

News Release

City Review: Bucharest Compiled by Christie + Co

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According to the latest city review by Christie + Co, using data provided by STR Global, Bucharest hotels suffered a 6.2% decrease in RevPAR for the first seven months of 2008, compared to the same period last year. Preliminary figures for August 2008 show a further fall in RevPAR, down almost 16% on the previous year, due to a drop in occupancy of 12.1 percentage points, which offsets a 6% increase in average room rate (ARR).

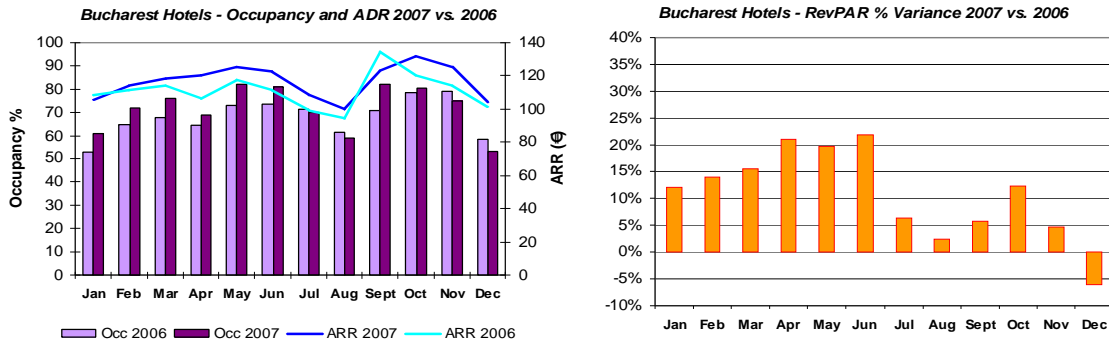
Bucharest's hotel market is driven heavily by weekday demand created by strong investment activities from abroad. Weekday hotel demand tends to outstrip supply and visitors often have to stay in local independent hotels of undetermined standard. In terms of leisure demand, Bucharest has yet to become a major weekend city break destination. Even though the city has great potential, its tourism infrastructure will need to be significantly upgraded before it can experience any major uplift in international visitation. To further fuel this development, better accessibility from European feeder markets will have to be established, notably through low cost carriers.

Trends in Hotel Market Performance

The following graphs present data sourced from STR Global, highlighting the continuously impressive growth in RevPAR between 2006 and 2007. RevPAR increased by over 10% in 2007 compared to 2006, fuelled by a rise in occupancy levels of over 3 percentage points, coupled with a 5.3% increase in ARR.



STR Global Trend Report - Bucharest Full Year 2007 vs. Full Year 2006



	2007			2006			Variance		
	Occ (%)	ARR (€)	RevPAR (€)	Occ (%)	ARR (€)	RevPAR (€)	Occ pts	ARR %	RevPAR %
Full Year	71.5	117.6	84.1	68.1	111.8	76.1	3.4	5.3%	10.6%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a consistent sample of 13 hotels, totalling 3,009 rooms.
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Except for December 2007, when the growth in ARR was not sufficient to offset the decline in occupancy, Bucharest hotels recorded significant monthly RevPAR increases, particularly during the first half of 2007. Months characterised by business travel showed impressive double-digit growth rates, with peak levels being achieved in April and June 2007, when RevPAR was up by more than 20% against the previous year.

Year-to-date results for the first eight months of 2008 show a downward trend in occupancy rates. The growth in ARR could, however, not prevent RevPAR levels from falling.

STR Global Trend Report - Bucharest 2008 YTD vs. 2007 YTD (€)

	2008			2007			Variance		
	Occ (%)	ARR (€)	RevPAR (€)	Occ (%)	ARR (€)	RevPAR (€)	Occ pts	ARR %	RevPAR %
Jan	56.3	116.5	65.5	60.7	105.7	64.2	-4.4	10.2%	2.0%
Feb	64.9	124.0	80.5	71.8	114.2	82.0	-6.9	8.5%	-1.9%
Mar	67.2	134.9	90.6	75.9	117.9	89.5	-8.7	14.4%	1.3%
Apr	66.4	153.1	101.7	68.6	120.2	82.5	-2.2	27.3%	23.2%
May	68.4	124.5	85.2	81.8	125.4	102.6	-13.4	-0.7%	-17.0%
Jun	64.9	120.4	78.1	81.0	122.5	99.2	-16.1	-1.7%	-21.2%
Jul	57.0	106.2	60.5	69.6	108.5	75.5	-12.6	-2.1%	-19.9%
YTD Jul	63.5	125.7	79.8	72.8	116.9	85.1	-9.3	7.5%	-6.2%
Aug	46.8	106.2	49.7	58.9	100.1	59.0	-12.1	6.0%	-15.8%

Note: the above table is based on monthly and daily data received by STR Global for a consistent sample of 13 hotels, totalling 3,009 rooms, except for August figures which are based on 'unaudited' daily data as available on the 3rd of September for a smaller sample of 10 hotels.
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Trends in Hotel Supply

Bucharest has seen significant growth in hotel supply over recent years and more new hotels are set to open in the city, which is historically referred to as ‘Little Paris’.

In 2005, a 78-room NH Hotel opened, closely followed by the re-opening of the InterContinental hotel after extensive refurbishment and the addition of almost 100 new guest rooms. In 2006, Accor brought its 258-room Novotel onto the famous Calea Victoriei, and K+K Hotel Elisabeta and Tulip Inn added a total of 155 rooms to the local market. Although 2007 was a quiet year in terms of new hotel supply, 2008 has witnessed a number of new openings. Ramada Plaza launched 300 new hotel rooms in Bucharest’s developing business area to the north of the city centre. Meanwhile, Radisson SAS opened its impressive, 424-room property on Calea Victoriei, in the very heart of the capital’s centre. And Europe’s largest hotel, RIN Grand, completed its extension to offer a total of c. 1,500 rooms and apartments. By the end of the year, two new properties will open in the Romanian capital – the 100-room Royal Hotel in the Unirii area and Africa Israel Hotels’ 150-room Hotel Palace.

This increase in new hotel supply is set to continue. Lithuanian Europa Group has announced it plans to re-open the newly refurbished 80-room, four-star hotel Europa Royale on Piața Unirii, and there will also be another 144-room Golden Tulip hotel opening to the north of the city centre. Both hotels are expected to open in spring 2009. Later that year, the former Continental Hotel – the city’s ‘old lady’ – is expected to re-open its doors after an extensive renovation programme. The newly named Continental Grand Hotel will feature 54 rooms and is expected to obtain five-star rating. In addition to their existing property at Bucharest Convention Centre, Ramada Worldwide is developing a new 100-room property under its Ramada Encore brand. K+K Hotels has also reportedly chosen a site for a second Bucharest hotel in close proximity to Piața Universității. The second K+K Hotel in the Romanian capital will comprise 140 to 160 rooms, as current capacities are considered to be insufficient.

2010 is likely to constitute a peak year in terms of new hotel openings. Sema Parc, a massive business park currently under development just outside the city centre, will comprise commercial, retail and residential space, including a five-star hotel. An operator has not yet been secured for this development of 240 rooms. Furthermore, the Casa Radio Aparthotel is set to open on a site adjacent to the new Radisson SAS hotel. This aparthotel will offer 120 apartments, mostly targeted towards the extended stay market. Also, yet another Tulip is set to blossom, namely a 139-room Tulip Inn that will be located to the west of the city centre.



Trends in Hotel Transactions

Hotel transactional activity in Bucharest is still in its infancy, with just 10 hotel transactions since 2005.

Amongst the first transactions was Hotel Çismigiu, a historic building formerly used as a hotel and later as student accommodation. The property was acquired by Spanish Hecesa group for a reported €2M – with an additional €6M investment to convert the building to a luxurious 63-apartment hotel with additional commercial space. This transaction was followed by the acquisition of Hotel Elisabeta by Austrian hotel group, K+K Hotels, for €5M, which was subsequently renamed K+K Hotel Elisabeta.

In 2006, Accor sold the Novotel Bucharest City Centre on a sale-and-leaseback basis to Austrian bank, Sparkassen Immobilien AG, for a total consideration of €29.5M (c. €115K per room). This was by far the highest amount paid for a Bucharest hotel room before the sale of the Golden Tulip Bucharest only five months later. The 82-room property was purchased by Israeli hotel company, Atlas Estates Limited, for €12M or c. €146K per room. Only two months later, Metis Capital Real Estate Ltd. bought the 90-room Hotel Cerna for €2.6M.

In August 2007, the Romanian American Enterprise Fund sold its Golden Tulip Sky Gate Hotel to Austrian hotel company, Warimpex, for an undisclosed sum. The following month, Bucharest recorded its first hotel portfolio transaction, when Africa Israel Hotel Company bought four hotels totalling 298 rooms – Hotels Central, Venice, Opera, and Palace (the latter of which is under construction), for €18M (over €60K per room).

With increasing stability of Eastern European investment markets, Bucharest can be expected to experience continued increase in domestic and international demand. This should continue to attract significant interest from international hotel operators, heightening the competitive pressure in the city.

The Romanian capital forms part of the rising stars in Eastern Europe, both in terms of individual hotel performance and in terms of transactional activity.



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Notes to Editors

Christie + Co uses desk-based research and experienced local industry specialists to produce bi-monthly city reviews. Hotel trading data is provided by STR Global.

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