

Market Reports

Paris leads France's recovery, hotel investments

16 MAY 2018 7:41 AM

At long last, Paris is beginning to see signs of recovery, with new hotel supply coming in, opportunities for international chains and the return of travelers.



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PARIS—As France slowly recovers from a tourism downturn sparked by a spate of terrorist attacks in 2015 and 2016, Paris' hotel market is modernizing and diversifying its room supply.

Following those difficult years, the French National Institute of Statistics & Economic Studies (INSEE) reported overnight stays increased 5.2% year over year in the fourth quarter of 2017. Tourist numbers have also risen 7.8%.

Paris is leading the recovery, INSEE reported, with an 8.8% rise in hotel stays to 45.5 million, one-third of them from inbound visitors. Q4 2017 was Paris' best fourth quarter since 2010.

Hotel performance data from [STR](#), parent company of Hotel News Now, shows the market still hasn't fully recovered.

After full-year hotel occupancy dropped 4.9% in 2015 to 76.7% and decreased 9% to 69.8% in 2016, occupancy rose 5.5% to 73.6% in 2017. In January 2018, hotel occupancy in Paris decreased 1.1% year over year to 67.6%, while average daily rate grew 8% to €228.23 (\$272.49) and revenue per available room rose 6.8% to €154.25 (\$184.16). In February, Paris hotel absolute occupancy was 65.4%, but still up 6.5% over the same month in 2017. ADR rose 5.9% to 206.79 (\$246.89) and RevPAR increased 12.7% to 135.18 (\$161.41) during the month.

Thomas Emanuel, STR's director of business development, said Paris is still suffering from post-terrorism doldrums, with Parisian hoteliers hit harder than any other European city affected by such attacks.

"I think Paris occupancy levels have yet to fully recover from the terrorist atrocities of 2015, and it's the only major European market that suffered such attacks over that time that has not recovered," he said. "International visitors, particularly those from the (U.S.), were really put off."

Emanuel added traveler confidence is returning.

"The market is not trading near full capacity, but we are optimistic occupancies will continue to gradually recover throughout 2018. ... On the assumption that there will be no more attacks," Emanuel said.

Despite the downturn, Paris room rates remained high in 2017 and are the third-highest in Europe after Geneva and Zurich, according to business consultancy PwC. Paris' recovery is expected to continue throughout 2018 and 2019.

Hope all around

AccorHotels CEO Sébastien Bazin agreed that Paris has shown signs of recovery.

Both RevPAR and occupancy are on the rise in Paris, and the performance of the market contributed to what was a "remarkable year" in 2017 for AccorHotels, he said. According to its [full-year 2017 results](#), AccorHotels' revenue increased 7.9% over the prior year.

"Occupancies grew six points due to the return of foreign tourists to Paris, especially for leisure stays, which rose 21%," Bazin said. "This saw RevPAR in Paris show a strong evolution of 6.1%."

Olivier Petit, managing partner of In Extenso Tourisme Culture & Hôtellerie and partner at Deloitte, said the improvement has not yet reached the luxury sector.

"RevPAR plummeted by 20% in luxury hotels between 2013 and 2017, and though this rose last year by 5.3%, a declining demand ... in 2016 is making recovery a little sluggish," Petit said.

According to STR, Paris' pipeline has 21 hotels totaling 3,287 rooms as of February 2018, which is 4.7% of the city's existing supply of 1,089 hotels and 69,721 rooms.

"Paris is one of those truly global, iconic cities, so there will always be a demand from both a leisure and (meetings, incentives, conventions and exhibitions) perspective," Emanuel said. "But the pipeline isn't huge when you compare it to some other major European cities such as London and Moscow. The pipeline is robust, but not as strong as it could be."

Jean-Philippe Duchêne, director of hotel investment consultancy Wise Dôme Conseil, said the target set in 2015 for an additional 12,000 rooms in the Greater Paris region by 2020 will be met. That will increase the city's room count to approximately 94,000.

In 2017, hotel openings included the 338-room CitizenM Paris Gare de Lyon and 149-room Okko Hotel Paris Porte de Versailles on the site of the former Pullman Paris Rive Gauche Hotel.

In 2018, new supply is due to open at major transport and business hubs, such as the 249-room Courtyard Paris Gare de Lyon and the 249-room Meininger hotel at Porte de Vincennes.

Hurdling barriers

Duchêne said Paris has been working hard to overcome the two major obstacles affecting its hotel industry: a shortage of beds and the need for smaller hotels to upgrade and avoid becoming obsolete.

"The modernization of the Parisian hotel portfolio, which started in 2010, has since intensified, with some €6.5 billion (\$7.8 billion) in all being pumped into the renovation of existing hotels and the creation of new establishments," Duchêne said. "The scale of the phenomenon is unprecedented. At the same time, a significant proportion of pre-existing rooms will have been renovated,"

Duchêne added by the end of 2016 more than 27,000 existing rooms had been renovated.

"That is almost a third of the existing stock," Duchêne said.

Emanuel said there's a bit of a lag in Paris when it comes to truly modernized boutique offerings, even if midscale to upscale global brands are on par.

"Global hotel companies have very sophisticated visions here, yet I think if we compare Paris to London there has certainly been less development from a lifestyle offering," he said.

Duchêne said that situation is changing due to the "fragmented" ownership under the current spate of developments.

"The result is a great diversity of hotel creation projects," he said. "High-end boutique hotels, large global brands, even youth hostels with a revised concept that can accommodate young tourists or business travelers."

Approximately a quarter of developments have more than 100 beds.

"That was sorely lacking in Paris," Duchêne said. "Their appearance has allowed many international brands to enter for the first time."

One area of concern is ongoing labor strikes, which have included Air France and national rail company SNCF.

The Hotel Trade & Industries Union (UMIH) President Roland Héguay said the strikes hit just when the hotel industry was starting to get back on track.

"We were expecting a great year in 2018, following on from improving performance in 2017, but now we have seen a 10% decline in occupancy rates in April alone, Héguay said.