



Bucharest hotel market in 3* and 4* segment in 2009 and overlook for 2010

(selected parts from analysis)

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Labartt Hospitality s.r.o.

10 years of professional consultancy in tourism industry

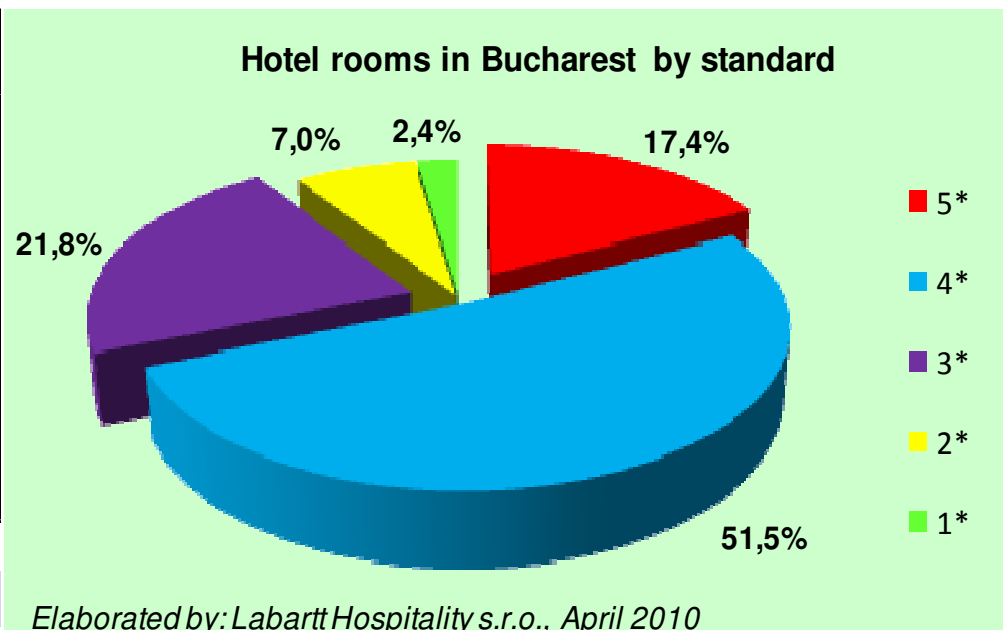
- **Feasibility Studies of tourism projects** (FS contains also suggestion of operational structure, suggestion of interior design, market evaluation of proposed project)
- **Mystery Shopping, Controlling, Positioning and Redesign of hotels**
- **Consultation by choosing the operator and dealing about the contract**
- **Evaluation of hotel properties and hotel projects (Market & IFRS ...)**
- **Counseling in the area of investment's expenses**
- **Sale & Buy transactions in tourism**
- **Analysis & Researches & Benchmark in tourism**
- **Seminars & Conferences for industry professionals**
- **Lecturing at University of Economy Prague, Economy University of Bratislava and Academy of Economics Studies Bucharest.**



Number of hotels and hotel rooms in Bucharest

Bucharest hotel market		
Hotel standard	Number of hotels	Number of rooms
5*	11	2 152
4*	53	6 320
3*	67	2 689
2*	18	865
1*	5	291
Total	154	12 317

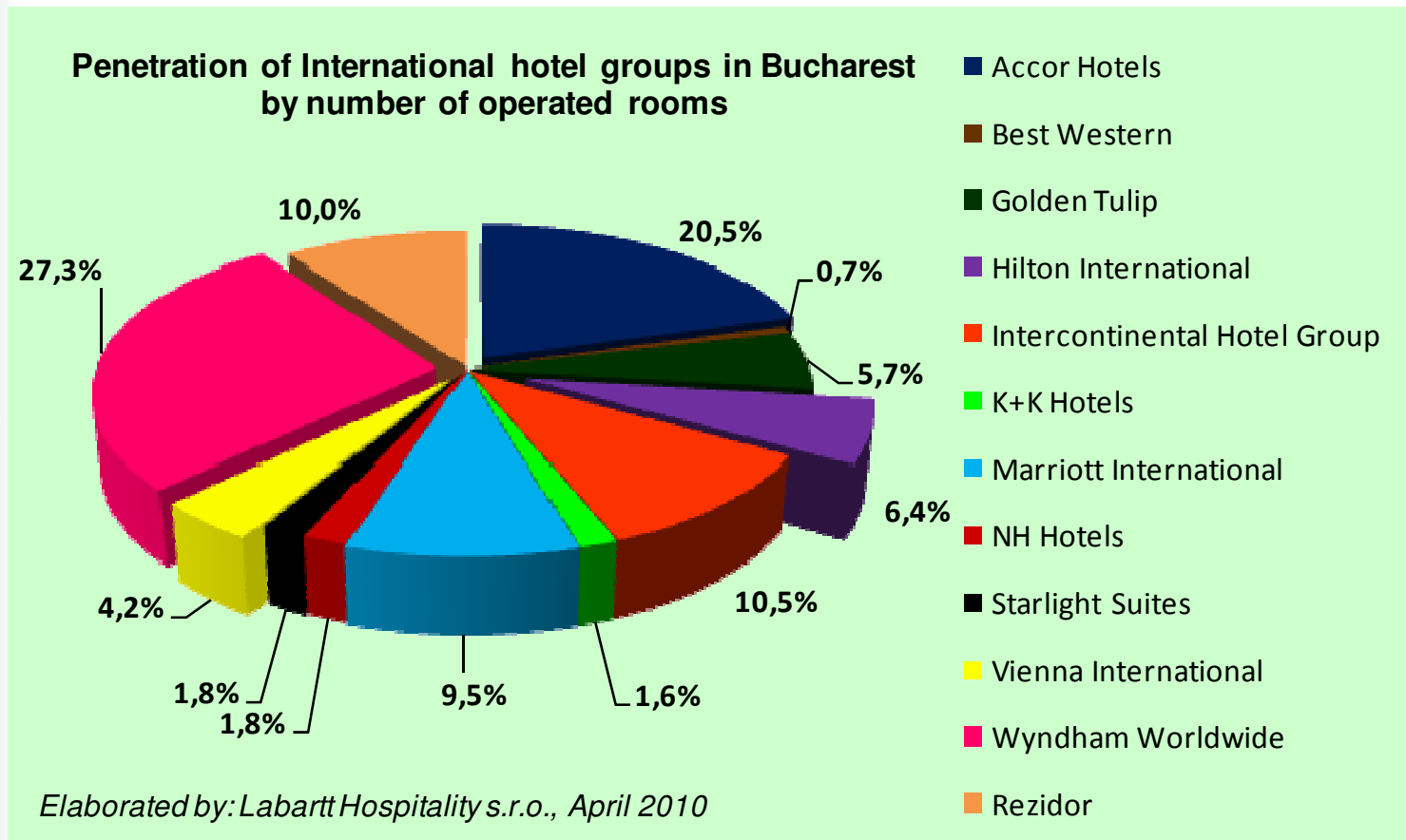
Elaborated by: Labartt Hospitality s.r.o,
research April 2010



- 23 hotels, 4 245, hotel rooms (34,4%) operated under international brand
- 1 830 internationally branded 5* hotel rooms (85,0% of 5*)
- 2 004 internationally branded 4* hotel rooms (31,7% of 4*)
- 411 internationally branded 3* hotel rooms (15,3 % of 3*)
(some of the typical 3* brands are considered like 4* - Tulip Inn etc.)



International hotel groups in Bucharest



- 1 17 different international hotel brands (hotel chains)
- 1 7 international leading hotel groups
(Accor, Hilton, IHG, Marriott, Rezidor, Wyndham, Louvre Hotels & Golden Tulip)



Bucharest & Selected capital cities

Number of hotels and hotel rooms in 3* - 5* standard in selected capital cities						
Capital City	Number of inhabitants	GDP in mil. Euro*	GDP per capita in Euro*	Nr. of hotel rooms per 1000 inhabitants	Total number of hotel rooms in 3* - 5*	Total number of 3*- 5* hotels
Bratislava	429 000	11 707	19 353**	8,82	3 783	52
Budapest	1 703 000	33 501	19 800	10,6	18 135	198
Bucharest	1 944 000	19 581	10 073	5,74	11 161	113
Prague	1 224 000	27 679	23 200	23,4	28 592	377
Sofia	1 220 000	N/A	N/A	4,87	5 944	75
Vienna	1 680 000	68 743	41 500	15,4	25 905	259
* data from 2006		Source: Statistical Offices of selected countries, LH survey 09/2009, updated 05/2010				
** data for Bratislava region						



Analyses & Respondents

(source LH)

Analyses were elaborated by LH Bucharest Branch office with support of Academy of Economics Studies Bucharest

Structured questionnaire with 18 questions

Mainly personal interview with Hotel Managers - some of them full-filled the questionnaire by email

1 condition – only for hotels with minimum 35 hotel rooms

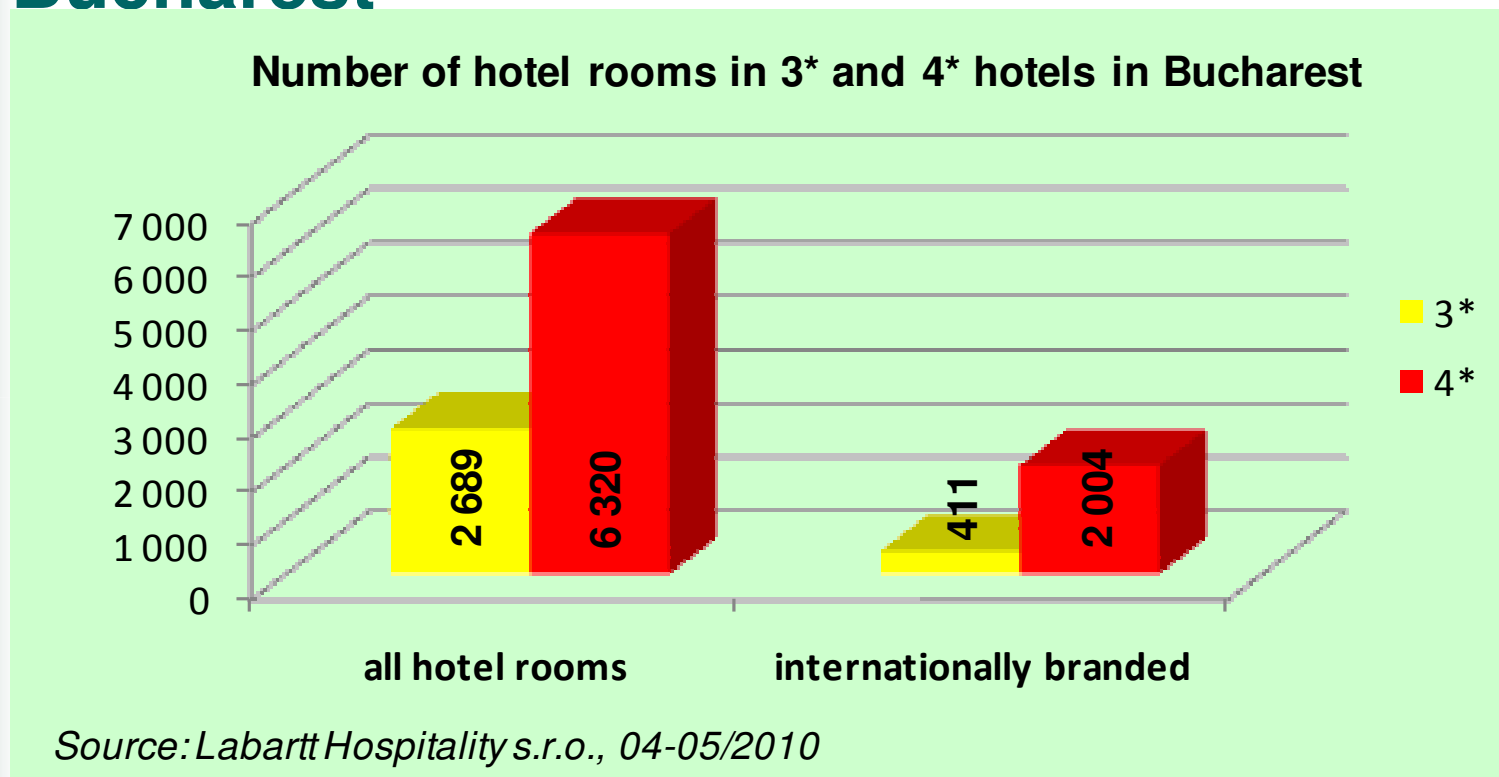
Analysis of Bucharest 4* hotel market – 03-04/2010 - 14 hotels (2 716 rooms, 4 932 beds)

Analysis of Bucharest 3* hotel market – 05/2010 – 10 hotels (746 rooms, 1 403 beds)

Analysis of Bucharest 5* hotel market – 05/2010 – not finished yet



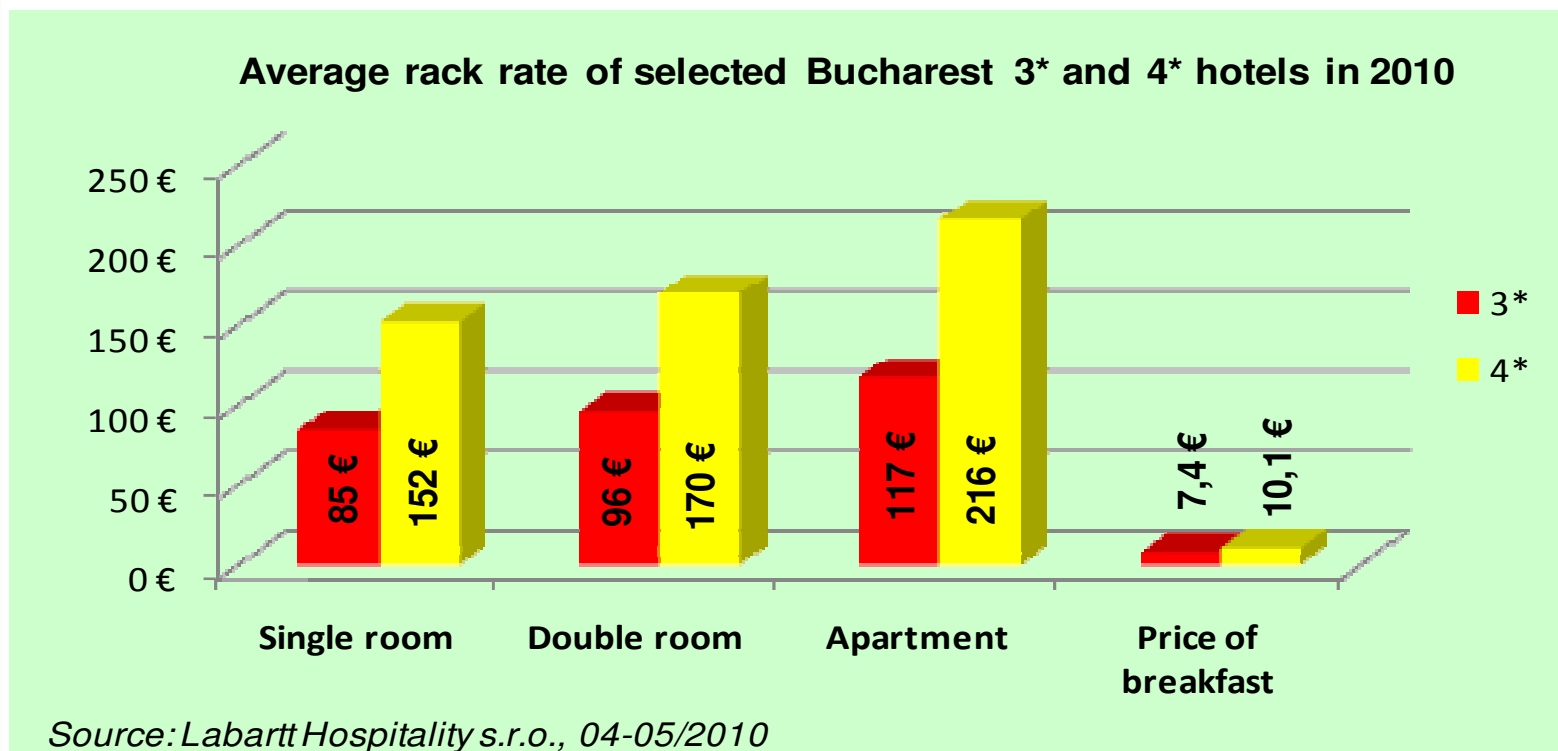
Number of hotel rooms in 3* - 4* standard in Bucharest



- 1 Average 3* hotel has only 40 hotel rooms weather average 4* has 94 rooms (results without Rind Grand Hotel ****)
- 1 Only 15,3% of 3* rooms are branded weather 31,7% of 4*
- 1 **Signs of oversupply in 4* segment in this period**
- 1 No typical 3*+ hotel brands in Bucharest at the moment



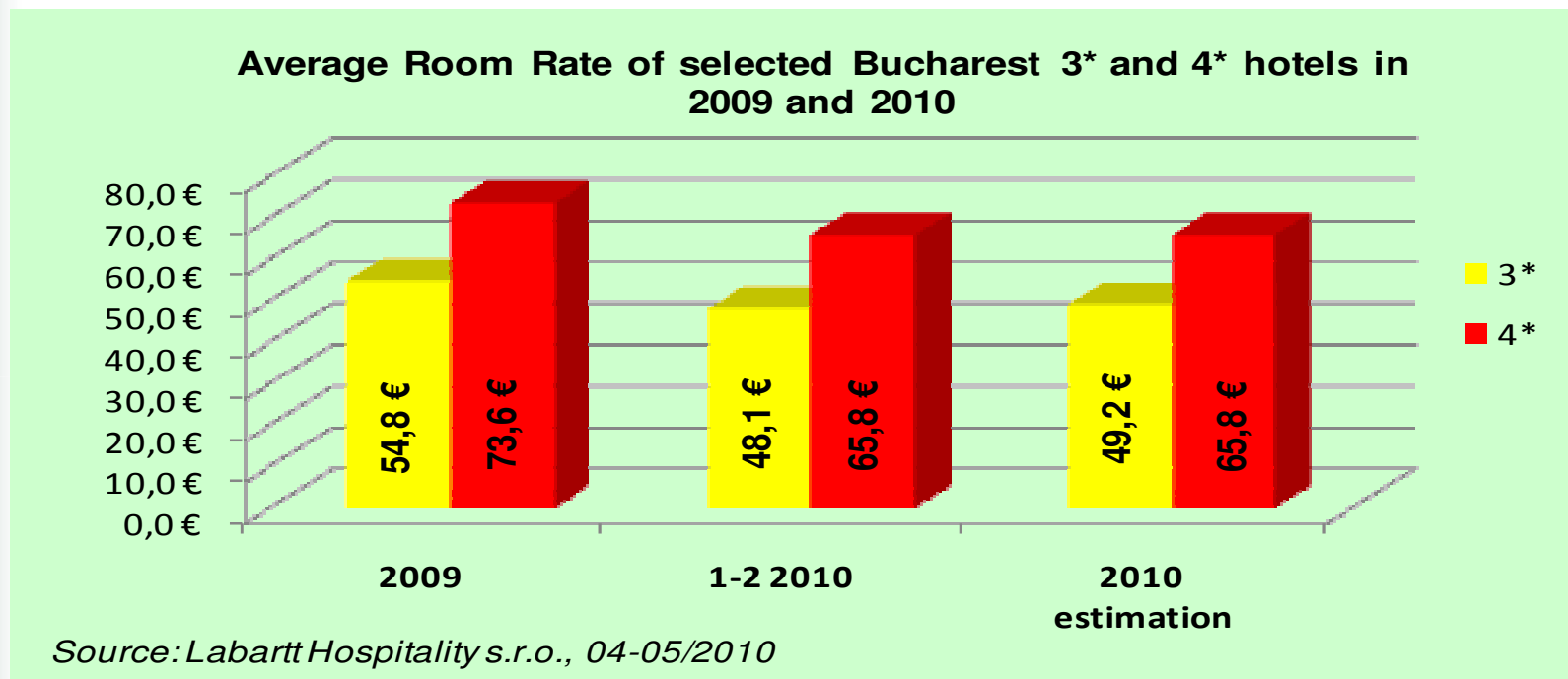
Comparison of rack rates of 3* & 4* Bucharest hotels



- 1 3* Bucharest hotels are almost 50% cheaper than 4* hotels
- 1 Average rack rate for single and double room in 3* hotels reach only 56,5% of the average rack rate for single and double room in 4* hotels – **but**



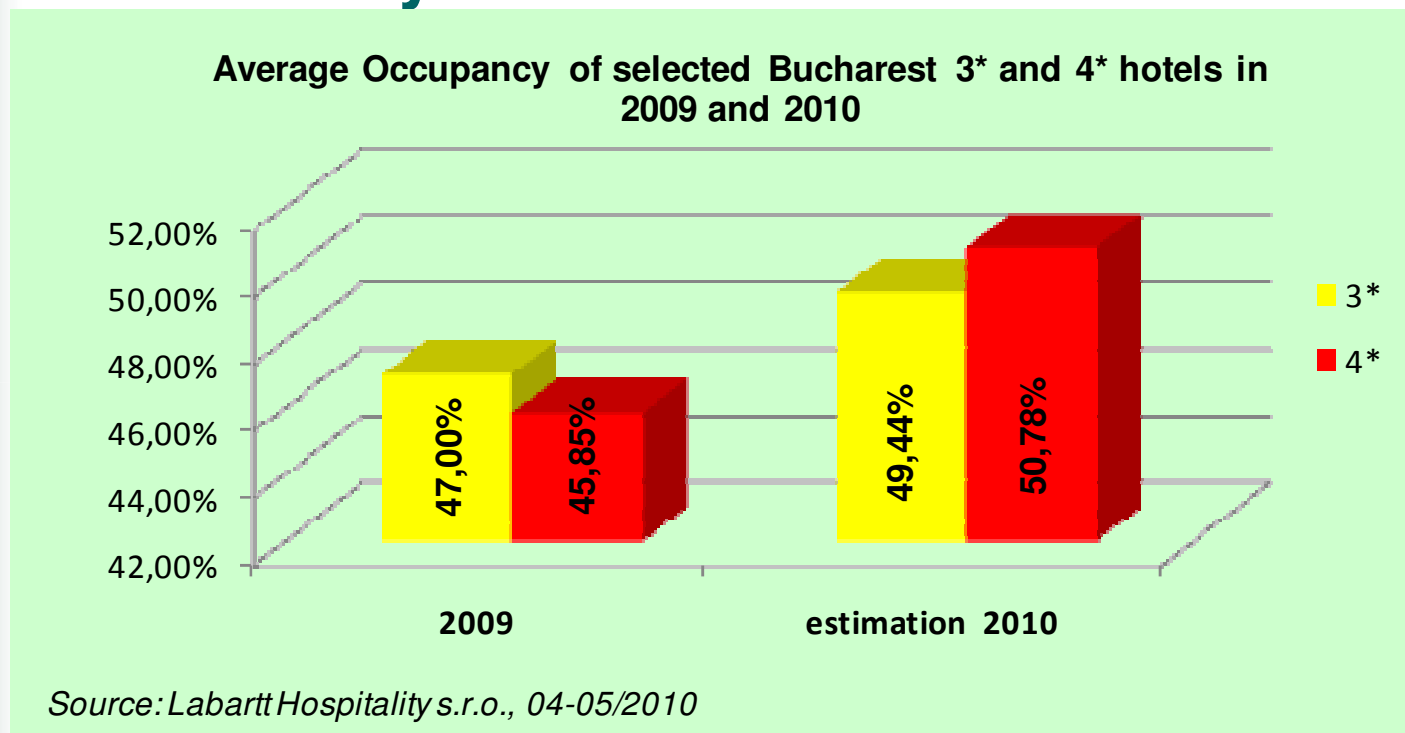
Comparison of Average Room Rates achieved by 3* & 4* Bucharest hotels in 2009



- 1ARR of selected 3* hotels in 2009 reached 74,4% of ARR of selected 4* hotels
- 1 ARR of 3* hotels in 2009 reached 60% of average rack rate for single and double room, however ARR of 4* hotels reached only 45,7% of average rack rate
- 1 In comparison with presented Rack Rates 4* hotels generally have to offer in these days bigger discounts from Rack Rates than 3* hotels



Comparison of Average Occupancy achieved by 3* & 4* Bucharest hotels in 2009



- 1 Selected 3* Bucharest hotels reached relatively better occupancy in 2009 but we have to mention that the average number of rooms in participating 3* hotel was 48 (without large hotels Ibis Gara de Nord and Confort Traian), however, in participating 4* hotel 97 (without large Rin Grand Hotel)



Bucharest 3* - 4* Hotel Market 2009-2010

- 1 40% of selected 3* hotels recorded increase in occupancy during first 2 months of 2010 comparing with the same period of 2009
- 1 8,5 % - average increase of occupancy in selected 3* hotels
- 1 66,6% of all selected 3* hotels recorded during first 2 months of 2010 drop in ARR comparing to ARR of 2009
- 1 Only 35,7% of selected 4* hotels recorded increase in occupancy during first 2 months of 2010 comparing with the same period of 2009
- 1 13,6% - average increase of occupancy in selected 4* hotels
- 1 35,7% from all selected 4* hotels recorded drop in occupancy comparing the same period in 2009
- 1 69,2% of all selected 4* hotels recorded during first 2 months of 2010 drop in ARR comparing to ARR of 2009



Expectations for Bucharest hotel market 2010

(expectations of LH 05 2010)

Expectations for whole year 2010:

*For 3**

Occupancy	45 - 55%
Average Room Rate	50 – 60 Euro

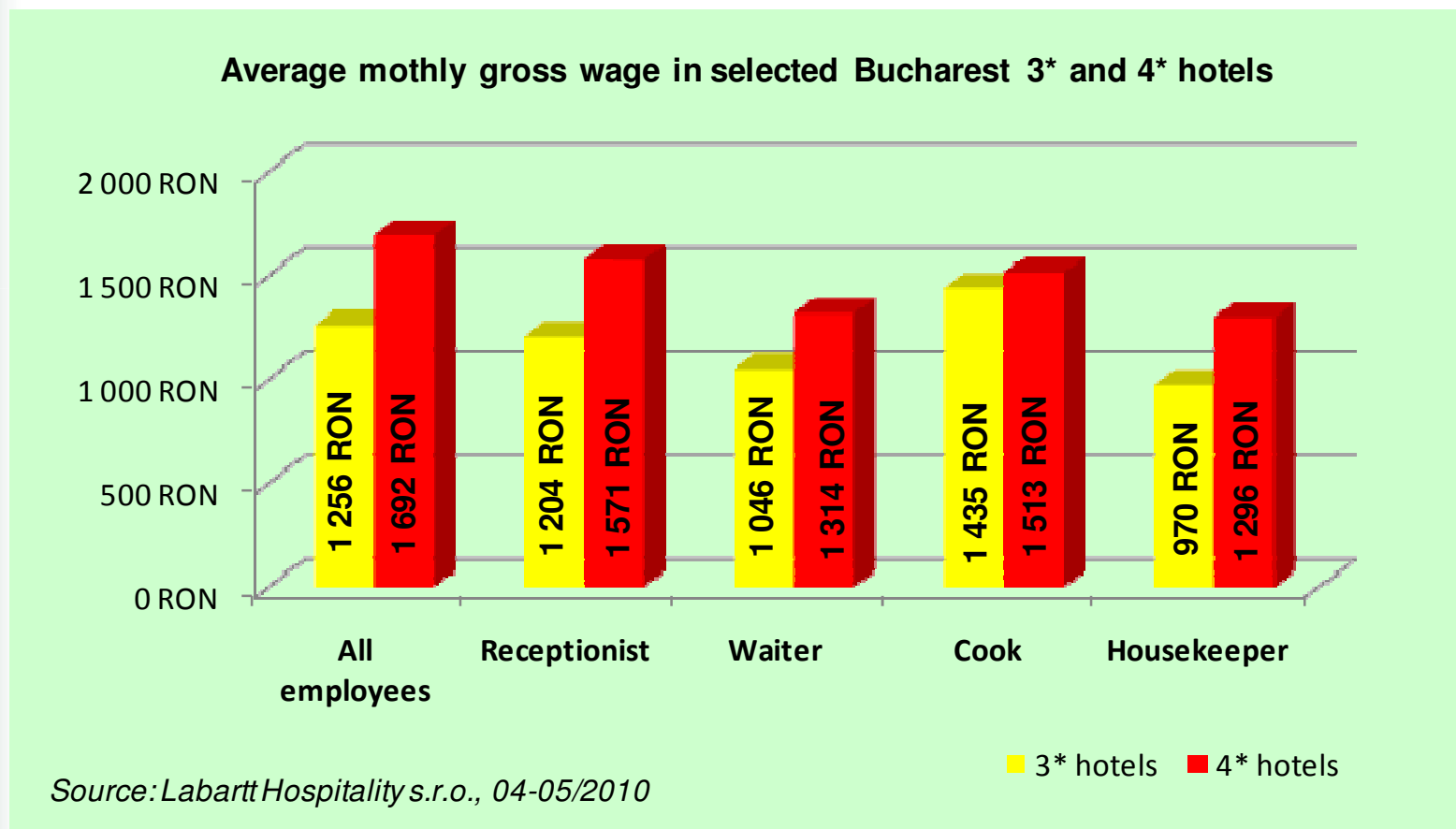
*For 4**

Occupancy	50 - 55%
Average Room Rate	70 – 80 Euro

This is only general market estimation, concrete project can differ!



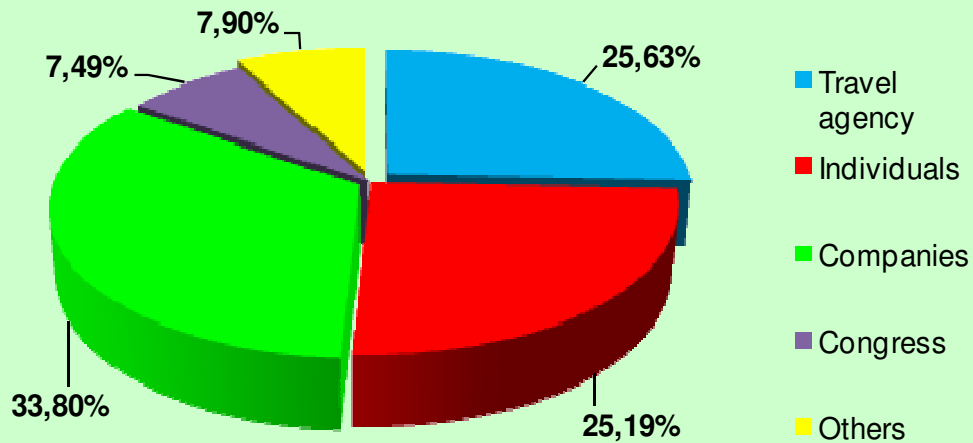
Comparison of Average monthly gross wage in selected 3* & 4* Bucharest hotels





B-MIX of Bucharest 3* & 4* hotels

Business MIX of selected Bucharest 3* hotels

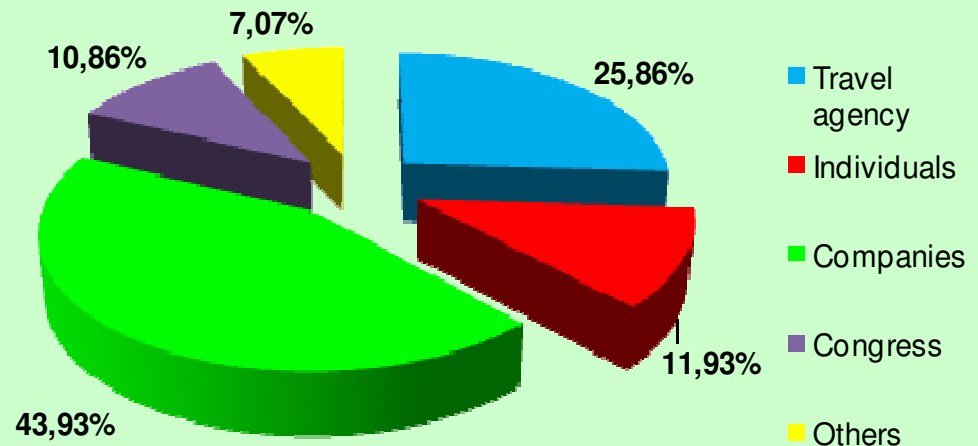


Source: Labartt Hospitality s.r.o., 05/2010

- 1 Significantly higher share of individuals in 3* hotels
- 1 Companies still prefer more 4* hotels – mainly due to reduced prices
- 1 Domestic tourist prefer 3* hotels – 67,5% versus 48,21% in 4*

- 1 Business orientated clients are predominant in both hotel segments (*Individuals – traveling to Bucharest mainly for business*)
- 1 Identical average length of stay – 2 nights

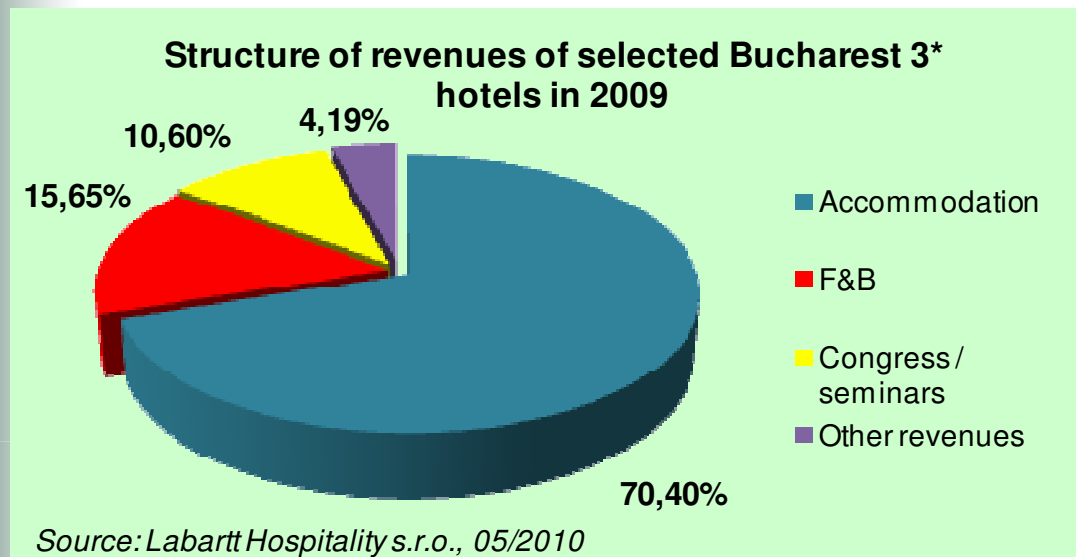
Business MIX of selected Bucharest 4* hotels



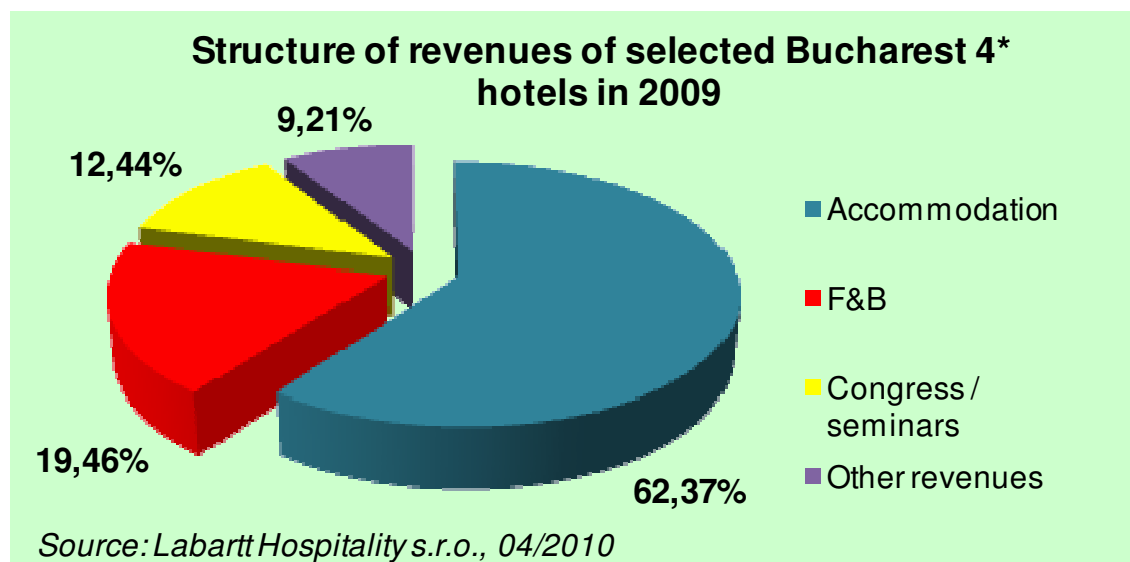
Source: Labartt Hospitality s.r.o., 04/2010



Structure of revenues of Bucharest 3* & 4* hotels

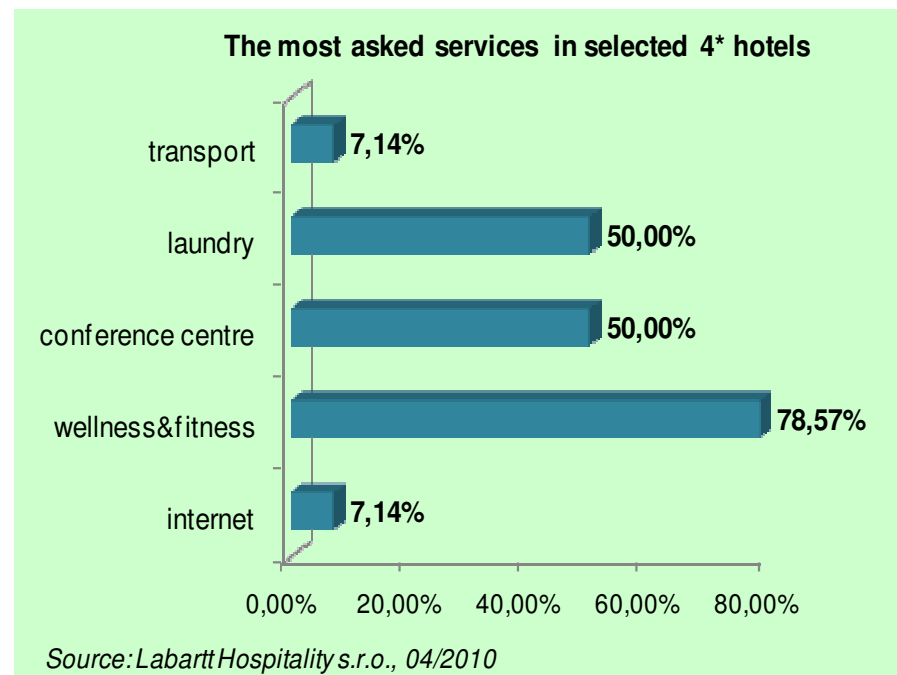


- 1 3* hotels are more orientated on primary service – accommodation
- 1 More than 30% of revenues of 4* hotels comes from F&B and congress services





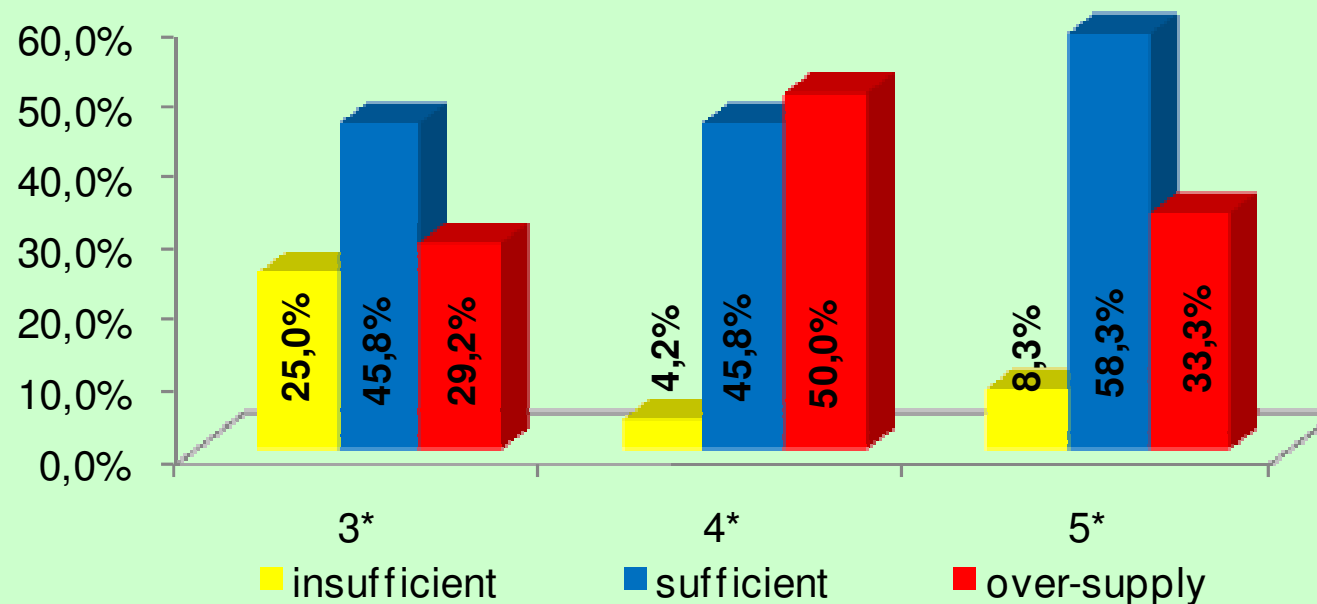
The most asked services in Bucharest hotels?





Number of hotels in Bucharest regarding to opinion of General managers & Operational managers of selected 3* and 4* Bucharest Hotels

Number of hotels regarding to opinion of general managers of 3* and 4* Bucharest Hotels



Source: Labartt Hospitality s.r.o., 04/2010



New Hotel Investments in Bucharest - possibilities

- 3+ internationally branded hotels, Management Contract, Variable lease, Franchise
- Central locations or business areas (Pipera etc.)
- Minimum 150 hotel rooms (for some location 120 rooms acceptable)
- Congress background (sufficient number of meeting rooms)
- „Hotel,, wellness & fitness facilities
- 4+ and 5* Boutique Hotels with 50 – 80 hotel rooms in historic city centre - Regional / Local hotel operator



Responsibility for the hotel investment

Standard conditions & Stabilized situation

- Operator

Current conditions

- Operator & Owner & Financing entity



Generally we can say that now is the time to develop new hotels

- Developing of hotel is easier/cheaper
land value, construction cost etc. - go down
- Hotel Brands and management companies are more flexible
reducing the fees and offer better contract conditions
- Lower risk of oversupply in the date of opening
hotel markets are more predicable relating new supply of rooms



Thank you for your attention

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