

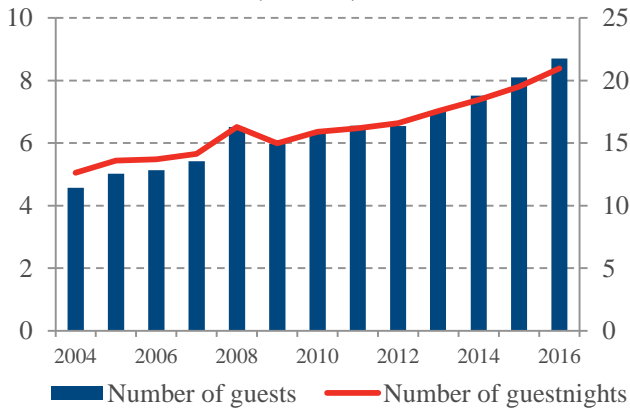


## Hotel market

### Guest nights

- According to the HCSO database, in 2016 both the number of guests and guest nights increased by 7.5% and 7.4% respectively in Hungary. It has been increasing for the fifth consecutive year since 2012 and in 2016 it achieved a record levels with both domestic and foreign guest nights showing increased numbers.

**Number of guests and guest nights (million)**



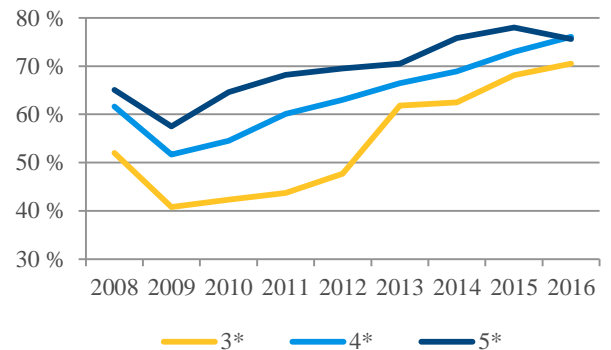
Source: HCSO, Colliers International

- Budapest attracts most of the foreign guests, 86% of them stayed in the capital spending a total of 8.2 million guest nights, almost 6% more than in the previous year.
- Among the most significant sender countries Czech Republic (+20%) and Romania (+17%) showed the most significant increase. The number of guests from Germany increased for the first time in several years with 0.3%, while the number of Russian tourists continued to fall by 5.3%.

### Occupancy and Room Rate of Hotels

- Similarly to the number of guests and guest nights, the occupancy of hotels in every category stood at record high levels both nationwide and in Budapest. Three star hotels occupancy rates exceeded 70%, while four and five star hotels surpassed 75%. This is especially a great achievement in the four star category, as they represent the overwhelming majority of hotel rooms on the Budapest market.

**Budapest Hotel Occupancy**



Source: HCSO, Colliers International

- During the January-December period, foreign guests spent 6.9% more and domestic guests 7.1% more (13.8 million) guest nights in accommodation establishments, as compared to the previous year. Room occupancy in hotels rose by an average of 2.5 percentage points to 56.4% in 2016.
- Unlike the previous years, all hotel categories could increase their room rates in 2016. The gross ADR in Budapest hotels were €139 in 5-star, €59 in 4-star and €38 in the 3-star category, representing an increase of 10.4% - 6.6% - 1.6% respectively compared to the previous year.

## Hotel developments/investments

- After the busy period of 2010 – 2012, the following few years hardly saw any new hotel handovers in Budapest, while 2016 showed signs of increasing development activity.
- Fifteen hotels were handed over in 2016 with 887 rooms. Three hotels in Budapest with 136 rooms and twelve hotels with 751 rooms in the countryside.
- There were only a few large scale developments in the countryside like the Hotel Fűred Spa & Conference in Balatonfűred with 195 rooms and MJUS World resort in Kőrmend with 123 rooms.
- In 2016, two major transactions took place; the Ibis Heroes Square and Mercure Centre bought by Orbis for 27 million euros and Exe-Danube in Budapest for an estimated 14 million euros. Additionally, 14 hotels owned and operated by Hunguest hotels have also been sold in 2016 as well as the Ramada Hotel in Balatonalmádi and Andrássy Residence in Tarcsl.
- Based on the above mentioned transactions, we see increasing investment activity in the Hotel investment market compared to 2015 when the total volume was EUR 76 million. We expect that this trend will continue in the upcoming years as well.

## 2017 Outlook

- In 2016 the passenger count reached a record high of 11.4 Million at Liszt Ferenc airport (a y-o-y increase of 11.1%). The positive trend will be further supported by the capacity expansion of the airport to receive 15-16 million passengers a year, therefore incoming tourism is expected to increase considerably in the upcoming years.
- We expect that the favorable trend of increasing guest nights and hotel occupancy will continue in 2017 and the upcoming years, however, with the handover of all new hotels in the pipeline the latter may stagnate or even decrease in the upscale sector.
- There are new venues and developments which create demand, the 17th FINA World Aquatics Championships will be held in Budapest in 2017 and the preparation works for the much awaited congress center has already started, with an expected handover in 2020.
- In 2017 and 2018, the hotel development boom will increase the country's tourism capacity considerably, with 16 hotels to be delivered in that year among which the majority will be 4\* hotels. This is influenced by the FINA championship and the upper-scale demand of tourists.
- The hotel market will face the challenge of lack of qualified labor supply, which is an issue across several industries and could compromise the quality of existing hotels and the realization of new developments.

## Hotel indicators in Hungary

Key Hotel Figures	
Number of hotels	948
Number of hotel rooms	55,222
Occupancy of rooms	56.4%
Average daily rate (ADR)	EUR 59
RevPAR	EUR 33

\* Operating hotels as of 31 December 2016

Category	Units	Occ**	ADR**
Budapest (5 star)	16	75.6%	139
Budapest (4 star)	97	76.1%	60
Budapest (3 star)	116	70.5%	39
Lake Balaton	91	52.8%	51

\* Registered at booking.com

\*\* Euros, HCSO data based on the officially categorized hotels in the Hotelstars system

Source: HCSO, booking.com

## Recent Handovers in Budapest (2017)

Hotel name	cat.	Rooms
Exe Danube	4*	101
President Hotel expansion	4*	48
Hotel di Verdi	4*	92

Source: Colliers International

## Budapest Hotel Pipeline

Hotel name	Cat.	Rooms	Handover
Three Corners Lifestyle Hotel	4*	60	2017 Q4
Three Corners Hotel	3*sup	44	2017 Q4
Akadémia street	4*	100	2017
Ibis Styles Budapest Airport Hotel	4*	145	2018 Q1
Párisi Udvar	5*	110	2018 Q2
Meininger Hotel	4*	184	2018 Q2
Dorottya 8 Hotel	3*	120	2018
Hotel Clark	4*	86	2018
18 Boutique Hotel	4*	92	2018
Zenobia Palace Hotel	4*	150	2018
Déli Klotild Palota - Luxury Collection	5*	156	2018
Hilton Garden Inn	5*	214	2018 Q4
W Marriott Hotel	5*	165	2018 Q4
NM38 Hotel	4*	130	2018 Q4
InterCity Hotel	3-4*	300	2019

Source: Colliers International