2020 Full Year

Hotel Market

Hungary I Budapest

Hotel market – 2020 summary

Based on the performance of the first two month, 2020 could have been the best year in the history of Hungarian tourism. Already in 2019, 25 million guestnights were recorded for the hotel market and the first two months of 2020 indicated further growth compared with the previous year.

However, following the travel restrictions introduced in March 2020, the hotels were temporarily forced to close until the beginning of summer season. Despite the pandemic, the number of domestic customers in July and August exceeded the number of domestic customers of 2019, but this trend was mainly due to the cross-border travel restrictions.

In 2020, 5.2 million guests spent 13.3 million guestnights in Hungary, 74% of the guests were domestic. The number of domestic guests in 2020 amounted to 58% of the figure of 2019 and the number of domestic guestnights reached 61% of the figure 2019.

In 2020, the share of international guests reached 22% of the figure 2019, the share of foreign guestnights reached 24% of the figure 2019.

The decline in demand hit Budapest the most, where the number of guestnights decreased by 78% comparing to the previous year, with a decrease of 55% for the domestic guests and 81% decrease by the international guests.

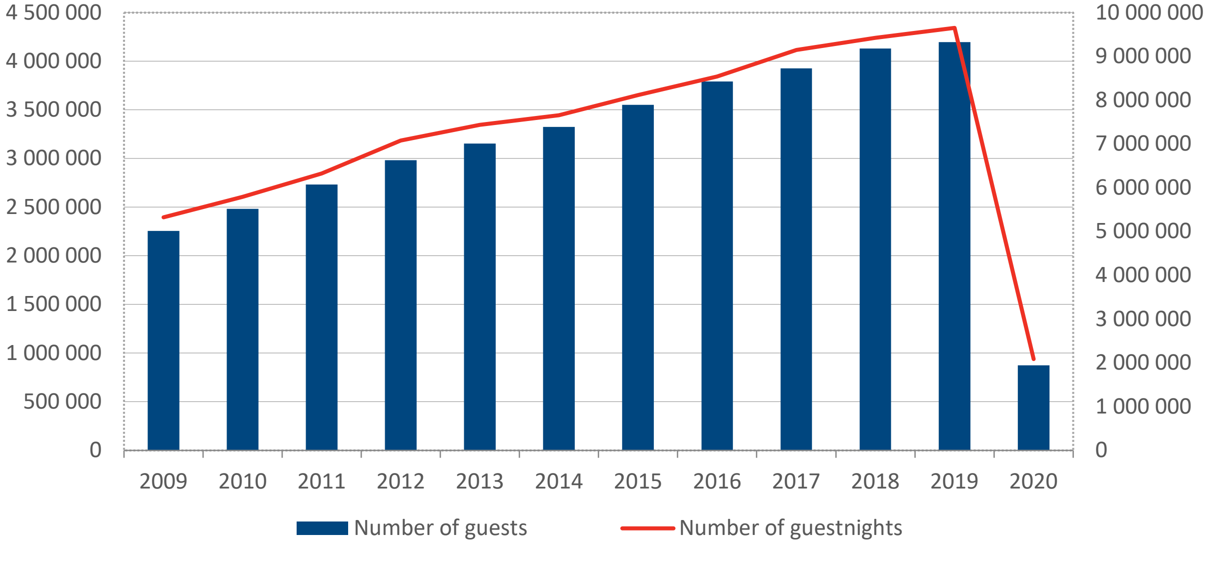
In each of the 10 main source markets, the number of guestnights decreased. The decline was 72.3% from Germany, 77.9% from the United Kingdom, 75.9% from the Czech Republic, 74.4% from Romania, 74.4% from Slovakia, 73.9% from Russia, 73.9% from France and 73.9% from Poland.

Several hotel owners reacted to the crisis by investing in service quality improvement or hotel refurbishment, which has been postponed for years e.g.: Sofitel and Gellért Hotel. Some other Budapest hotels tried to increase revenues by offering alternative services such as creating co-working spaces or providing rooms as offices.

Financing became more expensive with less favourable conditions. Banks offered loans at lower LTV and only to selected clients with good track record, which slowed down the delivery of hotel development projects. As a consequence, a large proportion of the extensive hotel development pipeline that was built up during the pre-covid period is expected to be either cancelled or delayed.

There appears to be local investor demand seeking distressed hotel opportunities, however this demand will be amplified mainly after the expiration date of loan moratorium, which was prolonged until 31 August 2021.

***FIGURE1*: NUMBER OF GUESTNIGHTS IN BUDAPEST HOTELS (2009-2020) (Million)**



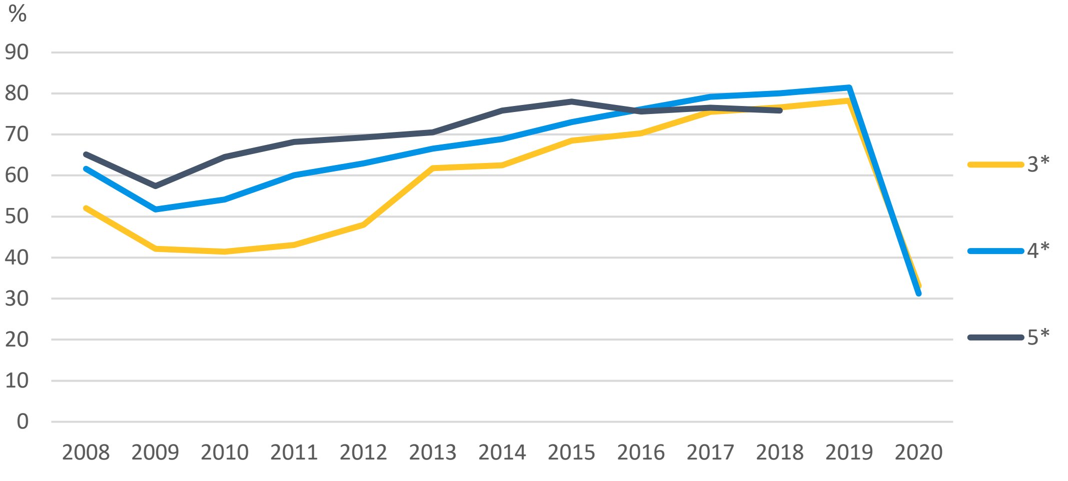
Sources: Figure 1: Colliers International

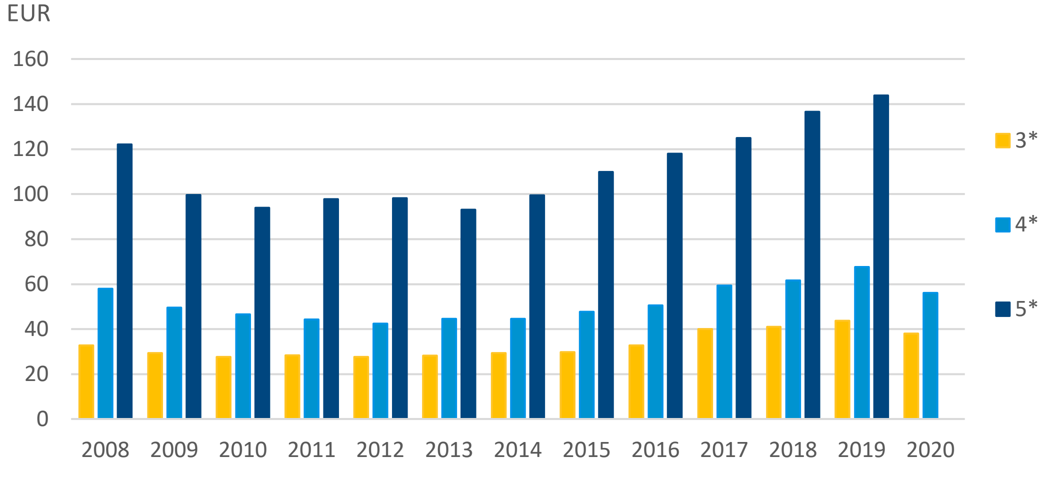
Occupancy and room rates of hotels

- According to STR data, in 2019 the average net RevPAR of Budapest hotels was EUR 71.2 placing with this ranking behind Vienna (EUR 85.9) and Prague (EUR 74), but ahead of Poland (EUR 54.1) and the Bratislava (EUR 53.7).

- At the end of 2020, the average net RevPAR of the hotels in Budapest was EUR 17.4, which puts Budapest on the second place behind Vienna (EUR 22.2) and ahead of Warsaw (EUR16.2), Bratislava (EUR 16.1) and Prague (EUR 13.4).

FIGURE 2-3:
HOTEL OCCUPANCY AND NET ADR IN BUDAPEST (2008-2020)





Sources: Figure 2-3: Colliers International

TABLE 1: HOTEL INDICATORS IN HUNGARY

Key Hotel Figures - Hungary	
Number of hotels*	1.100
Number of hotel rooms in Hungary	60,500
Number of hotel rooms in Budapest	22,025
Occupancy of rooms	38.5%
Average daily rate (ADR)	EUR 44.5
RevPAR	EUR 17.3

* Operating hotels as of 31 December 2020; STR

TABLE 2: HOTEL COMPLETIONS IN BUDAPEST (2020)

Hotel	Cat.	Rooms
Hotel Vision	4*	92
Ramada by Wyndham	4*	42
Hard Rock Hotel	4*	136
A&O Budapest	Hibrid-3*	114
NETIZEN Budapest	Hibrid-3*	56
Alice Hotel	4*	40
Kozmo Hotel	4*	150

FIGURE 4: HOTEL PIPELINE* IN BUDAPEST SPLIT BY CATEGORY (2021–2024)

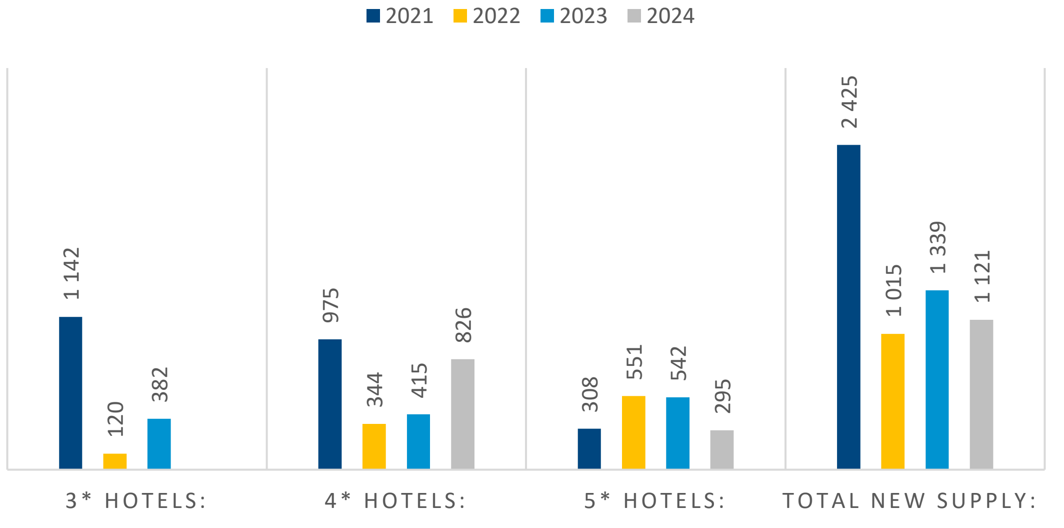
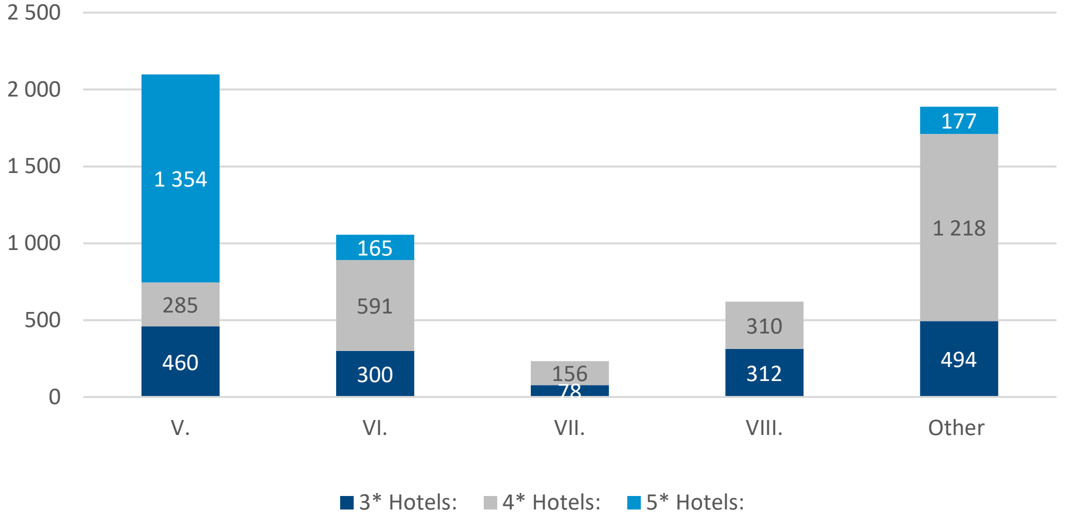


FIGURE 5: HOTEL PIPELINE* IN BUDAPEST SPLIT BY DISTRICT (2021–2024)



Sources: Tables 1-3: Figures 4-5: Colliers International, hah.hu; * Pre-covid handover expectations, delays and cancellations were not reflected in the timeline and volume indicated in the chart.

2021 Outlook

The hospitality industry will remain under pressure until there is a progress in the global widespread vaccination, which is expected by H2 2021 the earliest.

When the tourism recovers in Hungary, the depreciated EUR/HUF will favour mostly the hotels operating in Budapest and the arriving tourists, due to the lower priced products. As a result of to the 5% VAT introduced in the hotel sector in 2020, the room prices of hotels can become more competitive, which can support the faster recovery in the market.

The potential limitation of the Airbnb market may also provide some support to the recovery of the hotel sector in the following years. However, the recent government decision was only a slight tightening on the Airbnb market. The new measure of the government has only handed over the right to local municipalities to regulate short-term renting, hence the municipalities will have the right to limit the operation of the short-term renting services in case they consider it necessary e.g.: limiting the number of rentable days per year in an apartment. The Budapest Airbnb market accounted for 1.9 million guestnights in 2019 which is equal to approx. 2,000 hotel rooms, hence it had a significant market share during the pre-pandemic period.

There is a growing shortage of labor in the hotel sector, which has been jeopardizing the proper operation of hotels in the previous years and it can create some difficulties at the re-opening of the hotels for the 2021 summer as well.

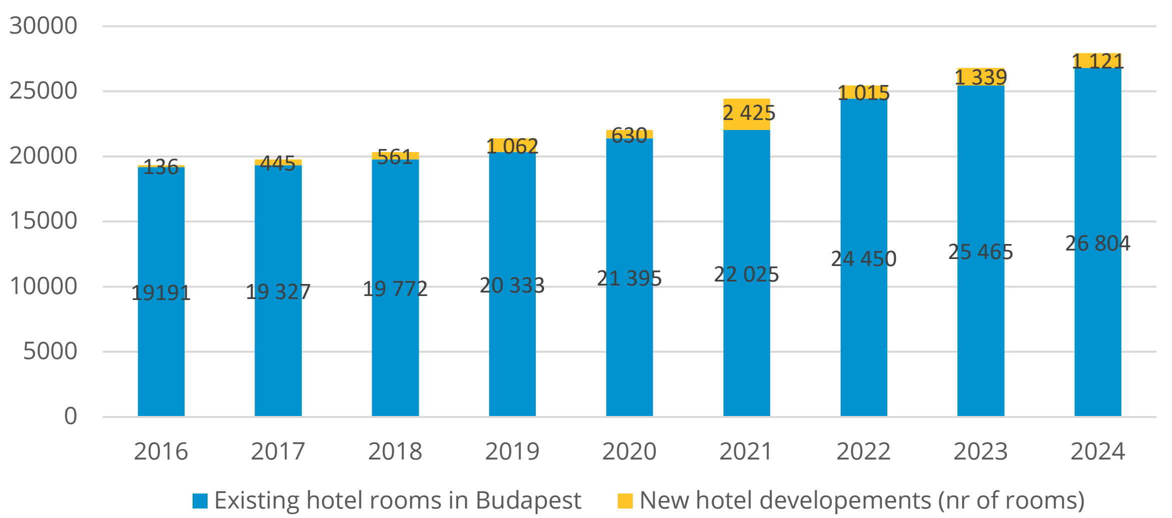
In terms of the new supply, there were approximately 5,900 rooms in the hotel development pipeline for Budapest in Q1 2020, which is expected to drop significantly because of prolonged pandemic.

There were significant delays in the openings planned for 2020-2021. Currently, maximum 2,500 hotel rooms remained a realistic expectation for the upcoming years, which is less than the half of the new projects planned for this period prior to the pandemic.

By the end of 2022, an additional 1,015 new hotel rooms is expected to be handed over, most of them will be ranked as 5-star hotels. The majority of these projects are already under construction with a planned hand over date in 2022. Most of the projects are situated in in the city center areas of district V., VI. and VII.

A high-capacity conference center at Hungexpo is also in the development pipeline, which is under preparation phase and it is expected to be handed over in 2022. It is expected that this investment will generate additional demand for hotels in Budapest and will contribute to boost the conference & business tourism in Budapest. The online conferences and webinars seemed to be a promising option during the pandemic, however, later this option, as a permanent solution has flattened out due to the lack of personal interactions.

FIGURE 6:
HOTEL STOCK AND POTENTIAL NEW SUPPLY IN BUDAPEST (2016 - 2024)



Sources: Figure 6: Colliers International

APPENDIX – PLANNED PROJECTS*

Hotel	Location	Type	Category	Nr. Of rooms	Expected handover
B&B Hotels	IX. Angyal u. 1.	Midscale	3*	214	2021
Ibis Styles Budapest Genius Hotel	XI. Prielle Kornélia	Midscale	3*	122	2021
H2 Hotel Budapest	V. Sas u.	Midscale	3*	158	2021
Intercity Hotel	VIII. Mosonyi u. 4.	Midscale	3*	312	2021
UP Hotel Budapest	VI. Csengery u. 31.	Midscale	3*	158	2021
Jo&Joe (hibrid)	VII. Klauzál utca / Dohány	Midscale	3*	78	2021
Mamaison Hotel M4	V. Mérleg utca 4.	Midscale	3*	100	2021
Mamaison Hotel	V. Mérleg utca 6.	Upscale	4*	54	2021
Emerald Residence	V. Petőfi Sándor utca.	Upscale	4*	106	2021
Quality Inn Hotel	VI. Dessewffy u.	Midscale	4*	134	2022
Boutique Hotel - Andrássy 30	VI. Andrássy út 30.	Upscale	4*	100	2021
Hotel Alice - Andrássy út 116	VI. Andrássy út 116.	Upscale	4*	40	2021
Savoy Hotel JK 19	József krt. 16	Upscale	4*	100	2021
Triptara Hotel Eötvös Utca	VI. Eötvös u. 12.	Upscale	4*	150	2021
Apsis Hotel	n/a	Upscale	4*	93	2021
Butique Hotel - BIF	VI., Andrássy út 80-82.	Upscale	4*	100	2021
Arkia Hotel I.	VII. Almássy tér 2.	Midscale	4*	84	2021
Arkia Hotel II.	VII. Klauzál utca 17.	Midscale	4*	72	2021
A3 Hotel	VI. Andrássy út 3.	Upscale	4*	76	2021
Minoo House hostel	VIII. Mikszáth Tér 3.	Upscale	4*	60	2022
Chocolat Hotel	VIII. Szentkirályi út 8.	Upscale	4*	150	2022
Aurea Ana Hotel Budapest	V. Akadémia utca 15-17.	Luxury	5*	107	2021
Luxury Collection Hotel - Matild Palace	V. Kerület, József körút.	Luxury	5*	130	2021
Radisson Collection Basilica	V. Szent István tér	Luxury	5*	71	2021
Autograph Collection - fmr Renaissance	V. Apáczai Csere János u.	Luxury	5*	230	2022
A52 Hotel	VI. Andrássy út 52.	Midscale	3*	120	2022
Bem Palace Hotel	II., Bem József tér	Upscale	4*	140	2023
Rácz Hotel	I. Hadnagy u. 8-10.	Luxury	5*	67	2022
Tüköry Hotel - Almanac Hotels	V. Tüköry u. 4.	Luxury	5*	152	2022
St. Regis - Klotild Palace	V. Váci utca 34.	Luxury	5*	102	2022
Holiday Inn Express	VI. Blaha Lujza tér	Midscale	3*	180	2023
Steindl Imre Hotel	V. Steindl Imre utca	Midscale	3*	100	2023
Kígyó utca Hotel	V. Kígyó utca	Midscale	3*	102	2023
Hotel project Veres Pálné utca	V. Veres Pálné	Upscale	4*	125	2023
Aerogate project	XIX. Tompa utca	Upscale	4*	150	2023
W Hotel - Marriott	VI. Andrássy út 25.	Luxury	5*	165	2023
Hyatt Regency Hotel	V. Petőfi Sándor u.	Luxury	5*	231	2023
Luxury Hotel, korábbi Erste HQ	V. Hold utca	Luxury	5*	110	2023
Aria Hotel Phase II	V. Hercegprímás utca.	Luxury	5*	36	2023
Moxy / Residence Inn	IX., Ráday utca 10-12	Midscale	4*	325	2024
Moxy Hotel	VI., Hegedű utca 3.	Midscale	4*	181	2024
Westend II Hotel component	VI. Westend	Upscale	4*	100	2024
Hilton Garden Inn - Vecsés	Vecsés	Upscale	4*	220	2024
Mellow Mood Hotel Paulay	VI. Paulay Ede 30.	Luxury	5*	180	2024
Adria Palace Hotel	V. Szabadság tér 16.	Luxury	5*	115	2024
Total:				**5 900**	

Sources: Colliers International, hah.hu; * Pre-covid handover expectations, delays and cancellations were not reflected in the timeline and volume indicated in the chart.

For more information

Research

Tamás Steinfeld
Associate Director
Research & Valuation Advisory | Hungary
+36 70 286 2505
tamas.steinfeld@colliers.com

Gertrúd Hausenblasz
Associate
Research Analyst | Hungary
+36 70 702 8626
gertrud.hausenblasz@colliers.com

123112 Москва
Пресненская набережная, д. 10
БЦ «Башня на Набережной», блок C, 52 этаж
Тел. +7 495 258 51 51
www.colliers.ru

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