



TRANSFORMING REAL ESTATE  
INTO REAL ADVANTAGE

# HOTEL MARKET OVERVIEW

H1 | 2018

### MARKET HIGHLIGHTS



Sofia city



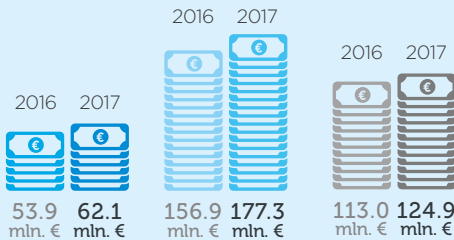
Burgas region



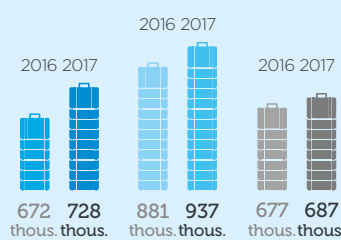
Varna region

★★★★ & ★★★★★  
HOTEL HOTEL

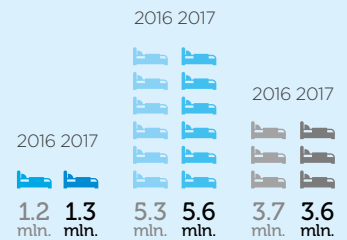
#### Annual revenue



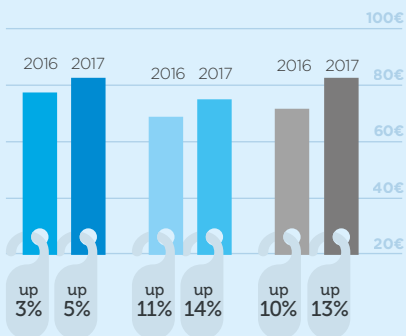
#### Number of hotel visitors



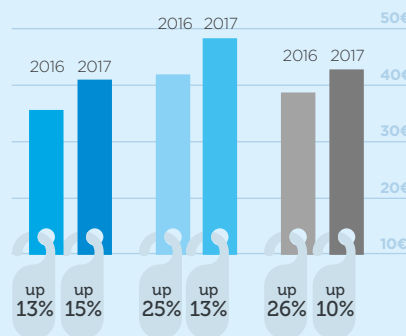
#### Number of overnights



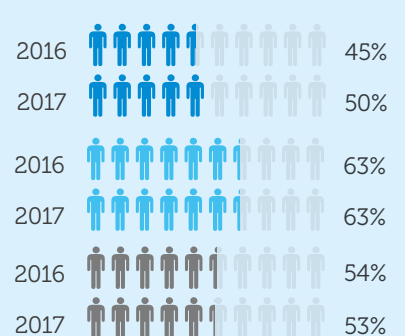
#### ADR



#### RevPaR



#### Occupancy

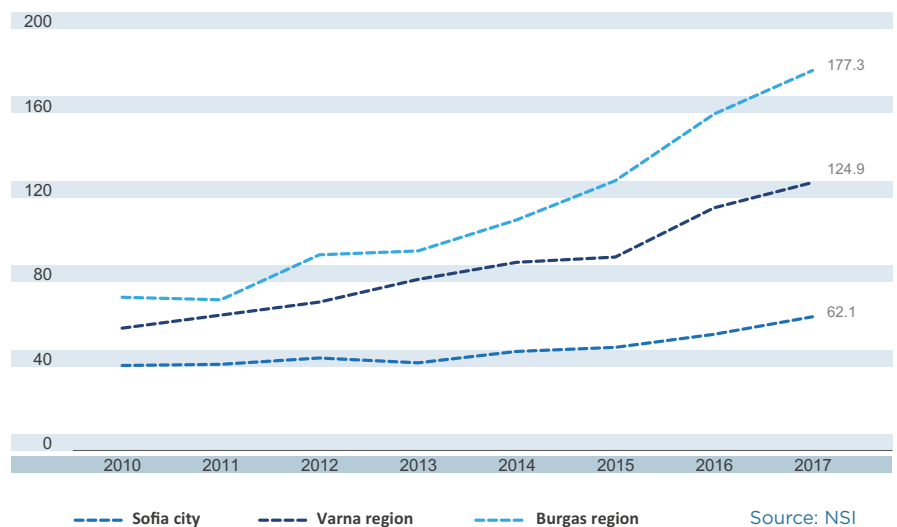


Source: NSI

### STOCK AND PIPELINE

At the moment, there are twelve existing hotels in the five-star segment in Sofia, some of which are part of some of the biggest and most popular hotel chains in the world - Hilton, InterContinental Sofia, Holiday Inn (IHG), Sofia Hotel Balkan (The Luxury Collection), and Sense (Design Hotels). The number of 4 and 5-star hotels registered in Sofia city in 2017 was 42 with a total of 8,762 rooms. There was plenty of construction activity in the high-end hotel segment during the last year. In March 2018, after reconstructions the former hotel Radisson became an ownership of Galaxy Investment Group. The management of the hotel was taken by InterContinental Hotel Group. The total renovation in recent years led to an increase in the capacity of the hotel with 54 rooms and suites, reaching 194 units. Hyatt Regency Hotel, located at the site of the former hotel Serdika is currently under construction.

#### REVENUES FROM OVERNIGHTS (ONLY FOR 4\* & 5\* HOTELS, MILLION €)



Source: NSI

Upon its completion, scheduled for 2019, the hotel will add 190 new rooms and suites to the high-end hotel market. There are major projects in the five-star segment on the seaside as well. Astoria Hotel in Golden

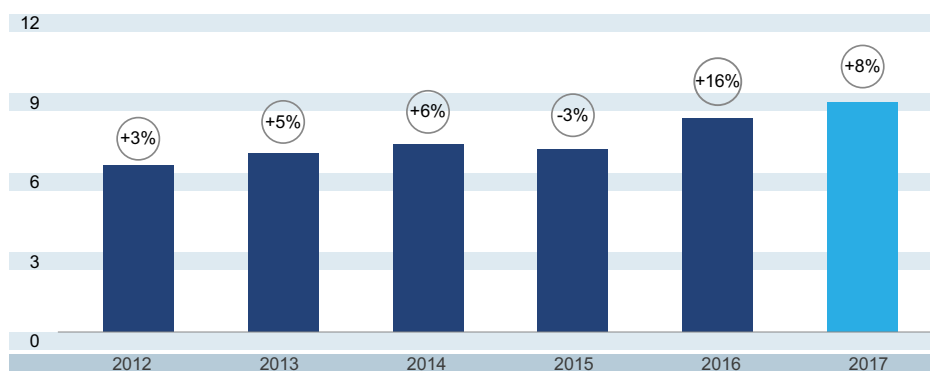
Sands will be renovated and expanded. Another hotel planned to operate under the RIU brand is RIU Palace Sunny Beach in Sveti Vlas. The new facility will have 350 rooms and is scheduled to be completed in May 2019.

### INCREASING TREND OF OVERNIGHTS

Bulgaria is on the list of the fastest-growing tourist destinations in Europe. In 2017, the total number of foreign visitors in Bulgaria was 8.9 million people, an increase of 7.6% compared to 2016. According to World Travel and Tourism Council report, Bulgaria is among the global destinations with double-digit growth in international tourist arrivals (14% growth in 2016). There are several major factors for growth of international tourism:

- Rapid growth in air traffic due to the massive expansion of low-cost airlines. In 2016, Bulgaria recorded 16% increase in airport passengers, followed by 8% in 2017;
- Since January 1st, 2018 Bulgaria has been taking over the rotational presidency of the Council of the EU with duration of 6 months. The preparations for it included many improvements of Sofia's urban and MICE infrastructure;
- Growing number of festivals and cultural events attracts an increased number of visitors in Sofia;
- Crossroad location, one-to-three-hour flight from all European capitals and major airport hubs in the Middle East;
- Improving infrastructure: expanding metro system with 12 more stations scheduled to open by 2020;
- Competitive F&B costs, variety of competitively priced entertainment options.

NUMBER OF FOREIGN VISITORS IN BULGARIA (MILLION)



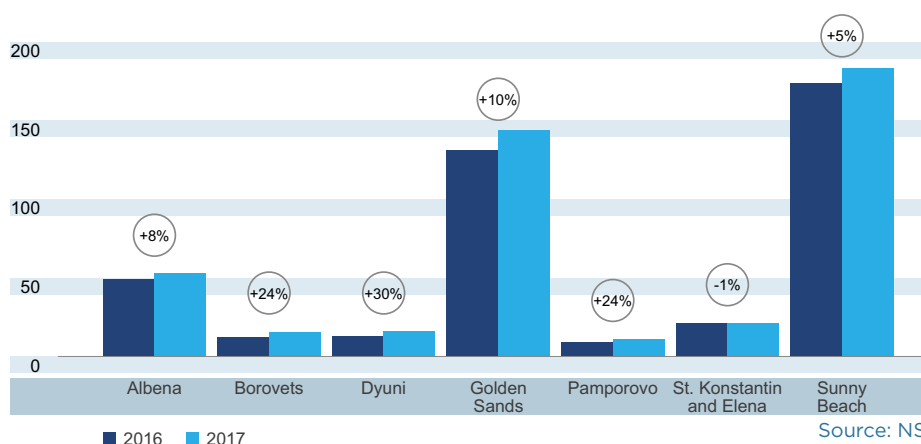
### PERFORMANCE ANALYSIS

In 2017, the occupancy in 4 and 5-star hotels in Sofia city was 50%, in Varna region - 53%, and in Burgas region - 63%. The RevPAR in Sofia city in 2017 reached €41, while in Burgas and Varna was higher due to the all-inclusive rates - €48 and €43, respectively. The ADR in 2017 reached €82 in Sofia city, €76 in Burgas region, and €82 in Varna re-

gion as all of them recorded stable growth compared to 2016. Some of the Bulgarian resorts recorded double-digit growth in annual sales. The overall revenue growth of resorts, both sea-side and mountain, is within the range of 0% to 35% y-o-y, with an average of 15%. According to NSI, the total revenues from overnights in 2017 were €0.7

billion of which €0.5 billion were from international tourists. In comparison, in 2016 the total amount was €0.6 billion of which €0.5 billion from international visitors. The number of internationals visiting the country in Q1 2018 for leisure tourism increased by 9% y-o-y, for business tourism increased by 16% and for other purposes increased by 76%.

REVENUES IN BULGARIAN RESORTS PER YEAR (INCL. FOREIGN VISITORS), € MILLION



Source: NSI

### TRANSACTIONS

Bulgarian hotel deal activity continued growing in 2017 following the positive trend across all segments. Similarly to 2016, when there were some hotel deals such as the sale of Katarino Spa Resort for €5.1 million, Downtown hotel for €2 million and Grand Hotel Bulgaria for €10

million, 2017 recorded almost the same trading activity driven entirely by local players. The significant increase in transactions is a result of continued improvement in trading fundamentals, the availability of debt and the hotel sector becoming a more mainstream invest-

ment attracting a wider pool of local investors.

Transactions in Sofia included the sale of Park Inn Hotel, Hotel Rila, Central Park Hotel and Thracia Hotel. Similarly, Hotel Europa in Sunny Beach and Hotel Bulgaria in Burgas also changed hands.

Hotel	Location	Year	Seller	Buyer	Deal size (€ million)	Rooms	Price per key (€)
Silver Hotel	Sofia	2017	MD Interimpex	Bulfarma	4.9	105	46,667
Park Inn by Radisson	Sofia	2017	Bluehouse	Sofia Hotel Balkan	7.6	86	88,372
Thracia Hotel	Sofia	2017	Kardea	Rosslyn Partners Bulgaria	4.7	48	97,917
Hotel Rila	Sofia	2017	Imo Rila	Property Group Bulgaria	9.8	93	105,376
Central Park Hotel	Sofia	2017	Nikmi	Rosslyn Partners Bulgaria	9.0	77	116,883
Hotel Europa	Sunny Beach	2017	Sinergon Holding	Global Tours	8.9	156	57,051

Source: Commercial registry and Public information

### ECONOMIC HIGHLIGHTS

The impact of tourism on the Bulgarian economy is substantial - it contributed with 13% of the GDP for 2017, according to the Ministry of Tourism. The positive outlook for the Bulgarian economy remained in Q1 2018 as GDP increased by 3.5% y-o-y and 0.8% compared to Q4

2017. Based on information from NSI for Q1 2018, Bulgarian GDP reached €10.9 billion.

- Consumer price index (CPI) in 2017 was 2.1 while in 2016 it recorded a negative rate of -0.8.
- The average unemployment rate for Q1 2018 is 5.7% and the em-

ployment rate for the population aged 20-64 is 71.1%. The total number of employed people in Bulgaria for Q1 2018 aged over 15 is € 3.1 mln.

- Foreign Direct Investment in Bulgaria decreased by €125.4 million in March 2018.

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