with 36.8 million overnight stays.

The city of Paris has **a diverse offer of both tourist attractions and business infrastructures**, and as such attracts a diversified mix of leisure clients, corporate travellers and MICE business.

Paris CDG & Orly Airports – Passenger numbers and origins 2003-2013 (in millions)



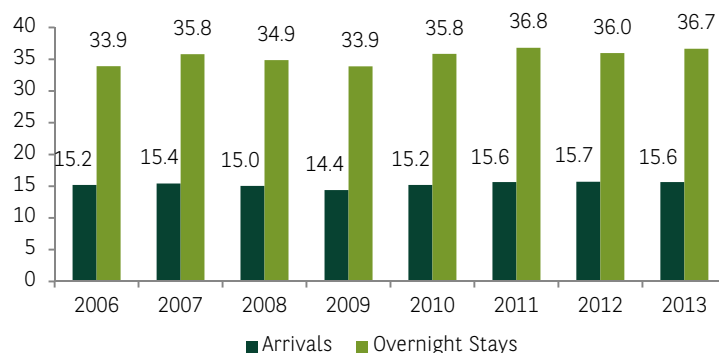
Source: Union des Aéroports Français

There are plans for the development of the CDG Express, a direct train from Gare de l'Est train station to the Roissy CDG airport which should be completed in 2023.

Besides the 2 main international airports, Paris also benefits from 2 secondary airports: The Beauvais Tillé, home to low-cost airlines, and Le Bourget, Europe's busiest business airport and the closest airport to central Paris. The latter mainly welcomes private charters, business jets and air trade shows.

Paris is also a central hub of the European rail network (Thalys, Eurostar, ICE), and the French TGV high-speed network.

Paris - Evolution of number of tourists and overnight stays 2006-2013 (in millions)



Source: Office du Tourisme et des Congrès, Paris

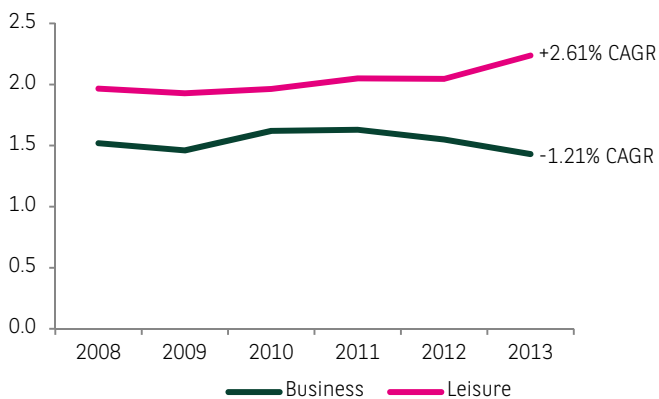
In 2013, the top 5 international source markets were the USA, the United Kingdom, Italy, Germany and Japan. Paris' tourism demand is mainly dependent on the national and European markets as they generated 62.2% of total overnights in 2013.

Demand from traditional European markets dropped in 2013 compared to 2012 reflecting the impacts of the continued financial and economic tensions which particularly impacted the Euro zone.

Significant increases in overnight stays were recorded in 2013 from **China (+21.3%), the USA (+15.1%) and the UK (+4.0%)**, while Japan and the Netherlands registered the strongest decrease with -13.4% and -10.8% respectively.

Business Tourism

Overnight stays by purpose of visit 2008-2013 (in millions)



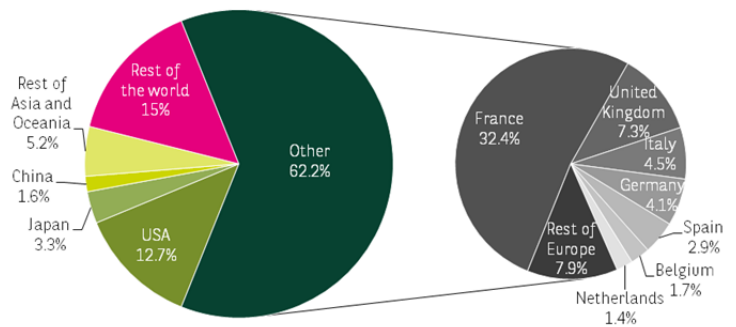
Source: Office du Tourisme et des Congrès, Paris

According to the international Congress and Convention Association (ICCA), **Paris overtook Vienna as the 1st destination in terms of number of congress events in 2013**. Paris accommodated 204 events, which represent 38.7% of the total number of meetings and congresses in France.

In the upcoming years, Paris will host major national and international biannual events such as the Foire de Paris (2015), Air Show (2015) or Paris Motor Show (2016) but also major events such as the world gas conference (2015), the international climate conference (2015), the UEFA Euro (2016), and the Ryder Cup (2018) which will attract millions of tourists. Additionally, Paris might bid for the organisation of the 2024 summer Olympics.

**It should be noted that the ICCA ranking should only be considered as a benchmark tool, as it only includes international meetings which rotate in a minimum of three different countries.*

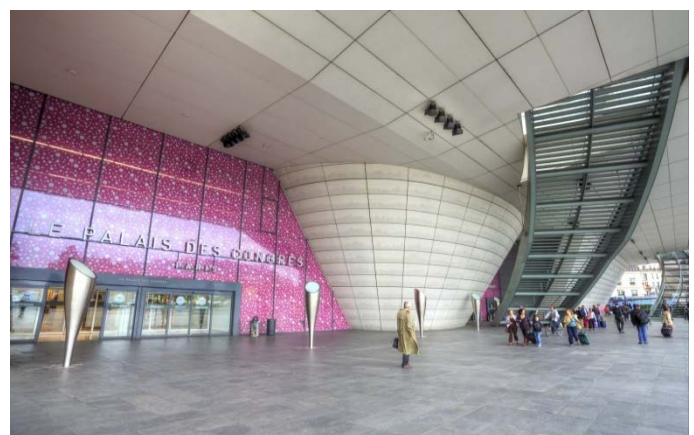
Main source markets (Overnights) 2013



Source: Office du Tourisme et des Congrès, Paris

Between 2008 and 2013, business overnights represented on average 43.1% of total room nights in Paris. Despite a decrease of -7.7% in 2013, the French capital remains particularly attractive as a business destination. Indeed, thanks to a large and diversified offer of meeting and event facilities, located mainly within the city and serviced by an excellent transport network, Paris has become a major national and international MICE destination. The Paris Expo Porte de Versailles, Carrousel du Louvre and the Palais des Congrès de Paris are the city's largest congress venues.

Other exhibition venues are located at a short distance from inner Paris such as Paris Nord Villepinte or Paris le Bourget. In addition to the existing facilities, several projects are planned in order to increase the attractiveness of the city. The extension of the Paris Nord Villepinte, the Airapolis (international Trade Centre, Roissy) and Coeur d'Orly development are amongst them.

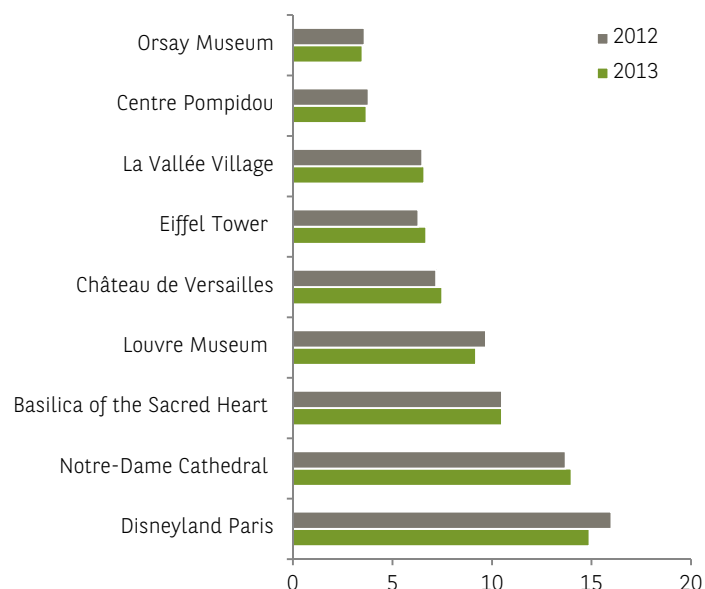


Palais des Congrès (Source: © rglinsky - istock.com)

Leisure Tourism

Thanks to its rich historic heritage and its unique architecture, Paris remained the most popular leisure travel destination in the world in 2013. The capital offers a wealth of cultural attractions with over 143 museums, 3 opera houses, 117 other cultural sites and 463 parks. In 2013, the most visited attraction was Notre-Dame Cathedral with 14.0 million visitors, followed by the Basilica of the Sacred Heart (in Montmartre) with over 10.5 million visitors. The Louvre Museum and the Eiffel Tower are ranked number 3 and 4 respectively with 9.7 and 6.7 million visitors. Moreover, several main tourist attractions are located at a short distance from Paris. Indeed, the Disneyland Paris amusement parks and La Vallée Village shopping centre, and the Château de Versailles attracted respectively 21.3 and 7.5 million visitors in 2013. In terms of leisure overnights, the French capital reached a record level at 22.4 million in 2013, thanks to a +9.3% increase compared to 2012. Since 2008, leisure overnights recorded a CAGR of +2.6%.

Main tourist attractions – Number of visitors
2012-2013 (in millions)



Source: Office du Tourisme et des Congrès, Paris

Main recurrent annual events

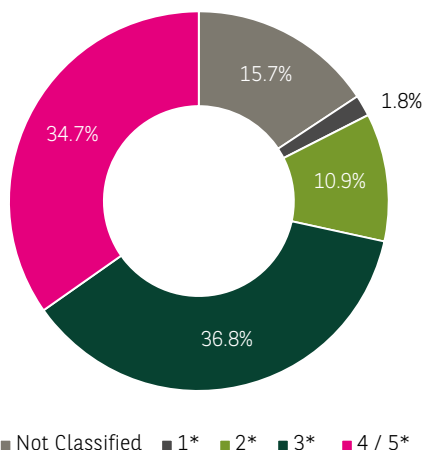
Length and number of participants in 2014



Source: BNP Paribas Real Estate Hotels

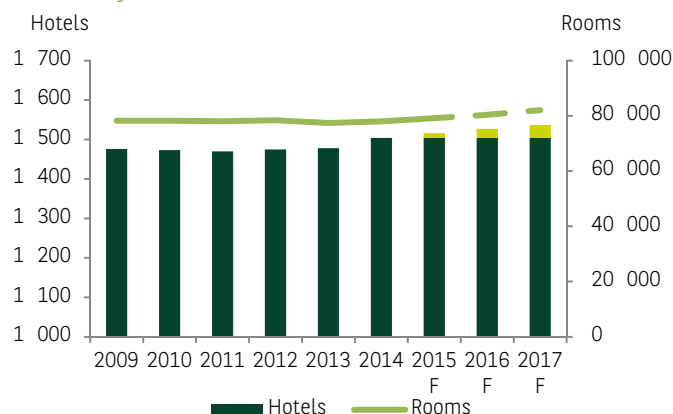
SUPPLY

Hotel rooms per category
2014



Source: INSEE

Hotel supply evolution
2009-2017 forecast



Source: INSEE, BNP Paribas Real Estate Hotels

Hotel room supply - Existing & Future
2014-2017 forecast



Source: BNP Paribas Real Estate Hotels

In 2014, Paris counted over **1 504 hotels** representing 8.7% of the total national supply. The French capital had the highest concentration of hotel rooms in the country, with approximately 77 979 units or 12.2% of total room supply.

The market is dominated by the **3 and 4/5-star hotel rooms, representing together 71.6% of total hotel supply**. The 2-star and 1-star represented respectively 10.9% and 1.8%.

Following the implementation of the new hotel classification in 2012, 15.7% of the total room capacity was not classified in 2014.

High barriers to entry and the scarcity of prime assets, combined with little greenfield development possibilities forcing to use reconversion projects – some of the latter facing fierce opposition, such as La Samaritaine (a Cheval Blanc hotel) – led to a limited supply development compared to other major destinations such as London, Amsterdam or Berlin.

Indeed, the city registered an increase of 28 hotel properties from 2009 to 2014, while **the number of hotel rooms decreased** (-265) over the same period.

Paris will witness an upward trend in the upcoming years which shows the attractiveness and the strong potential of the city. Indeed, between 2014 and 2017, room capacity is expected to increase by +5.2%, which represents **an addition of 4 503 rooms**.

Hotel room supply – Recent openings

2014-2015

Year	Category	Hotel	Rooms	District
2014	5*	The Peninsula	200	16 th district
2014	5*	Plaza Athénée ¹	+14	8 th district
2014	5*	MGallery Molitor	124	16 th district
2014	5*	Le Cinq Codet	67	7 th district
2014	4*	AC by Marriott Porte Maillot	149	17 th district
2014	4*	Hotel Indigo Paris - Opéra	57	8 th district
2014	4*	Oceania Paris Roissy CDG	141	CDG Airport
2014	4*	The Chess Hotel	50	9 th district
2014	4*	Les Théâtres Hotel	38	2 nd district
2014	4*	Le Marianne Hotel	36	8 th district
2014	4*	Idol Hotel	32	8 th district
2014	4*	citizenM Paris Charles de Gaulle	203	CDG Airport
2014	3*	Nomad Paris Roissy CDG	205	CDG Airport
2015	3*	Crayon Rouge Hotel	17	1 st district
2015	5*	La Réserve	35	8 th district
2015	4*	Meliá La Défense	369	La Défense
2015	4*	AC Hotel Paris Le Bourget Airport	122	Le Bourget Airport
2015	0*	Generator Paris	198	10 th district
Total Rooms Recently Opened			2 057	

¹Room extension

Source: BNP Paribas Real Estate Hotels

Hotel room supply – Selected Future openings

2015-2017 forecast

Year	Category	Hotel	Rooms	District
2015	5*	Hotel (Compagnie de Bagatelle)	37	1 st district
2015	4*	Hôtel de Liège	50	9 th district
2015	4*	M... Hotel	48	16 th district
2015	4*	Les Bains Hotel	43	1 st district
2015	4*	Duhesme Hotel	28	18 th district
2015	2*	B&B Porte de Choisy	182	13 th district
2015	TBC	Grand Pigalle Hotel	37	9 th district
2015	TBC	Le Saint Hotel	18	10 th district
2016	5*	Renaissance	122	10 th district
2016	5*	Albar Hotel (rue du Pont-Neuf)	60	1 st district
2016	4*	Pullman Roissy Airport	304	CDG Airport
2016	4*	CitizenM Gare de Lyon	214	12 th district
2016	3*	Ibis Styles Roissy Airport	308	CDG Airport
2016	3*	L'Indochine	180	19 th district
2016	3*	Ibis Orly Aéroport ¹	+53	Orly Airport
2016	2*	Motel One	250	12 th district
2016	2*	Ibis Budget Orly Airport	154	Orly Airport
2016	TBC	Zadig & Voltaire Hotel	40	7 th district
2016	TBC	The Hoxton	TBC	2 nd district
2017	5*	Elegancia Hotel Poste du Louvre	80	1 st district
2017	5*	Le Cheval Blanc (La Samaritaine)	72	1 st district
2017	4*	Innside by Meliá Paris-Charles-de-Gaulle	270	CDG Airport
2017	4*	Novotel Orly Airport	153	Orly Airport
2017	4*	Okko Hotel Porte de Sèvres	149	15 th district
Total Rooms in the Pipeline			2 852	

¹Room extension

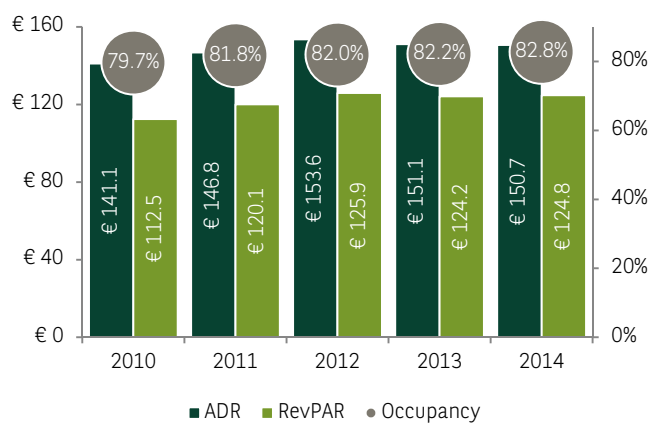
Source: BNP Paribas Real Estate Hotels

In addition to recent openings, several properties have been, or will be, subject to major renovations and/or rebranding, some examples of which are presented below:

Status	Year	Category	Hotel	Rooms	District
Completed	2013	5*	Hotel Prince de Galles	159	8 th district
	2013	4*	Pullman La Défense	382	La Défense
	2014	5* Palace	Plaza Athénée	208	8 th district
	2014	4*	Pullman Tour Eiffel	430	15 th district
Ongoing	2015	5* Palace	Ritz Paris	159	1 st district
	2015	5* Palace	Hôtel de Crillon	147	9 th district
	2015	5*	Lutétia	213	17 th district
	2015	4*	Hilton Paris Opera	268	17 th district
Scheduled	2015	5*	Hôtel du Louvre	177	1 st district
	2015	4*	Intercontinental Paris Le Grand	470	9 th district
	2015	4*	Hyatt Regency Paris Etoile	950	17 th district
	2015	4*	Le Méridien Etoile	1025	17 th district

HOTEL PERFORMANCES

Hotel trading performances 2010-2014



Source: MKG Hospitality Database

The opposite graph shows a comparison of the RevPAR levels for five major tourism destinations in Europe, including Paris.

In 2014, RevPAR ranged between € 72.4 for Brussels and € 133.3 for London, the latter clearly outperforming the other cities. **Paris ranked 2nd with a RevPAR of € 124.8.**

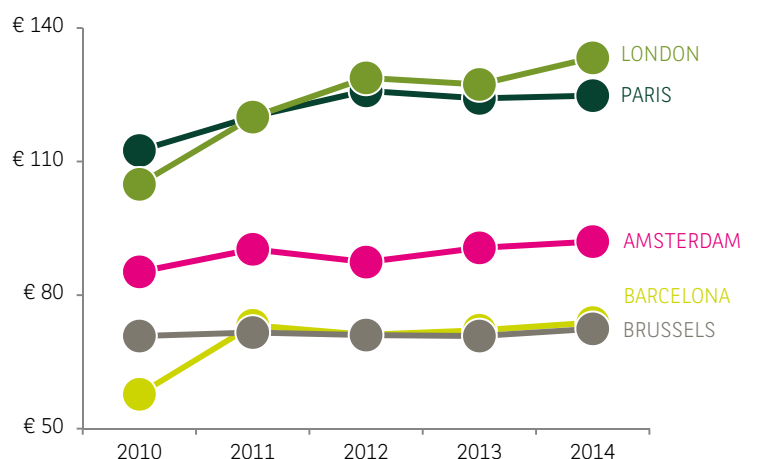
Over the analysed period, the cities of London and Paris clearly led the pack with a RevPAR level above the € 100 threshold. While Amsterdam, Barcelona and Brussels recorded a stagnation of RevPAR between 2011 and 2014 with a CAGR ranging between +0.3% and +0.6%, Paris and London recorded a CAGR of +1.3% and +3.6% respectively over the same period.

Over the 2010-2014 period, Paris' hotel market has observed a progressive increase in occupancy levels from 79.7% to 82.8%. This growth was however at the expense of average rates since 2012.

Overall, Paris' hotel market witnessed a **stagnation of RevPAR growth** over the last 3 years, which confirmed the strength of its hotel market despite the continued weakness of the national economy.

In 2014, average daily rates slightly decreased compared to 2013 at € 150.7, compensated by a market-wide occupancy increase of +0.6 point, resulting in a RevPAR growth of +0.5% to € 124.8. This increase was rather limited, partially explained by the absence of major events such as the Airshow and Batimat.

Key cities – RevPAR evolution 2010-2014



Source: MKG Hospitality Database

INVESTMENT MARKET

Given the strong and diversified tourism demand combined with sound operational performances and relatively limited growth in supply, Paris is one of the most dynamic hotel investment markets in Europe.

In 2014, the investment volume confirmed a strong appetite for prime assets with record hotel transactions.

The first half of the year was particularly active with the sale of the 1 025-room Le Méridien to Mount Kellett Capital Management LP for an estimated € 280 million. It was followed by the sale of the Marriott Champs Elysées to Chinese investor Kai Yuan Holdings Limited for € 344.5 million, or € 1.8 million per key. In the 4th quarter, Constellation Hotels France, an affiliate of a Qatari fund, acquired the InterContinental Paris Le Grand for approximately € 330 million.

In the last months of 2014, Invesco Real Estate was particularly active on Paris' hotel investment market with the acquisition of the 236-room Mercure Terminus Nord and the sale of the Pullman Paris La Défense to an affiliate of the Qatar Armed Forces Investment Portfolio (QAFIP).

The following table illustrates a selection of the recent hotel transactions recorded over the past two years in Paris:

Year	Cat.	Hotel	Rooms	Price (€)	Price per room (€)	Seller	Purchaser
2013	5*	Hôtel du Louvre (Concorde portfolio)	177	Not disclosed	Not disclosed	Louvre Hotels / Starwood Capital	Constellation Hotels France
2013	5*	Sofitel Paris Le Faubourg	147	113 000 000	768 707	Accor	Mount Kellett Capital Mngt.LP
2013	5*	Mandarin Oriental	138	290 000 000	2 101 449	Société Foncière Lyonnaise	Mandarin Oriental Hotel Group
2013	4*	Concorde Lafayette (Concorde portfolio)	950	Not disclosed	Not disclosed	Louvre Hotels / Starwood Capital	Constellation Hotels France
2013	4*	Concorde Opéra	266	150 000 000	563 910	Starwood Capital	Blackstone
2013	4*	Hotel Jules (Lafayette portfolio)	101	Not disclosed	Not disclosed	Ivanhoé Cambridge	Morgan Stanley/Paris Inn
2013	4*	Hotel Beauchamps (Lafayette portfolio)	89	Not disclosed	Not disclosed	Ivanhoé Cambridge	Morgan Stanley/Paris Inn
2013	4*	Amarante Arc de Triomphe	50	15 000 000	300 000	Demous Finance SA	Financière EOS
2013	4*	Seven Hotel	35	Not disclosed	Not disclosed	Elegancia	Maranatha
2014	5*	Marriott Champs Elysées	192	344 500 000	1 794 270	ADIA	Kai Yuan Holdings Limited
2014	5*	Hôtel de Vendôme	29	Not disclosed	Not disclosed	UHP (Union Hôtelière Parisienne)	Chopard
2014	4*	Le Méridien Etoile	1 025	280 000 000	273 171	Starman Hotels	Mount Kellett Capital Mngt.LP
2014	4*	InterContinental Paris Le Grand	470	330 000 000	702 128	IHG	Constellation Hotels France
2014	4*	Pullman Paris La Défense	382	Not disclosed	Not disclosed	Invesco Real Estate	Qatar Armed Forces Investment Portfolio (QAFIP)
2014	4*	Mercure Terminus Nord	236	Not disclosed	Not disclosed	Morgan Stanley/Paris Inn	Invesco Real Estate
2015	5*	Hotel Montalembert	54	Not disclosed	Not disclosed	Majestic Group	Bessé Signature

Source: BNP Paribas Real Estate Hotels



InterContinentalParis Le Grand (Source: Hotel)

OUTLOOK

Paris is well established as a **leading international leisure and business destination** and the totality of its infrastructures are adequate to welcome over 15 million travellers each year. The new programmed transportation infrastructures (Grand Paris and Charles de Gaulle Express), the development of the business areas of Orly and Roissy airports as well as the expected growth of hotel supply within the inner city will allow the French capital to accommodate the growing demand. The latter is expected to be driven by emerging markets, the recovery of European countries and by the USA thanks to an attractive exchange rate.

Paris' hospitality industry also relies on the domestic market, accounting for 32.4% of total overnights. The **economic recovery of France**, with an expected GDP growth of +0.9% in 2015*, therefore offers a favourable outlook for hotel performances.

Besides, major international events such as the UEFA 2016, the Ryder Cup 2018, and the possible participation of Paris for the 2024 Olympic Games will further improve the city's international visibility and boost overall demand.

**Source: BNP Paribas CIB*

From 2009 to 2014, the room supply within the city has decreased, while overnights increased by +2.0% annually. **As demand grew faster than supply, the new supply arriving on the market should be absorbed quite rapidly.**

Nevertheless, the distribution of the supply between the different categories should be carefully examined in the coming years, especially from 2017, in order to conserve a balanced supply. Indeed, the 5-star supply has witnessed the strongest growth over the 2009-2013 period.

Besides, over the last 5 years, the **luxury segment** has been constantly improved through openings of renowned international hotel chains and renovations of the existing palaces which have reinforced Paris' position as one of the leading luxury destinations in the world.

The investment market in Paris is expected to remain particularly dynamic in the short term, with several major assets currently on the market. Factors such as the limited number of properties available for sale and the **growing pool of potential investors** from Asia and the Middle East desiring to settle in the French capital are likely to put pressure on yields resulting in aggressive pricing.



Source: © romanslavik.com - Fotolia.com

Hong Kong



U.A.E



USA



- Our locations
- Our alliances



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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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* 18 under direct ownership and 22 alliances

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