

Romanian Hotel Market

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Global context

While the COVID-19 pandemic affected all real estate sectors throughout 2020, restrictive measures have been extremely hard on the tourism industry, including the hospitality segment. A recent OECD report estimates a global drop in international tourism of around 80% in 2020 compared to the previous year, with an uncertain outlook for 2021.

As the health crisis deepened, its effects on the hospitality industry have been increasingly more obvious:

- The extreme limitation of business travel has led to a low occupancy of both hotel rooms and conference rooms/other venues for corporate events
- Operators have been more dependent than ever on internal tourism
- The luxury segment has been the most impacted, while extended-stay and economy segments have proven themselves to be more resilient
- Some regions, like Asia-Pacific and the Middle-East have had a quicker recovery and performed better than Europe and North America

RevPAR	ADR	Occupancy
-69.5%	-17.2%	-63.2%

KPI change, Europe, 2020 vs. 2019

RevPAR=Revenue per Available Room; ADR=Average Daily Rate

Source: STR

- Some of the planned or under construction hotel projects have been postponed or canceled
- Investment levels in the hotel sector have dropped by 60% globally and by 69% on a European level compared to 2019

Despite the health crisis' strong hit on the hotel segment throughout 2020, 2021 is expected to slowly begin a turn towards normality as vaccination campaigns progress, facilitating the ease of travel restrictions. Transactions could be encouraged by declining prices but they will likely pick up in the second half of the year, when investors will have a clearer view on the future of the market.

Local context

Following an unprecedented year, in which hotels have been temporarily closed in the lockdown period and restricted mobility put an exceptional pressure on tourism, the Romanian hospitality industry is showing signs of recovery for the following period.

Given that in Romania the tourism industry has a relatively low contribution to the GDP (around 5% in 2010-2019 compared to the EU average of 9.9%), the economic impact of its sudden decline has been less obvious. However, the pressure has had a spill effect into a drop in the average net salaries for industries like hospitality and air transportation, which have registered a decrease in the average salary of 12.9% and 28.38% respectively. Additionally, despite efforts to retain their employees, the closing down of hotels and restaurants has led to a significant number of layoffs in the hospitality industry. According to INS data, over 200,000 people (3% of the total working population) were employed in the industry in 2018 and 2019. In 2020 the number of employees dropped to 150,000.

	Occupancy	ADR	RevPAR
2018	68.1%	€68.19	€46.44
2019	68.3%	€74.45	€50.84
2020*	22.9%	€60.15	€11.62

KPIs, Romania, 2018-2020

Sources: STR, INS

**including hotels that were forced to close temporarily during lockdown*

The current circumstances have also created an opportunity for hotel investors, with an increased appetite registered in late 2020 and H1 2021. Investment activity might intensify throughout the remainder of the year, with the chance that some investors may be looking for opportunities arising from the crisis.

Year	Value (M€)	% in total
2019	20.5	3%
2020	0	0%
YTD2021	20.5	6.5%

Hotel investment volumes, 2019- H1 2021

Source: Crosspoint research

Hotel market 2020

As expected, 2020 has seen a decline in numbers on the hotel market, both in terms of supply and occupancy. Restrictive measures have forced many accommodation facilities to close. As a consequence, the number of operating accommodation facilities decreased by 17% in 2020 compared to the previous year, from 5,082 to 4,228, while the total number of beds decreased by 28% yoy.

Additionally, the restriction of business travel all throughout the year has had a hard impact on hotels located in Bucharest and major cities, as it was the main driver of demand for inner-city accommodation. Overall, the net occupancy rate has dropped to 22.9% in 2020 from 34.2% in 2019.

Type of accommodation	2019	2020	Yoy change
Hotels	1,205	955	-21%
Hostels	211	163	-23%
Motels	182	141	-23%
Inns	3	3	0%
Tourist villas	380	333	-12%
Tourist chalets	138	121	-12%
Urban tourist boarding	1,238	1,014	-18%
Rural tourist boarding	1,540	1,331	-14%
Campsites	4	2	-50%
Tourist halting places	17	9	-47%
Holliday villages	4	3	-25%
Bungalows	30	37	23%
Student camps	22	8	-64%
Houselet-type units	108	108	0%
Total	5,082	4,228	-17%

No. of accommodation facilities by type, 2019-2020
Source: INS

22.9%

Annual net occupancy rate
34.2% in 2019

6.3M

-52% yoy

Arrivals

13.2 M arrivals in 2019
92.8% Romanian tourists
7.2% foreign tourists

14.4M

Overnight stays
-52% yoy

453k

-98% yoy

Foreign tourists
2.67 M in 2019

60.15€

Average daily rate
-19% yoy

63M

Total no. of beds
87.4 M in 2019

Hotel investment market

The strong hit the hotel industry took in 2020 has been reflected by the lack of investments in this segment. The only major hotel deal, the acquisition of Golden Tulip Victoriei by Fattal Group, estimated at 7.7 M €, failed to close due to the COVID-19 crisis.

However, two transactions totaling over 20 M € were recorded so far in 2021. Ramada Majestic was acquired earlier this year by the Swiss company Visionapartments for approximately 13.5 M €. The new owners are planning its reconversion to a mixed-use aparthotel-coworking space.



RAMADA MAJESTIC 4*

Location	Bucharest
Capacity	111 rooms
Transaction year	2021
Vendor	Ener Holding
Buyer	Visionapartments
Estimated transaction value	13.5 M€
Price/room	121,600€



OPERA 3*
VENEZIA 4*
CENTRAL 4*

Location	Bucharest
Capacity	136 rooms (total) Venezia: 41 rooms Central: 62 rooms Opera: 33 rooms
Transaction year	2021
Vendor	Alpha Real Estate
Buyer	Zeus International
Estimated transaction value	7 M€

Hotel market trends and forecast

Although the hotel segment has been the most affected by the restrictive measures imposed by the health crisis, very few projects have been abandoned. Delays and postponements in new hotel deliveries were recorded but developers and operators seem to have an optimistic perspective on the future.

For 2021-2023, 17 new hotels with over 2,000 rooms are expected to be delivered in Romania, with almost half of them located in the capital city. Furthermore, the new stock is mostly comprised of 4 and 5 star hotels. The new deliveries include the reconversion and refurbishment of historic buildings, such as the reconversion of Marmorosch Blank Bank building into a luxury 5* hotel (Autograph Hotel by Marriott) and the full refurbishment of Athenee Palace Hilton and Corinthia Grand Hotel du Boulevard, all located in central Bucharest.

Taking into account the current circumstances and the ambiguity surrounding the recovery of the hotel market, we have identified some directions which this sector might take in the future:

- Driven by investors looking for opportunities in the current context (e.g. distressed assets, older buildings, reconversions), small-sized hotel transactions might be recorded on the Romanian market by the end of the year
- Some hotel owners are starting to diversify their operations (e.g. the reconversion of Ramada majestic into a mixed-use aparthotel with flexible office spaces)
- The concept of temporary ownership is starting to gain momentum, especially in touristic locations such as seaside and mountainside resorts (e.g. Nordis Mamaia, Brasov and Sinana, Blaxy Residence in 23 August)
- Outdoor and outer-city experiences – the lockdowns and travel restrictions in 2020 have led to a need for open spaces and a return to nature

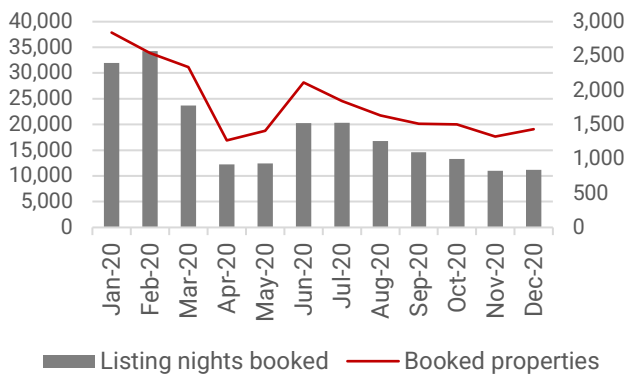
Hotel	City	No. of rooms	Stars	Opening year
Autograph Collection by Marriott	Bucharest	217	5*	2021
ibis Timisoara	Timisoara	200	3*	2021
Radisson Blu Timisoara	Timisoara	160	5*	2021
ibis Bucharest Politehnica	Bucharest	160	3*	2021
Radisson Blu Brasov	Brasov	110	5*	2021
Indigo	Bucharest	100	4*	2021
ibis Styles Bucharest Airport	Otopeni	85	3*	2021
Corinthia Grand Hotel du Boulevard	Bucharest	50	5*	2022
Swissotel	Bucharest	224	5*	2021
Ceetrus hotel project	Brasov	133	4*	2021
Mercure Galati	Galati	70	4*	2021
Radisson Cluj-Napoca	Cluj-Napoca	149	5*	2021
Mercure Medias	Medias	46	4*	2021
Mercure Brasov	Brasov	57	4*	2021
Mercure Sibiu Parc sub Arini	Sibiu	121	4*	2023
Athenee Palace Hilton (refurbishment)	Bucharest	272	5*	2022
Novotel Living	Bucharest	150	4*	2023

Short term rental in Bucharest

The short term rental in Bucharest has had a similar fall as the hotel market. While regulations on such properties were far more permissive than those regarding the hotel market, the drop in demand has led to some owners' decision to take their properties off the short term rental market and list them as long term accommodation. This resulted in a smaller number of available properties. 651 fewer properties were listed on airdna.com and vrbo.com in Bucharest in 2020.

In terms of demand, while 449,403 listing nights were booked throughout 2019, the number of nights booked in 2020 was 51% smaller.

GRAPH 1



Demand growth in 2020. Source: airdna.com

Even with a smaller stock of short term properties for rent in Bucharest, occupancy rates have fallen to 33%, a 26% yoy drop compared to 2019.

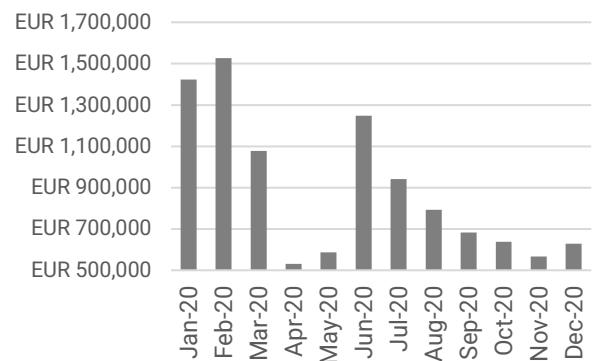
ADR was the least affected KPI and has reached a value of 37.25€, only 1.5€ lower than in 2019.

Full homes continue to be most in demand, with a share of 85% in the total booked properties, followed by private rooms (14%). Shared rooms made up for only 1% of the demand in 2020. One-bedroom apartments remained most in demand, followed by two-bedroom apartments and studios.

The total revenue for the short term rental market in Bucharest has dropped by 53% compared to 2019, to 10.6 M€.

So far, the first 5 months of 2021 have continued the same descending trend of 2020, with similar revenues to August-December 2020. As restrictive measures are being eased, at least for this summer, we expect a slight rise in demand for June-August, but, depending on whether or not a fourth pandemic wave will hit again starting autumn, results for 2021 might remain at the same level recorded in 2020.

GRAPH 2



Monthly revenues for listed properties, 2020
Source: airdna.com

33%

59% in 2019

Average occupancy rate 2020
-26% yoy

3,415

4,066 in 2019

Average no. of listed properties 2020
-16% yoy

3.7

Average no. of guests 2020
-0.1 yoy

37.25€

38.75 € in 2019

Average daily rate 2020
-4% yoy



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