Romanian Hotel Market

August 2022

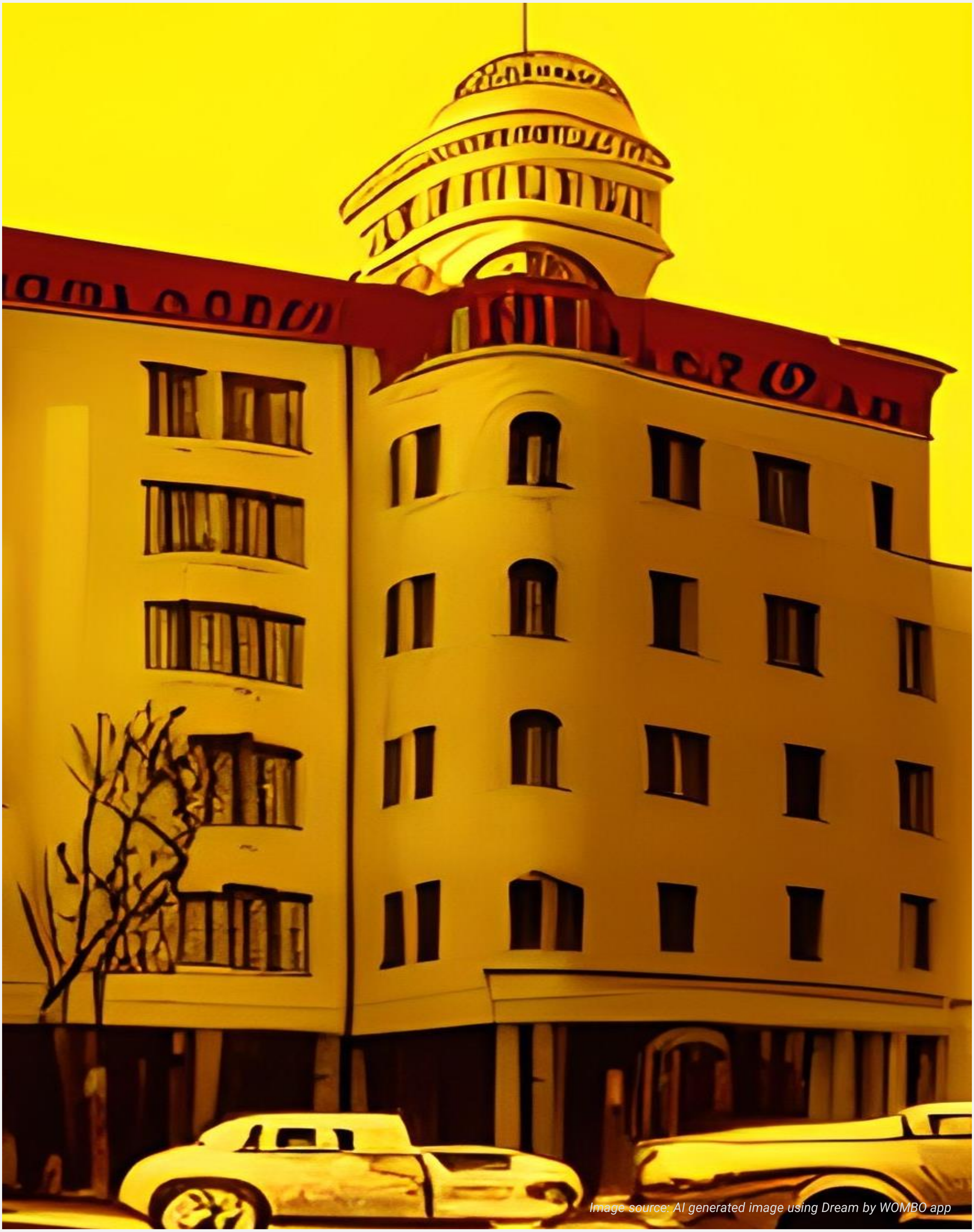
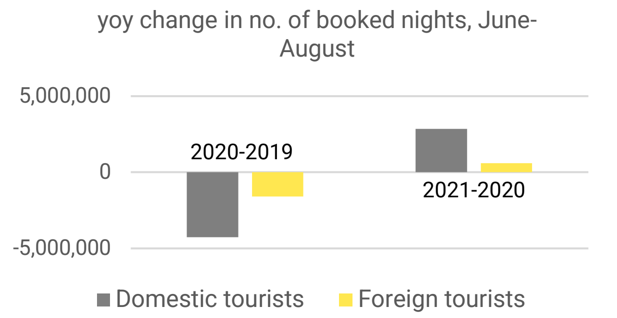


Image source: AI generated image using Dream by WOMBO app

Overview

After a year characterized by a full lockdown followed by several restrictive measures which led to intermittences in the activity of the hospitality industry, **2021** marked a slow rebound of the hotel market. With international travel restrictions still in place, domestic tourism witnessed an improvement throughout the year, especially during the summer, with seaside accommodation occupancy rates of up to 100% on summer weekends.

GRAPH 1



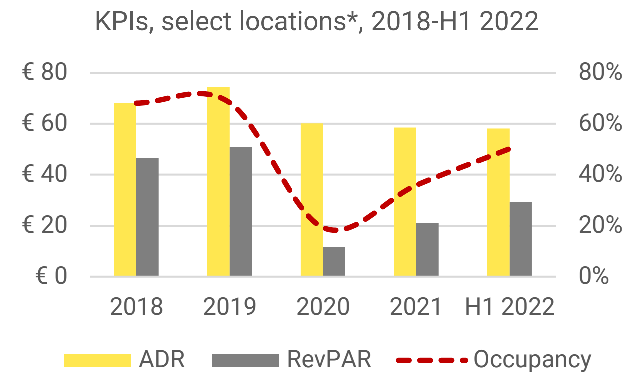
Annual change in no. of booked summer nights, Romania
Source: Eurostat

This has, however, had a minor impact on the yearly occupancy rate: the National Institute of Statistics reported a yearly occupancy rate of 26.5% for all accommodation types in 2021, just 3.6% higher than in 2020 and 7.7% lower than pre-pandemic 2019. Furthermore, the World Travel and Tourism Council reported a 3.7 B€ drop in tourist spending in 2021 compared to 2019, with domestic spending down by 1B€. According to the same source, the travel and tourism sector's contribution to GDP recorded a 2.2% decrease in 2021 in comparison with 2019, to 3.8%.

2022 is shaping out to be similar to the previous year, with an average occupancy rate of 23.7% in the first 6 months of the year. Two major and somewhat divergent trends have emerged on the hotel market this year. Firstly, the Russia-Ukraine conflict has caused an influx of refugees in neighbouring countries, which has resulted in a swift rise in hotel occupancy rates throughout the CEE, especially in Poland and Romania.

According to an analysis by STR CoStar on a number of selected hotels, Romania has seen a more than double rise in hotel occupancy levels from February 22nd and March 20th of this year.

GRAPH 2



**The KPIs in the above graph represent figures for a selection of prime hotel products*
Source: STR CoStar

Secondly, the refugee-driven growth in demand has been counterbalanced by the drop in domestic tourism which followed the lift of international travel restrictions. Thus, the occupancy rate, while higher than the ones recorded in 2020-2021, remained below pre-pandemic levels.

Hotel investment market

Taking opportunity of the context provided by the COVID-19 pandemic, investors focused mainly on small projects in need of refurbishment. This increased investor interest has led to a slightly larger share of the hotel sector in total investment volumes for 2021 and H1 2022.

Year	Value* (M€)	% in total
2018	15.1	1%
2019	20.5	3%
2020	0	0%
2021	43.1	5%
H1 2022	18.3	4%

Hotel investment volumes, 2019- H1 2022
Source: Crosspoint Research, based on market information
**Values are estimated*

Key hotel transactions, 2021-H1 2022

Location	Bucharest
Capacity	111 rooms
Transaction year	2021
Vendor	Ener Holding
Buyer	Visionapartments
Estimated transaction value	**13.5 M€**

Location	Bucharest
Capacity	136 rooms (total)
Transaction year	2021
Vendor	Alpha Real Estate
Buyer	Zeus International
Estimated transaction value	**7 M€**

Location	Venus
Capacity	92 rooms
Transaction year	2021
Vendor	CITR (insolvency administrator for Interagro)
Buyer	Private
Estimated transaction value	**6.8 M€**

Location	Bucharest
Capacity	71 rooms
Transaction year	2022
Vendor	Atlas Estate
Buyer	Fattal Hotel Group
Estimated transaction value	**7.3 M€**

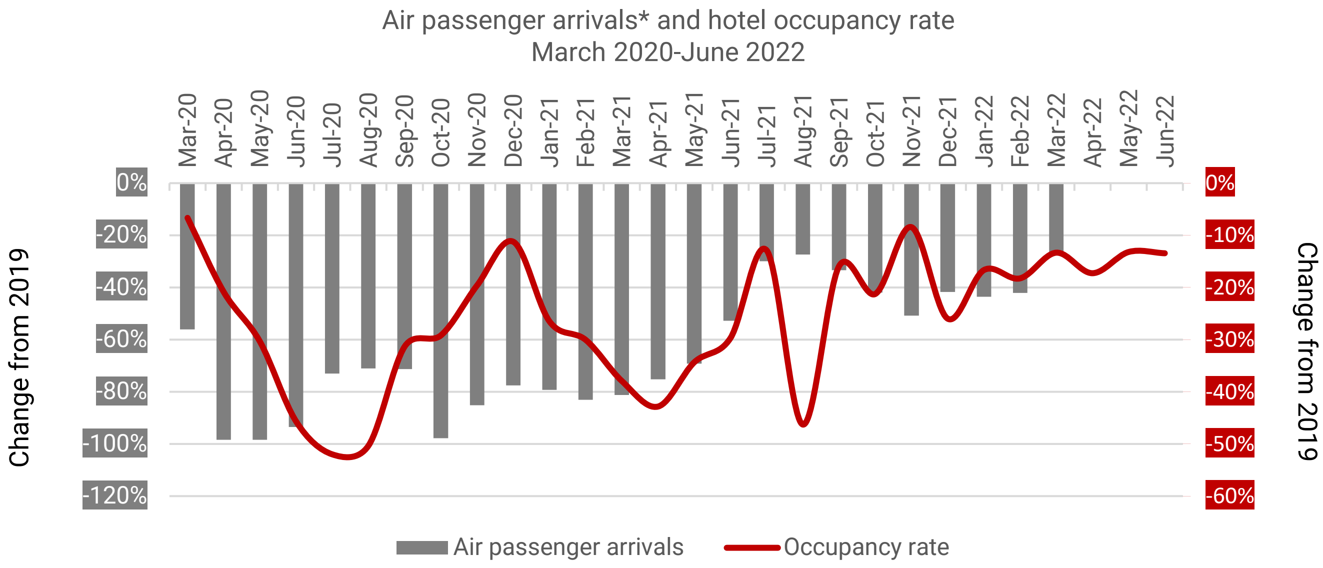
Location	Oradea
Capacity	147 rooms
Transaction year	2022
Vendor	SIF Banat-Crisana
Buyer	Private
Estimated transaction value	**11 M€**

Demand & supply

If 2021 was similar to 2020 in terms of the descending trend in both air passenger arrivals and hotel occupancy, 2022 is pointing towards a slow but steady return to normalcy. For the first five months of this year, occupation rates were down by less than 15% compared to the corresponding months of 2019. For the remainder of the year, we expect the figures to get closer to pre-pandemic levels during the summer and winter holidays.

Although on the rise, accommodation capacity has remained under pre-pandemic levels both in 2021 and in the first quarter of 2022, by 8% and 12% respectively. As some of the accommodation facilities are only closed temporarily because they are undergoing a refurbishment process, the coming years are set to bring the accommodation capacity closer to 2019 levels.

GRAPH 3



Sources: Eurostat, INS
**No available data for Q2 2022*

Type of accommodation	2019	2020	2021	Q1 2022	2021/2019	Q1 2022/2019
Hotels	1,205	955	1,050	1,065	-13%	-12%
Hostels	211	163	170	159	-19%	-25%
Motels	182	141	144	143	-21%	-21%
Inns	3	3	2	2	-33%	-33%
Tourist villas	380	333	346	357	-9%	-6%
Tourist chalets	138	121	131	116	-5%	-16%
Urban tourist boarding	1,238	1,014	1,068	997	-14%	-19%
Rural tourist boarding	1,540	1,331	1,567	1,491	2%	-3%
Campsites	4	2	4	4	0%	0%
Tourist halting places	17	9	8	8	-53%	-53%
Holiday villages	4	3	4	4	0%	0%
Bungalows	30	37	55	42	83%	40%
Student camps	22	8	15	6	-32%	-73%
Houselet-type units	108	108	103	84	-5%	-22%
Total	**5,082**	**4,228**	**4,667**	**4,478**	**-8%**	**-12%**

No. of accommodation facilities by type, 2019-Q1 2022
Source: INS

Romanian hotel KPIs, 2021-H1 2022

2021

26.5%	**Annual net occupancy rate** (all accommodation types) 22.9% in 2020	9.3M *+48% yoy*	**Arrivals** 90% Romanian tourists 10% foreign tourists
20.7m *+43% yoy*	**Overnight stays**	841k *+86% yoy*	**Foreign tourists** 453k in 2020
58.48€ *-3% yoy*	**Average daily rate**	78m	**Total no. of beds** 63m in 2020

H1 2022

23.7%	**Semestrial net occupancy rate** (all accommodation types) 18.6% in H1 2021	4.4m *+35% yoy*	**Arrivals** 77% Romanian tourists 23% foreign tourists
8.8m *+35% yoy*	**Overnight stays**	1.4m *+215% yoy*	**Foreign tourists** 446k in H1 2021
58.14€ *-1% yoy*	**Average daily rate**	16.4m	**Total no. of beds Q1 2022** 15.1m in Q1 2021

Hotel market trends and forecast

Currently available market data reveals that approximately 20 large hotel projects are due for delivery nationwide by the end of 2023. In Bucharest, after an ongoing full refurbishment, Athenee Palace Hilton will add another page to its rich history by the end of the year. The same desire of hotel owners to reestablish the unique charm of the old city centre has led to the reopening of Grand Hotel du Boulevard, which is due next year. The same owner, Niro Investment Group, is expected to deliver the Swissôtel located in Expozitiei area in 2023. Novotel Living, an aparthotel project, is scheduled to open its doors to long-term staying guests in 2023. ibis Styles Bucharest Airport, located in Otopeni, is the newest addition to Bucharest's hotel stock in 2022. On a national level, the near future will witness an expansion of existing brands, such as Mercure in Sibiu and Brasov, Radisson in Cluj-Napoca or Ramada in Slatina.

Still highly affected by the disruption experienced during the COVID-19 pandemic, the hotel industry is set to face new challenges and see new trends emerging in the upcoming period:

- The surging inflation and the disruptions in supply chains and the ongoing war in Ukraine will lead to higher operational costs
- Labour shortages will put further pressure on hotel owners. According to INS, there were 223,600 employees in the hospitality industry in January of 2020. It is estimated that this number dropped to 163,000 at the beginning of 2022
- With demand for leisure growing faster than demand for business travel, hotels located in the main business hubs will witness a longer recovery period
- Constrained by increasing costs outrunning the slow recovery of the market, some hotel owners will choose to reconvert their assets
- The relaxation of pandemic-related restrictions has led to a resurgence in demand for hotel-located social events. Additionally, concerts and festivals have given a much needed boost to the hospitality market: over 1 million people will have attended the five largest festivals in Romania by the end of August 2022
- The pandemic has provided an opportunity for some hotel owners to refurbish and modernize their properties without the pressure of losing an otherwise safe income

Hotel	City	No. of rooms	Stars	Opening year
Radisson Blu Timisoara	Timisoara	160	5*	2022
Radisson Blu Aurum Brasov	Brasov	110	5*	2022
ibis Styles Bucharest Airport	Otopeni	85	3*	2022
Corinthia Grand Hotel du Boulevard	Bucharest	50	5*	2022
Radisson Blu Cluj-Napoca	Cluj-Napoca	149	5*	2022
Athenee Palace Hilton (refurbishment)	Bucharest	272	5*	2022
Alma Health&Spa Retreat	Braila	185	4*	2022
MyContinental	Sibiu	195	3*	2022
Ramada by Wyndham	Slatina	85	4*	2022
Nordis Mamaia	Mamaia	712	5*	2022
Swisshotel	Bucharest	224	5*	2023
Mercure Sibiu Parc sub Arini	Sibiu	121	4*	2023
Novotel Living	Bucharest	150	4*	2023
Nordis Brasov	Brasov	158	5*	2023
Nordis Sinaia	Sinaia	240	5*	2023
Mercure Porțile de Fier Riviera Hotel & Resort	Portile de Fier	70	4*	2023
Tribe Bucharest Basarab	Bucharest	85	4*	2024
Adagio Bucharest Basarab	Bucharest	115	4*	2024

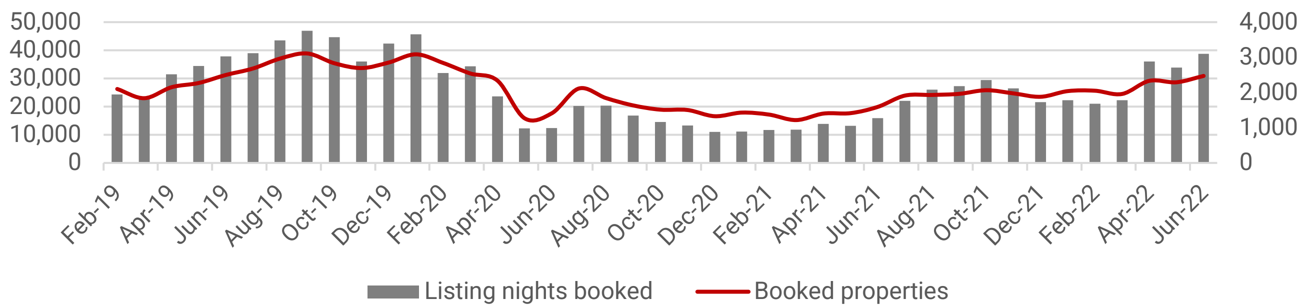
Key hotel deliveries, 2022-2024

In close relation to the hotel market, the short term rental market had a modest evolution throughout 2021. Periodic travel restrictions have influenced the behaviour of domestic tourists, who chose to avoid travelling to urban destinations. This resulted in a 46% yearly average occupancy rate, 13% higher than the one recorded in 2020 but still under pre-pandemic levels, when the average occupancy was around 60%. However, the decline in the number of listed properties continued in 2021, with an average of 3,080 properties available for short-term rental on airbnb.com and vrbo.com, a 24% drop compared to 2019 and a 10% yoy decrease.

The Russia-Ukraine conflict as well as the full lift of COVID-19-related restrictions have caused a swift rebound of the market, mostly demand-wise, in the first half of 2022. The occupancy rate has reached a peak of 76% in April and remained high in the following months, with a 64% average occupancy rate for H1 2022. A slight increase was recorded in the number of listed properties, from 3,289 in January to 3,685 in June.

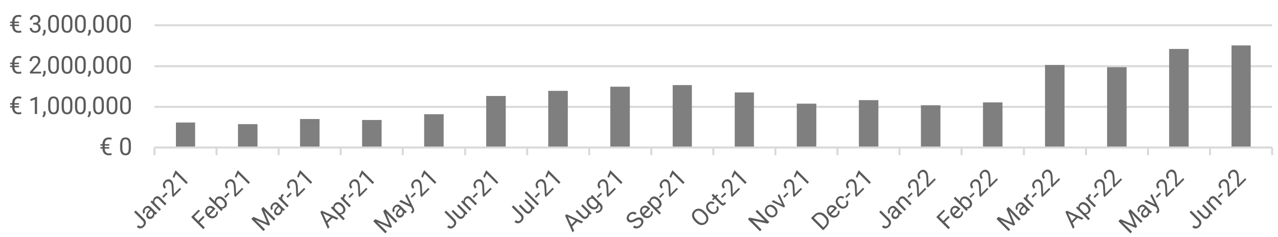
While the total market revenue registered in 2021 was 44% lower than in 2019, at 12.7 M€, the first half of 2022 recorded an 11M€ income, 17% higher than H1 2019 and 4% more than the total market revenue for 2020.

GRAPH 1



Demand growth, 2019-H1 2022
Source: airdna.com

GRAPH 2



Monthly market revenue, 2021-H1 2022
Source: airdna.com

KPI	2021	yoy change	H1 2022	yoy change
Avg. occupancy rate	46%	+13%	64%	+28%
Avg. no. of listed properties	3,080	-10%	3,355	+9%
ADR (€)	39.7	+6%	44.2	+11%

Short-term rental market KPIs, 2021-H1 2022
Source: airdna.com

Please contact us for further information

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