



VIENNA, AUSTRIA
Hotel Market Snapshot
The Empress' Impressive City

October 2014





*The Bank Restaurant, Park Hyatt Vienna
(Source: © Park Hyatt Vienna)*

HIGHLIGHTS

The Austrian Capital, counting approximately 1.8 million inhabitants, offers imperial buildings, international headquarters such as those of the United Nations and the Organization of the Petroleum Exporting Countries as well as numerous leisure attractions.

We believe it is time to highlight the city's recent hotel developments and future trends. This October 2014 issue of the Vienna Snapshot should create curiosity and interest in the central European capital.



Heldenplatz (Source: Vienna Tourist Board, © Maxum)

WHAT'S NEW? WHAT'S COMING UP IN VIENNA?

- ▶ Vienna is one of the fastest growing cities in Europe and is expected to reach 2.0 million inhabitants in 2029. From 2015 to 2034, Vienna is expected to record a +15.1% growth of its population.
- ▶ Since 1 June 2014, tourists can now **spend a night in the Schönbrunn Palace**, the former imperial summer residence. The 167 m² honeymoon suite is located in the East wing of the UNESCO world heritage site.
- ▶ With the opening of the **Park Hyatt Vienna**, the US hotel chain entered the Austrian hotel market in June 2014. The building, originally constructed in 1913, used to serve as a bank and is located in the oldest square of the city centre, in the Golden Quarter.
- ▶ **Motel One** is expected to open its third property in the Austrian capital end October 2014. The hotel will be located next to Vienna's Opera house.

VIENNA - Key facts & Figures (2013)

Population (Metropolitan area)	1 766 746
GDP (Metropolitan area)	€ 76 297 800
GDP per capita (Metropolitan area)	€ 43 185
GDP growth (Metropolitan area)	-0.2%
Unemployment (Metropolitan area)	8.4%
Tourism arrivals	5 836 669
Overnight stays	12 719 289
% International tourists	78.2%
% Domestic tourism	22%
% Congress tourists	11.1%
Number of hotels	428
Number of hotel rooms	31 070

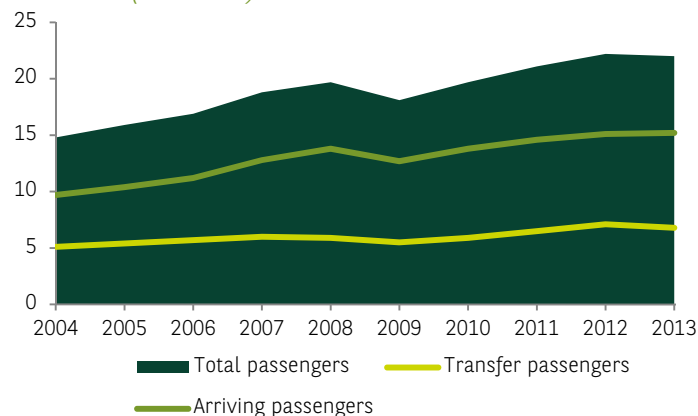
Source: BNP Paribas Real Estate Hotels



Source: © Compuinfo - Fotolia.com

ACCESSIBILITY

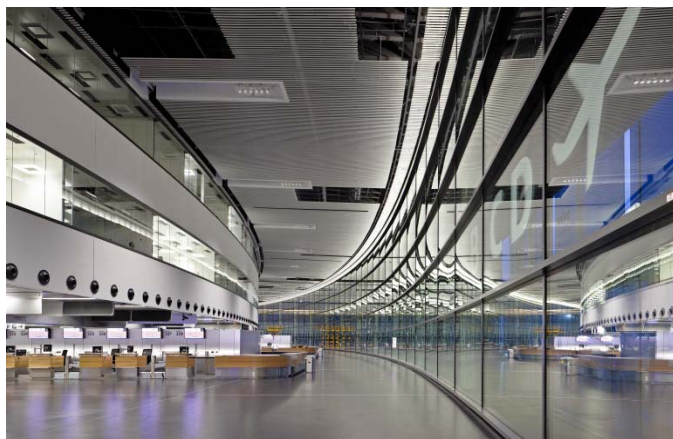
Vienna Airport – Passenger numbers
2004-2013 (in millions)



Source: Vienna Airport, 2014

Vienna International Airport, the busiest in Austria, has seen its passenger numbers increase at a compound annual growth rate (CAGR) of +4.6% over the past 10 years, from 14.7 million in 2004 to 23.0 million in 2013. A passenger record was reached in 2012 when the new terminal 3 was inaugurated.

Over the **first half of 2014, traveller numbers recorded a positive upward trend of +2.9%**, benefiting from an increasing number of passengers flying from and to Western Europe and the United States, while traveller numbers from and to Eastern European countries were on a downward trend.



Airport Vienna (Source: © Flughafen Wien AG / Roman Boensch)

Vienna International Airport's convenient location in central Europe has contributed in becoming an **important hub for international flights**.

After a 9 500 m² renovation of its Pier West, to be completed by the end of 2014, the airport's train station is currently undergoing modernisation and expansion works, which should positively impact the airport's accessibility.

Because of Vienna Airport's continuous growth, further expansion plans are under consideration. Discussions for a third landing runway are taking place since 2009, but no final decision had been made on the project at the time of writing.



Project Hauptbahnhof, train station (Source: © ÖBB, City Vienna)

The project for Vienna's central train station "Hauptbahnhof", which total cost is estimated at € 987 million, comprises the renewal of the train station as well as the construction of 5 000 apartments, 70 000 m² of park areas as well as 90 commercial spaces, to be partially inaugurated in autumn 2014.

More than 1 000 trains are expected to cross the train station on a daily basis from 2015 onwards. The project also foresees a major addition in hotel supply with a minimum of 1 300 hotel rooms, operated by international hotel chains.

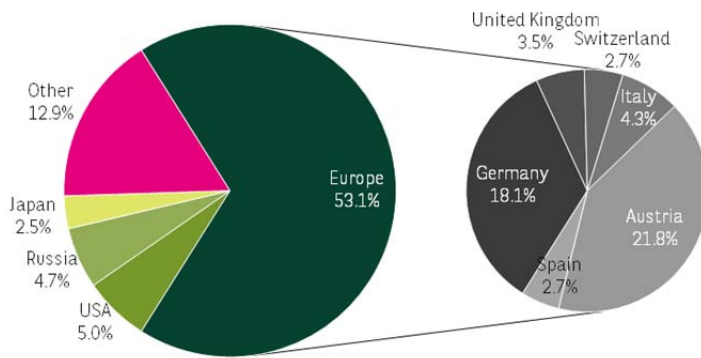
From December 2014, a new high-speed train will reduce travelling time between Vienna and Prague to 4 hours and 11 minutes, an improvement of 38 minutes compared to the current connection.

A tremendous focus is given on public transport development in order to reduce the current car traffic in the city. The underground line 1 is currently being extended in the South-East of Vienna and a new underground line (U5) will be added, improving the connection from the North to the South of Vienna by 2025.

DEMAND

Vienna offers a wide variety of cultural heritage sights and leisure attractions. The city's international importance has considerably increased over the years, also owing to its visibility related to its status as a UN headquarters city. In 2013, Mercer Consulting Group's study on quality of living ranked Vienna 1st for the fifth consecutive year out of 193 European cities.

Main feeder markets - Arrivals 2013



Source: MIA 23, Vienna Tourist Board

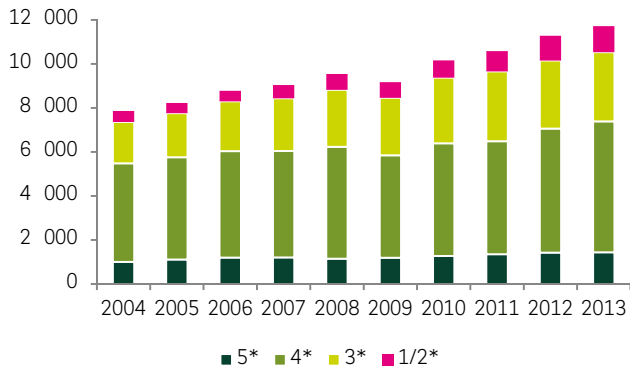
Today, Vienna is Austria's most visited city with 5.8 million arrivals in 2013. Except in 2009, the capital has seen a significant increase in arrivals, recording a CAGR of +5.7% over the past 10 years.

Vienna's tourism is highly dependent on international travellers (78.3% of total arrivals). Germany remains the primary feeder market with approximately 1 million arrivals in 2013. Top 5 feeder markets accounted for 45.5% of total foreign arrivals in Vienna. Russia and the USA achieved the strongest growth in 2013 (+10.5% and +9.6%), while Spain, Italy and France recorded a decrease. In 2013, an upward trend was observed by South Korea, South East Asia and Israel.

During the first six months of 2014, arrivals in Vienna from main international markets confirmed a positive upward trend, while significant decreases of high contribution markets such as Russia (-10.2%) and Japan (-5.2%) were recorded, impacted by the current political and economic turmoil in the respective countries.

Overnight stays per category

Hotels and guesthouses, 2004-2013 (in thousands)

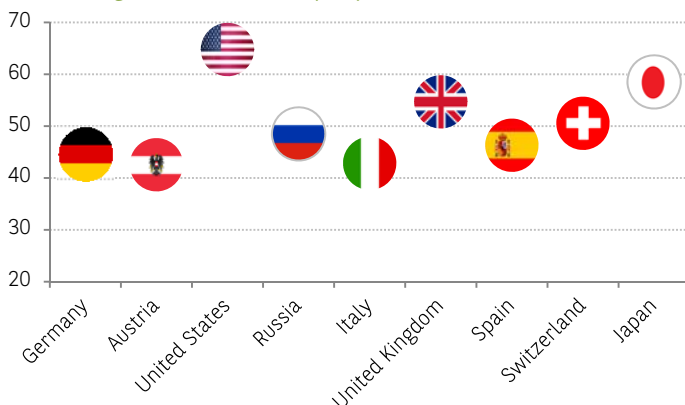


Source: MIA 23, Vienna Tourist Board

Overnight stays in Vienna have recorded a total growth of +48.2% from 2004 to 2013. Overnights in 1 and 2-star hotels recorded the highest CAGR with +10.0% over the analysed period, while overnights in the 4-star segment increased by +3.2% annually. After the hit of the financial crisis in 2009, the city recovered better than initially expected, reaching 11.6 million overnights in 2013. In 2013, **national tourism represented 18.3% of overnights in Vienna**. The average length of stay amounted to 2.2 nights.

Rooms revenue per overnight stay – Main feeder markets

Hotels and guesthouses, 2013 (in €)



Source: MIA 23, Vienna Tourist Board, BNP Paribas Real Estate Hotels

Even though Germany and Austria led the field in terms of overnight stays, they ranked 8th and 9th in terms of rooms revenue spent per night (out of the top 10 countries presented). Among the main international feeder markets, Americans spent the highest amount in room accommodation with € 64.8, while Italian visitors spent € 42.8 per night.

It is worth noting that visitors from the United Arab Emirates, counting for only 0.6% of all overnights, spend the highest amount for accommodation with € 75.6 per overnight stay.

Luxury hotels in the capital have seen a positive increase in demand from Arabic countries over the past 3 years, especially in the weeks following Ramadan.

Leisure Tourism



Goldenes Quartier, luxury shopping area
(Source: © BNP Paribas Real Estate Hotels)

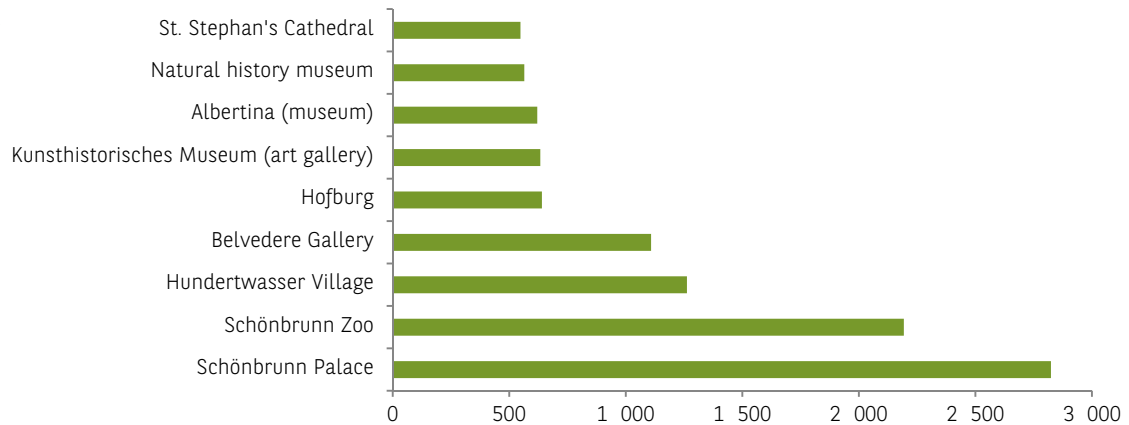
With its world heritage sights and renowned classical music performances, the Austrian capital particularly attracts leisure tourists.

Vienna's first district welcomes more than 17.0% of all overnight stays in the city. Not only is this area home to some of the country's imposing cultural sights, it also offers a brand new luxury shopping area featuring international brands. The latter was renovated in conjunction with the Park Hyatt hotel project by Signa Holding for a total amount of around € 500 million.

The Schönbrunn Palace and its zoo are defending their first and second position as **the most visited sights in Vienna** in 2013. The zoo however recorded a decrease in visitor number of -6.9% compared to 2012, while the palace saw its visitor number grow by +6.0%.

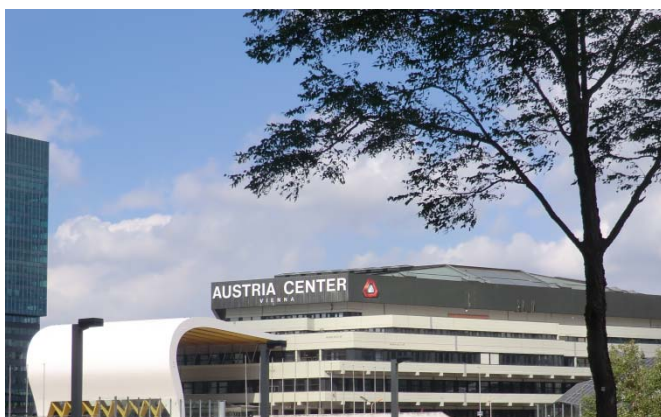
Major Tourist attractions

2013 (in millions)



Source: Austria Tourism, 2013

Business Tourism



Austria Center (Source: © BNP Paribas Real Estate Hotels)

Vienna is internationally known as a major MICE destination offering extensive exhibition, congress and conference facilities. The main convention centres include the Austria Centre Vienna, the Hofburg Vienna and the Messe Wien Exhibition & Congress Centre.

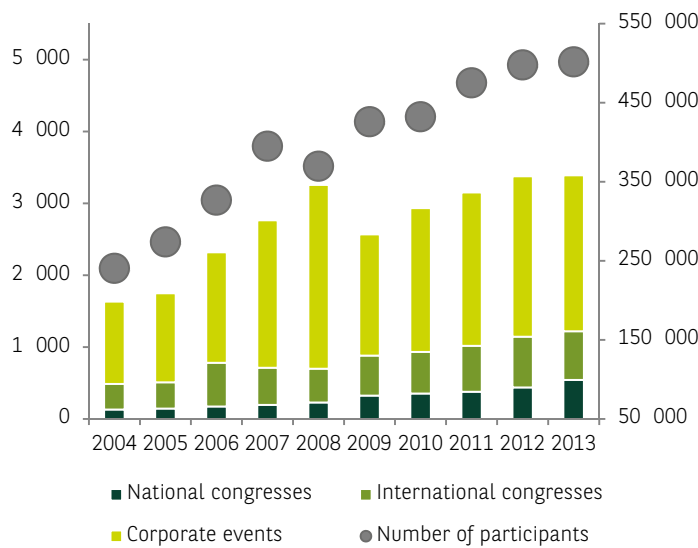
The Austria Centre Vienna, the city's largest congress venue with a capacity of up to 20 000 people, recently invested in the improvement of its building's technology. Substantial capital expenditures for the improvement of the venue are also budgeted for 2015.

In 2013, Vienna ranked 3rd in the International Congress and Convention Association (ICCA) after 7 consecutive years of holding the 1st place*.

** It should be noted that the ICCA ranking should only be seen as a benchmark tool, as it only includes international meetings which rotate in a minimum of three different countries.*

According to Christian Mutschlechner from the Vienna Convention Bureau, one of Vienna's strengths as a congress city is its resistance to international crises. Out of all (SARS, Iraq war, 9/11,..) the Iceland volcano eruption in 2010 was the only recent catastrophe that really hit congress tourism in Vienna, as European traffic was significantly disrupted.

Number of meetings and participants
2004-2013



Source: Vienna Convention Bureau

Between 2004 and 2013, MICE tourism, comprising national and international congresses and corporate events, recorded a CAGR of +8.5% in the number of events, totalling 3 389 events in 2013.

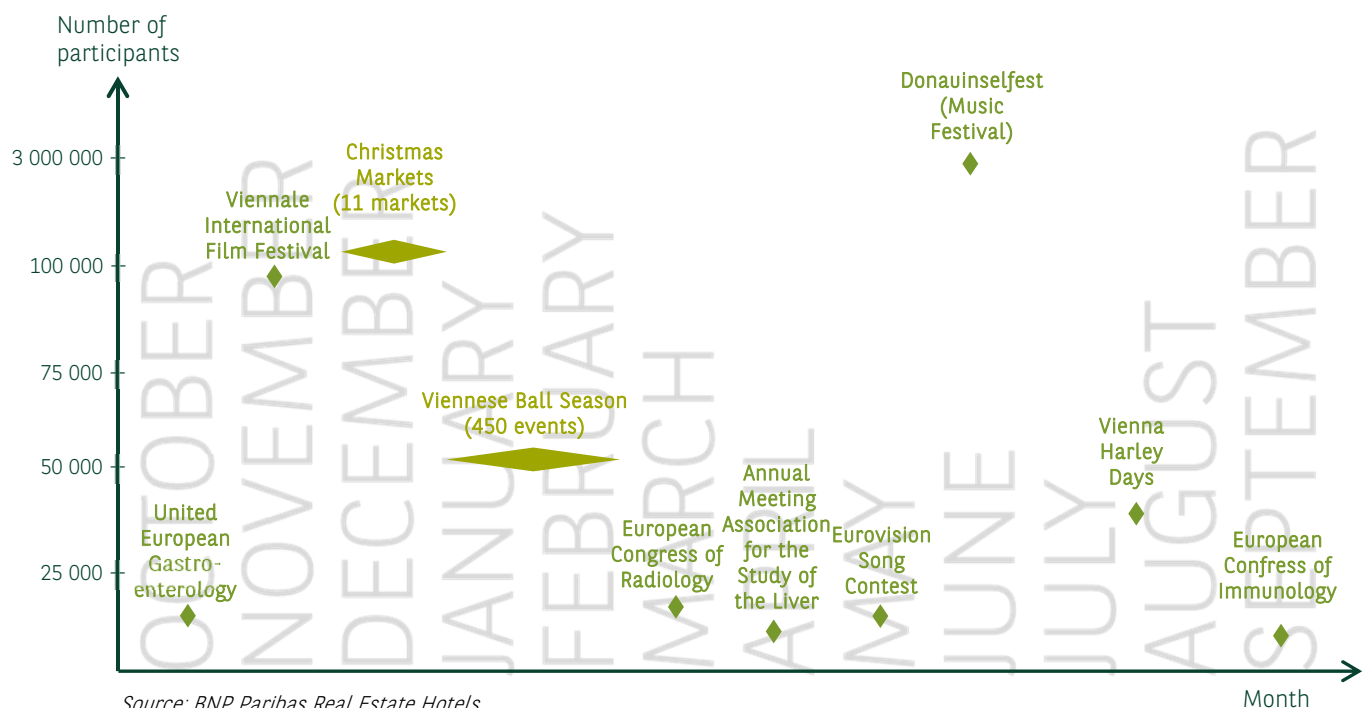
MICE activity, accounting for 11.0% of total overnights in 2013, is particularly strong in February to April, June, September and October. MICE tourism recorded its peak in 2012 with 1.5 million overnights. While the domestic market led the field with more than 50 000 overnights, **the UK and Germany represented the most important foreign countries in Vienna's corporate event sector with 25 000 and 22 350 overnight stays respectively in 2013.**

The smaller number of international congresses held in Vienna in 2013 led to a significant drop in congress overnights stays of -7.8%. The increasing number of national congresses (+23.9%) could not compensate the drop in international congresses and corporate events.

While overnight stays from the feeder markets Austria, the UK, Germany and the US decreased, countries such as Belgium, Russia and Turkey increased their shares significantly.

In terms of GDP, the contribution from the conference and congress tourism in Vienna amounted to € 692 million in 2013, of which 90.2% were generated by international events. More than 12 000 jobs are related to the Vienna meeting industry.

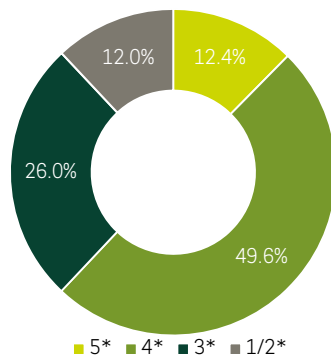
Main events upcoming in Vienna, October 2014 to September 2015
Number of participants



Source: BNP Paribas Real Estate Hotels

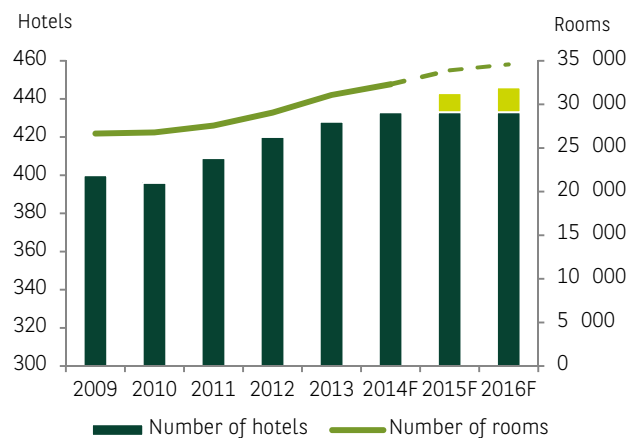
SUPPLY

Hotel rooms per category 2013



Source: MA 23, Vienna Tourist Board

Hotel supply evolution 2009-2016 forecast



Source: MA 23 Dezernat Statistik, Vienna Tourist Board

As of December 2013, Vienna counted almost 30 700 hotel rooms, distributed over 432 hotels.

The majority of room supply is made up by the 4-star segment with a total of 15 424 rooms, followed by the 3-star segment with 8 073 rooms.

From 2009 to 2013, the hotel market in Vienna recorded a total growth of +7.0% in number of hotels and an increase of +16.6% in total room capacity.

Since 2013, a total of 1 448 hotel rooms has been added to the Austrian capital. The focus on development has been on the upscale and luxury segments, bringing global brands such as Ritz-Carlton, Kempinski, Meliá and Hyatt, as well as small boutique hotels to the city.

In 2014, the largest room addition was the Motel One Wien-Prater with 359 rooms, while the Schloss Schönbrunn Honeymoon Suite counts only one suite with two bedrooms.

International brands have successfully implanted themselves in Vienna's hotel market, but the city also offers a great number of independent properties with a chic and hip design such as the Sans Souci, the 25 Hours Wien beim Museumsquartier, the Guest House and the Hotel Lamée, which preserve the city's tradition.

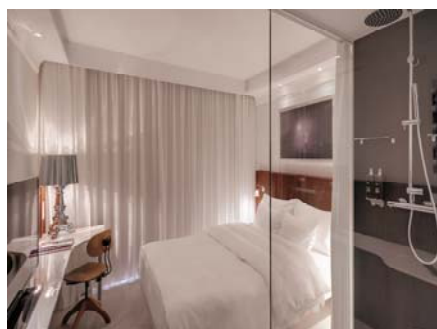
Most recently, the Park Hyatt Vienna opened its doors in June 2014 with 143 bedrooms and suites. According to Monique Dekker, General Manager of the Park Hyatt Vienna, the hotel's aim is to achieve the highest ADR in the city.

Traditional houses, such as the Bristol and the Hotel Imperial, managed by Starwood Hotels & Resorts, are brushing up their product quality to keep up with the competition. At the Bristol **10 guestrooms in a modern but traditional art-deco style were added** and the lobby area was re-organised and refurbished. The Hotel Imperial fully refurbished its ground floor and modernised its Café Imperial for a total investment of € 14 million.

The Radisson Blu Parkring closed its doors in December 2013. The management contract with Rezidor was not extended and the property needs a major renovation programme before its re-opening, of which details had not been communicated at the time of writing.



The Guest House
(Source: Hotel © A. Scheiblecker)



Ruby Sofie Hotel
(Source: Hotel)



Meliá Vienna
(Source: Hotel)

Hotel supply – Recent openings
2013 – June 2014

Year	Category	Hotel	Rooms	District
2013	5*	Palais Hansen Kempinski Vienna	152	1 st district
2013	4*	Falkensteiner Hotel Wien Margareten	195	7 th district
2013	3*	HB1 Hotel Wien Schönbrunn	96	1 st district
2013	5*	The Guest House Vienna	39	1 st district
2013	3*	ibis Styles Wien City	133	1 st district
2014	nc	Motel One Wien-Prater	359	1 st district
2014	4*	Meliá Vienna	253	1 st district
2014	5*	Schloss Schönbrunn Suite - Austria Trend Hotel	1	1 st district
2014	4*	Ruby Sofje Hotel	77	1 st district
2014	5*	Park Hyatt Vienna	143	1 st district
Total Rooms Recently Opened			1 448	

Source: Vienna Tourist Board, BNP Paribas Real Estate Hotels

One of the most discussed and controversial hotel plans concerns the InterContinental Vienna. Following the € 50 million acquisition of the 5-star hotel by WertInvest in 2012, **the 458-room hotel is expected to undergo a full renovation**. Not only will the hotel receive a makeover, but the project foresees a re-organisation of the adjacent Vienna ice skating rink and its direct surroundings.

Hotel supply – Future openings under construction
2013 – June 2014

Year	Category	Hotel	Rooms	District
2014	nc	Motel One Wien Staatsoper	400	1 st district
2015	4*	Schubertring 10-12	TBC	1 st district
2015	3*	Star Inn Hotel Wien Hauptbahnhof	300	10 th district
2015	3*	Hotel Schani Wien	135	10 th district
2015	nc	Motel One Wien Hauptbahnhof	533	10 th district
Total Rooms in the Pipeline under construction			1 368	

Source: Vienna Tourist Board, BNP Paribas Real Estate Hotels

Hotel supply – Future openings under negotiation
2013 – June 2014

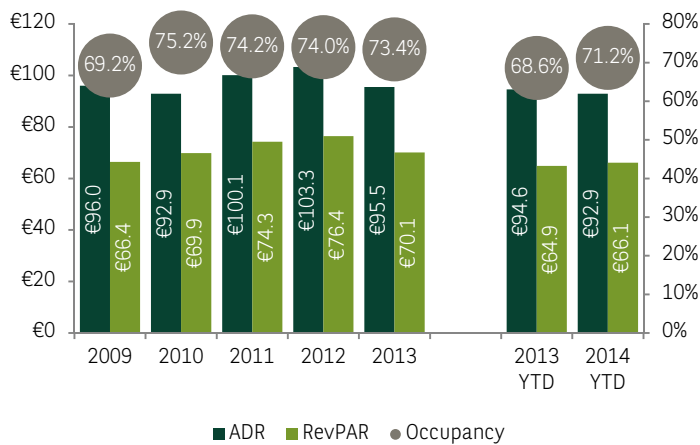
Year	Category	Hotel	Rooms	District
2015	4*	Wien Oberlaa	140	10 th district
2015	4*	Casino Zögernitz – Boutique hotel	50	19 th district
2015	4*	Hotel das Triest (extension)	50	4 th district
2015	3*	Stafa Tower Vienna	186	7 th district
2015	3*	Tulip Inn	120	10 th district
2015	3*	Hotel Prater Palace	80	2 nd district
2016	5*	Hotel im Palais Schwarzenberg	30	3 rd district
2016	4*	Novotel	250	10 th district
2016	3*	Ibis	250	10 th district
TBC	5*	Four Seasons	160	1 st district
Total Rooms in the Pipeline under negotiation			1 316	

Source: Vienna Tourist Board, BNP Paribas Real Estate Hotels

The project to convert the commercial court site, located Riemergasse 7, into a luxury hotel managed by Four Seasons has been on the market over the past five years and industry experts are sceptical about the conversion of the building into a hotel. The transformation project of the Palais Schwarzenberg, located in the 3rd district, which foresees a casino run by Novomatic and a boutique hotel with a guestroom capacity of approximately 30 units, is currently on hold due to a protest filed by Casion Austria (Casag) regarding the allocation of the casino license. An investment of approximately € 50 million is estimated for the casino, followed by an equivalent amount for the boutique hotel project.

HOTEL PERFORMANCES

Hotel trading performances 2009 - August YTD 2014



Source: MKG Hospitality Database

The opposite graph shows a comparison of the RevPAR levels for four central European key cities, including Vienna.

In 2013, RevPAR ranged between € 41.3 and € 70.1 with Vienna ranking 1st. Since 2009, a recovery after the European debt crisis has been recorded in all cities presented. Prague recorded a particular strong growth in RevPAR over the analysed period, reducing the gap between the Czech and the Austrian capital.

Overall, **Vienna outperformed central European key cities in 2013**, as a result of the highest ADR achieved at € 94.6.

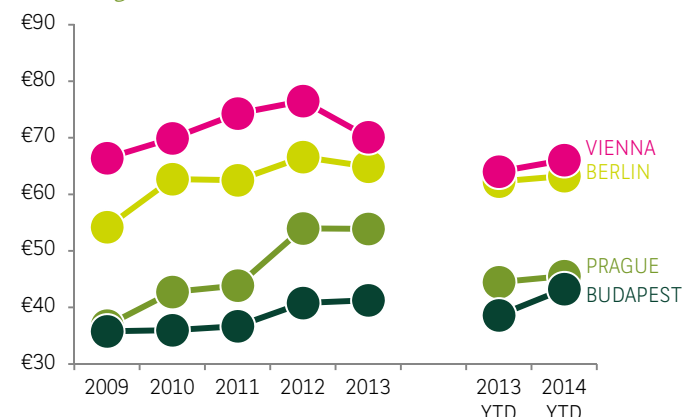
In terms of seasonality, Vienna being a renowned leisure destination, April to September generate the strongest demand in the city. While March, June and October are positively impacted by international events, the summer months (July to September) generate high demand from leisure tourism.

From 2009 to 2012, hotel performances in Vienna recorded a significant RevPAR increase of +15.1%, as a result of a strong ADR growth, at the expense of occupancy.

In 2013, Vienna's RevPAR decreased by -7.6% due to the decline in ADR.

August YTD 2014 performances look promising for Vienna. The city's ADR decreased by -1.7% compared to 2013 but was compensated by an occupancy increase of +3.5 points, leading to a significant RevPAR increase of +1.9%.

RevPAR evolution by key cities 2009 - August YTD 2014



* For the purpose of this graph, the Hungarian forint and the Czech koruna were converted to euros.

Source: MKG Hospitality Database, 2014

INVESTMENT MARKET

Recent hotel transactions in Vienna were focused on smaller single transactions with a strong **interest in quality products**.

The luxury hotel located Schuberting 5, initially constructed for Shangri-La who pulled out of the contract right before the opening in February 2011, was sold for € 120 million in 2011 by Bauträger Austria Immobilien GesmbH to Verry. The property opened as a Ritz-Carlton in February 2012. In 2012, two important transactions summarised Vienna's hotel market: the acquisition of the InterContinental by WertInvest for € 50 million and the sale of the Austria Hotels International Portfolio, of which 6 properties were located in Vienna (Hotel de France and Hotel Kummer to name but a few).

In 2013, hotel investment in Vienna was marked by three significant single asset transactions: the sale of the Austria Trend Hotel beim Theresianum (115 rooms) for approximately € 10.5 million to MFG Beteiligungs AG, the acquisition of the hotel MGallery am Konzerthaus (221 rooms) by Ommovate for € 23 million and the sale of the Hilton Danube (367 rooms under a management contract with Hilton until 2031) to Internos Global Investors for almost € 52 million. In addition, the development project of the Motel One Hauptbahnhof (Vienna Central Station) was sold by ECE to Württembergische Immobilien AG, for an undisclosed amount.

The following table presents the single asset transactions recorded in Vienna over the past years:

Year	Cat.	Hotel	Rooms	Price (€)	Price per room (€)	Seller	Purchaser
2011	5*	Ritz-Carlton Vienna	202	40 000 000	198 020	Bauträger Austria Immobilien GmbH	Verny Capital
2012	5*	InterContinental	459	50 000 000	108 932	Toufic Aboukhater	WertInvest
2013	3*	Austria Trend Hotel Theresianum	115	10 500 000	91 304	Conwert	MFG Beteiligungs AG
2013	4*	MGallery Hotel am Konzerthaus	221	23 000 000	104 072	CALG Immobilien Leasing	Ommovate
2013	4*	Hilton Danube	367	52 000 000	141 689	Immofinanz Group	Internos Global Investors
2013	nc	Motel One Wien Hauptbahnhof	533	Not disclosed	Not disclosed	ECE GmbH	Württembergische Immobilien AG

Source: BNP Paribas Real Estate Hotels

OUTLOOK

After recording a **CAGR of +6.1% in overnights** from 2009 to 2013, expectations for a further significant increase in overnight stays in the Austrian capital are very positive for the upcoming years. Further to the new direct flight connections from Vienna to Seoul and Newark, increases in incoming travel from Korea and the United States should boost demand in the Austrian capital.

Congress tourism is expected to generate moderate results in 2014, but **a positive upswing is expected from 2015 onwards**. The "St. Gallen International Breast Cancer Conference", usually a Swiss-based congress, is moving to Vienna thanks to the city's established recognition as an international congress venue as well as its excellent offer of hotels.

Furthermore, the 60th Eurovision Song Contest will be hosted in Vienna in May 2015. The main opportunity related to this event for the Vienna Tourist Board lies in **reinforcing the city's position as an international culture and leisure venue** within Europe. According to the Vienna Chamber of Commerce, the city expects an additional 15 000 overnight stays related to the song contest as well as tourism additional expenditures of around € 5 million.

Adding to the events happening in 2015, Vienna will also celebrate the 150 years of the Ringstrasse which was inaugurated in 1865 by Emperor Franz-Josef. Numerous events and exhibitions will be organised around the city.

The **+3.2% CAGR of room supply from 2009 to 2013** created somewhat an uncertainty between hoteliers, which partially explains the decrease in ADR as a result of a more competitive market.

Vienna's hotel market might need some time to adjust its strategy in order to absorb the additional room supply in the pipeline, but recent growth rates have given a positive indication for the coming years.

In the long run, **the hotel market in Vienna has a good potential to increase its RevPAR** by growing ADR.

Considering the growth in demand, Vienna's increasing hotel capacity and the numerous sights in the world heritage capital, **will Vienna become one of the top 5 European cities to invest in?**



View over the Ringstrasse (Source: Vienna Tourist Board © Christian Stemper)

Hong Kong



U.A.E



USA



● Our locations
○ Our alliances



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** 18 under direct ownership and 22 alliances*

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