



TOULOUSE, FRANCE
Hotel Market Snapshot

The 'Pink City' Awaits Take Off

September 2015





HIGHLIGHTS

Ideally situated in southwestern France, between the Atlantic Ocean and the Mediterranean sea, Toulouse counts 455 000 inhabitants, making it the country's fourth largest city behind Paris, Marseille and Lyon.

Toulouse's diversified infrastructure, exceptional historical heritage and cultural activities attracted 1.5 million domestic and foreign arrivals in 2014, generating 2.4 million overnights.

Home to **Airbus' global headquarters**, the "Pink City" benefits from a high demand from the business segment, making it **one of France's leading business destinations**.

Our Toulouse Market Snapshot aims to provide a comprehensive insight into the city's current hotel market and future outlook.

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

- In May 2014, following a € 1bn investment, the Toulouse Oncopole Cancer research facility opened its doors. Covering a total surface area of more than 30 ha and concentrating several hotels, the Oncopole counts 1 500 specialists and intends to become the leading European Cancer research facility.
- The latest 5-star hotel addition to the city of Toulouse, the **Cour des Consuls Hotel and Spa**, operated under the MGallery brand, opened in September 2015. Following an extensive refurbishment, the 18th century property includes 32 rooms and suites, a Michelin-starred restaurant, a spa and meeting facilities.
- In an effort to improve its hotel supply and remain competitive, the city has witnessed a number of property renovations and conversions, which include boutique and lifestyle properties such as the Cour des Consuls Hotel and Spa.
- Among the **most anticipated future openings**, the former "Nouveautés" cinema will be converted into **the Mama Shelter Toulouse**, scheduled to open in 2017. The property will feature 111 modern rooms, a rooftop terrace and a 45-seat cinema.

TOULOUSE - Key Facts & Figures (2014)

Population	455 000
GDP	23.1 million
GDP per capita	€ 50 864
GDP growth	+0.6%
Unemployment rate	9.8%
Tourist arrivals	1.5 million
Overnight stays	2.4 million
% Leisure tourism	30.0%
% Business tourism	70.0%
% Domestic tourism	58.0%
% International tourism	42.0%
Number of hotels	151
Number of hotel rooms	8 428

Source: BNP Paribas Real Estate Hotels, Office du Tourisme de Toulouse, INSEE



Basilique Saint-Sernin (Source: <http://www.basilique-saint-sernin.fr/>)

ACCESSIBILITY

The city's high quality aviation infrastructure and the direct connectivity with high-speed trains make Toulouse **one of the most prominent transportation hubs in southwestern France**. Toulouse's main international airport, Toulouse-Blagnac International Airport is located 8 km West of Toulouse and is the sixth largest French airport in terms of passenger traffic.

Toulouse-Blagnac serves more than 45 domestic and international short and medium-haul destinations throughout Europe, North Africa and North America.

The number of passengers welcomed by Toulouse-Blagnac International Airport reached 7.5 million in 2014. Over the 2010-2014 period, the number of passengers increased at a compound annual growth rate (CAGR) of +4.1%.

In 2015, **a consortium of Chinese investors acquired 49.9%** of the Toulouse-Blagnac International Airport. This **€308 M investment** is expected to increase employment and the number of Chinese arrivals and overnights stays in Toulouse and its region. In the short to mid-term, the airport should benefit from further improvements and investments in order to accommodate growing demand.



Toulouse-Blagnac (© Aeroport de Toulouse-Blagnac)

DEMAND

Toulouse is one of the most popular tourist destinations in France **welcoming approximately 1.5 million arrivals**, and generating nearly **2.4 million overnight stays**.

The city of Toulouse has **a diverse offer of both tourist attractions and business infrastructure**, and as such attracts a sustained number and a diversified mix of leisure tourists, corporate travellers and MICE business.

Toulouse-Blagnac – Passenger numbers and origins 2010-2014 (in millions)



Source: Union des Aéroports Français

There are also plans for the development of the Toulouse Aerospace Express, a 25 km long metro line linking the city's western business district to the Toulouse-Blagnac International Airport and the Airbus headquarters. This development project will start in 2019 and should be completed by 2024.

Toulouse also benefits from a dense rail network. The "Gare de Toulouse Matabiau" train station which welcomed close to 8 million passengers in 2014 connects to regional lines and the national high-speed rail network (TGV) leading towards cities such as Paris, Bordeaux, Lyon and Marseille. With the development of a new high-speed line by 2024 linking Paris to Toulouse in less than 3 hours and the renovation of the Matabiau district, total annual passenger numbers are expected to reach 14 million by 2024.

Toulouse - Evolution of number of tourists and overnight stays 2010-2014 (in millions)



Source: Office du Tourisme Midi-Pyrénées

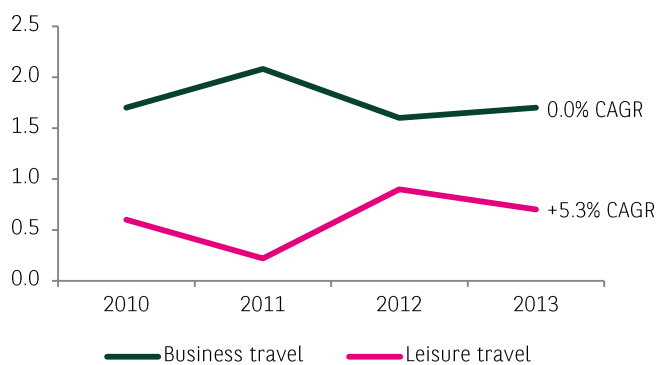
International tourism demand generated 42% of the overnight stays in 2014. The top 5 international feeder markets were Spain, the United Kingdom, Germany, Canada and Belgium. European markets generated together 27% of total overnights stays in 2014.

Demand from traditional European markets dropped by -7.3% between 2013 and 2014 reflecting the impacts of the continued financial and economic tensions which particularly impacted the Euro zone.

Toulouse's hospitality industry essentially relies on the domestic and the business markets which account for 58.0% and 70.0% of total overnights respectively.

Business Tourism

Overnight stays by purpose of visit 2010-2013 (in millions)



Source: Office du Tourisme et des Congrès, Paris

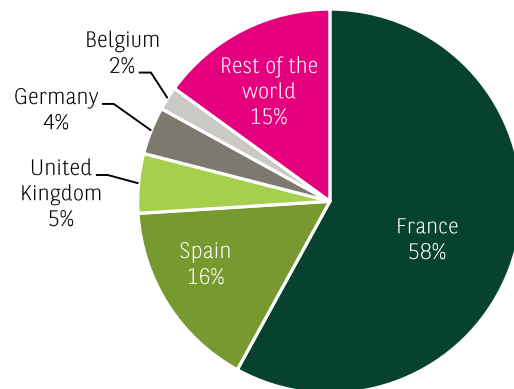
Moreover, the new Toulouse Metropole Exhibition Centre event, located in the northwest of the Toulouse area, will offer new and easier accessibility. Modern and sustainable, it will contribute to the development of the local economy and will radiate the Toulouse metropolis internationally.

Toulouse aims to become one of the leading international conference destinations. Established in 2009, the city's MICE tourism board "So Toulouse" is fully dedicated to developing the local business segment.

The creation of "So Toulouse" has been successful as it has allowed the city to rank as France's third preferred scientific and medical congress destination. According to the latest ICCA* ranking, Toulouse moved from 92nd place on a European level in 2009 to 42nd in 2014.

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

Main source markets (Overnight stays) 2014



Source: So Toulouse

Between 2010 and 2013, **business overnight stays represented 70% of total room nights in Toulouse** on average. Toulouse is a particularly attractive business destination for Medical, Associative and Institutional Congresses. Home to Airbus Industries' global headquarters, Toulouse is known as the **European Aeronautics and Space capital**. The aerospace industry is the largest contributing sector to the city's economy, followed by the service and scientific industries with the headquarters of companies such as Siemens and Motorola Automotive Semiconductors.

The presence of several multinationals results in a strong demand for seminars and conferences. The city offers numerous event facilities, which include the "Baudis" Congress Centre, the "Diagora" (2 500 m² of exhibition space) and an exhibition park with 6 halls covering a total area of 90 000 m².



Centre de congrès Pierre Baudis (Source: © Mairie de Toulouse)

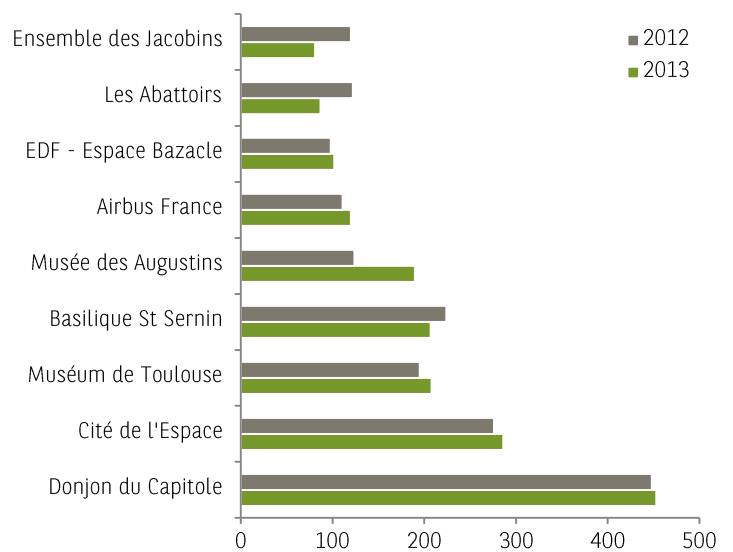
Leisure Tourism

The city's architectural heritage and the wealth of cultural attractions on offer with 20 museums and 5 famous industrial sites, attract 720 000 leisure tourists each year, which represent 30% of total overnight stays. In 2013, the most popular attraction was the Donjon du Capitole with approximately 460 000 visitors, followed by the Cité de l'Espace with over 286 000 visitors. The Muséum de Toulouse and the Basilique Saint-Sernin are ranked third and fourth respectively with 208 185 and 207 883 visitors. Moreover, several areas of interest are located a short distance away from the city center. Indeed, the sites of Airbus France and EDF - Espace Bazacle attracted 120 000 and 101 903 visitors respectively in 2013.



Source: Tourisme Midi-Pyrénées

Main tourist attractions – Number of visitors 2012-2013 (in thousands)

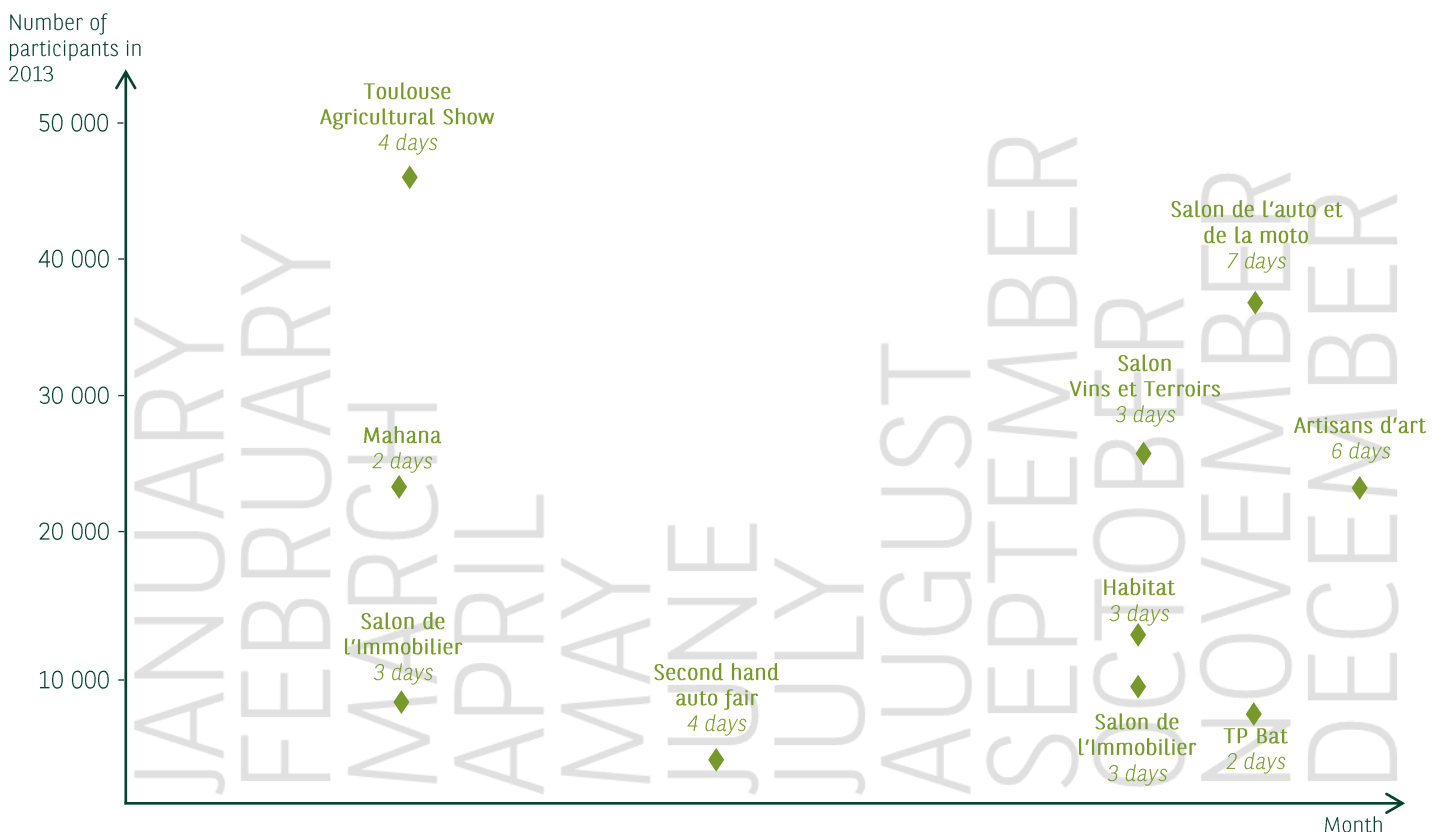


Source: Mairie de Toulouse and Tourisme Midi-Pyrénées

In 2013, Toulouse hosted 10 major events which welcomed more than 5 000 participants, the most popular of which was the Toulouse Agricultural show with close to 47 500 visitors.

Main recurrent annual events

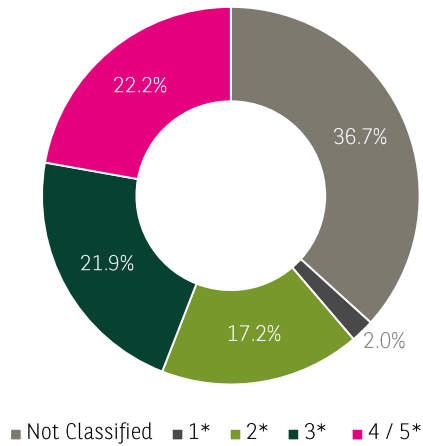
Length and number of participants in 2013



Source: BNP Paribas Real Estate Hotels

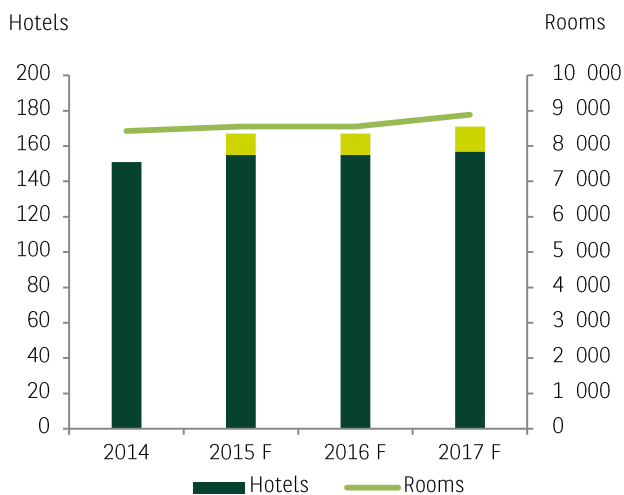
SUPPLY

Hotel rooms per category 2014



Source: INSEE, Atout France and ICC Toulouse

Hotel supply evolution 2009-2017 forecast



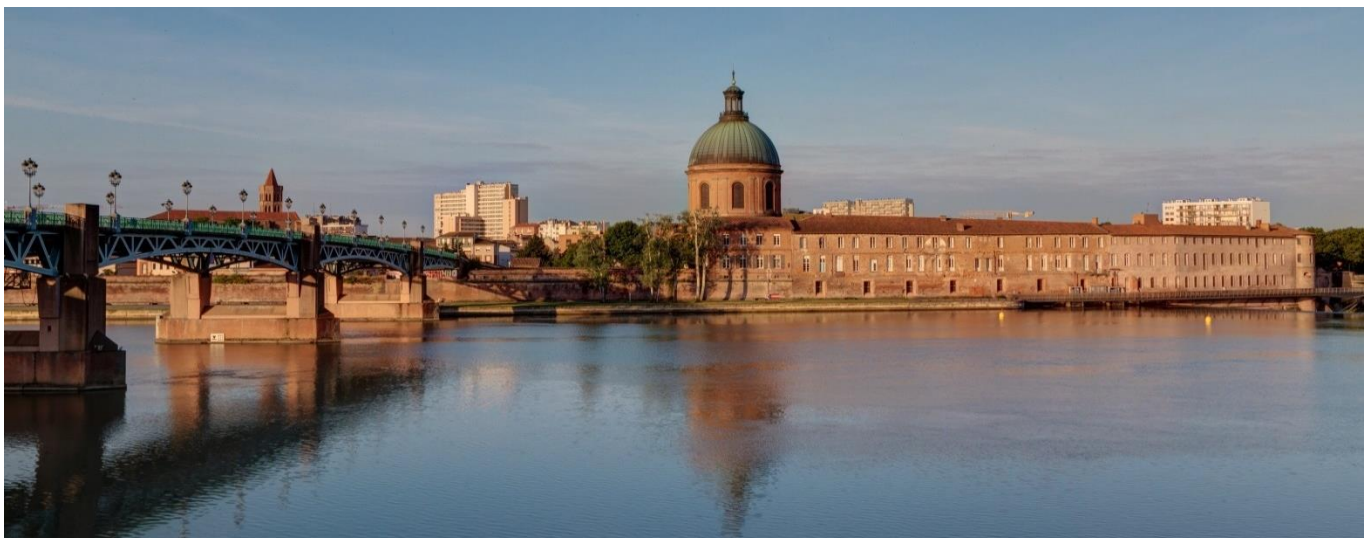
Source INSEE, Atout France and ICC Toulouses

In 2014, Toulouse counted **159 hotels**. With approximately 8 577 units, the city's total room supply represented 1.5% of the total national room supply.

The market is dominated by **3 and 4/5-star hotel properties, representing together 44.1% of the total hotel room supply**. The 2-star segment represented 17.2% of the city's hotel supply, whilst the 1-star segment represented 2.0%. Following the implementation of the new French hotel classification in 2012, 36.7% of the city's hotel supply is not rated. A large majority of these non-rated properties are apartment hotels, an accommodation type that has seen a particularly strong development in and around Toulouse over the past decade, mainly incited by tax advantages.

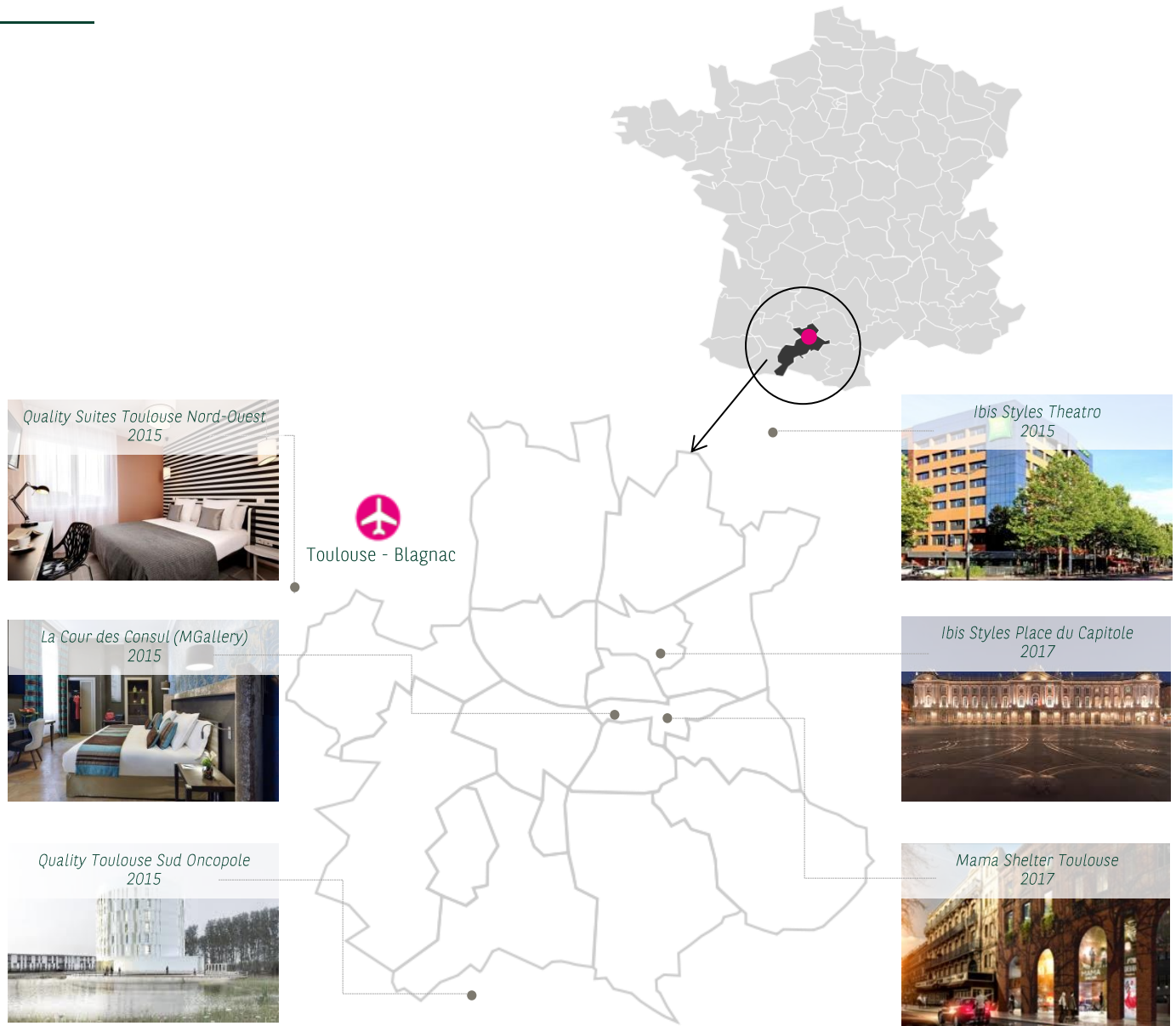
In addition, the city has seen the addition of close to 15 hotel properties since 2006, including both conversions and greenfield developments. The 90-room Quality Toulouse Sud Oncopole and the 32-room La Cour des Consuls boutique hotel were among the most recent openings.

At least four more hotel projects are actually in the pipeline for the next two years, expecting to add another **338 units** to Toulouse's hotel room stock. The largest project concerns the Mama Shelter Toulouse with 111 rooms. The property, expected to open in 2017, will feature a rooftop terrace and a 45-seat cinema.



Source: Mairie de Toulouse

RECENT AND FUTURE HOTEL OPENINGS IN TOULOUSE



Hotel room supply – Recent openings
2015

Year	Category	Hotel	Rooms
2013	2*	B&B Hotel Toulouse Purpan Zenith	92
2013	4*	Pier Toulouse Hotel	32
2014	4*	Hôtel Mercure Toulouse Wilson	95
2015	5*	La Cour des Consuls Hotel & Spa (MGallery)	32
2015	3*	Quality Toulouse Sud Oncopole	90
Total Rooms			341

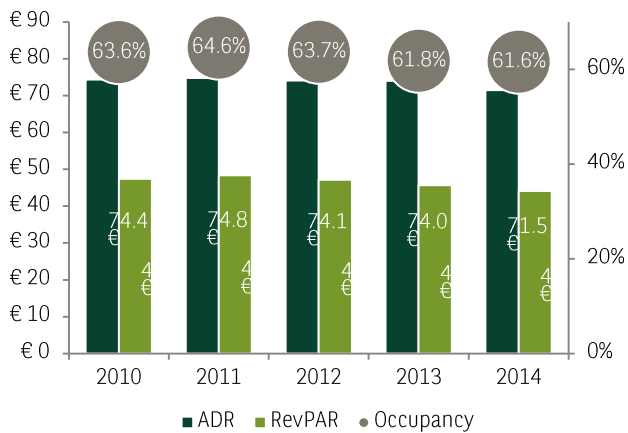
Hotel room supply –Future openings
2015-2017 forecast

Year	Category	Hotel	Rooms
2015	3*	Quality Suites Toulouse Nord-Ouest	81
2015	3*	Ibis Styles Theatro	76
2017	4*	Mama Shelter Toulouse	111
2017	3*	Ibis Styles Place du Capitole	70
Total Rooms			338

Source: BNP Paribas Real Estate Hotels

HOTEL PERFORMANCES

Hotel trading performances 2010-2014



Source: MKG Hospitality Database

The opposite graph shows a comparison of the RevPAR levels of five major tourism destinations in France, excluding Paris.

In 2014, RevPAR ranged between € 38.0 for Nantes and € 49.0 for Marseille. **Toulouse ranked third with a RevPAR of € 44.1.**

Over the analysed period, the cities of Marseille and Lyon clearly led the pack with RevPAR level exceeding € 48.0. While Nantes and Toulouse recorded a decrease in RevPAR between 2010 and 2014 with a CAGR of -0.2% and -1.8% respectively, Bordeaux recorded a slight increase in RevPAR with a CAGR of +0.6% over the same period.

INVESTMENT MARKET

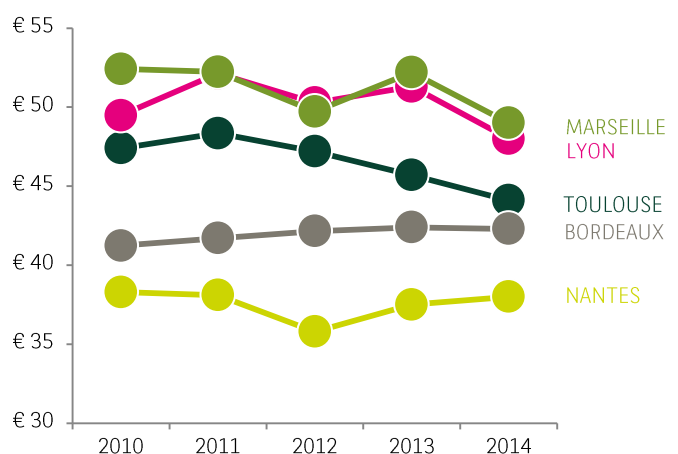
Hotel investment activity in Toulouse remains relatively limited compared to other similar cities. The last major single asset transaction recorded was the acquisition of the Holiday Inn Toulouse Blagnac by Algonquin in 2012. Over the past five years, the majority of transactions concerned budget to midscale hotel assets which were sold as part of larger portfolios. Examples include the acquisition in 2011 of two budget hotels operated under the Ibis Budget brand by Foncière des Murs and Prédica, and the sale of two B&B hotels as part of a 160-property portfolio in 2012, also to Foncière des Murs, and its partner Crédit Agricole Assurances. In 2015, LFPI acquired the Crowne Plaza Toulouse as part of a portfolio deal including 11 other properties.

Over the 2010-2014 period, Toulouse's hotel market observed a slight decrease in occupancy levels from 63.6% to 61.6%. This decrease was also coupled with a contraction of average daily rates since 2012.

In 2014, average daily rates decreased by -3.4% compared to 2013 to reach € 71.5. This decrease is partially explained by the absence of major events such as the Toulouse Antique Show, the TP Bat and the Toulouse Sustainable Living Show.

Toulouse recorded a RevPAR of € 46.5 on average over the 2010-2014 period.

Key French cities – RevPAR evolution 2010-2014



Source: MKG Hospitality Database



Musée des Augustins (Source: <http://www.augustins.org/>)

OUTLOOK

Toulouse is well established as one of the **leading French conference destinations**, welcoming over **2.5 million travellers** each year. The new transportation developments (Toulouse Aerospace Express and Paris-Toulouse high-speed line) as well as the expected growth of hotel supply within the inner city will allow the “Pink City” to accommodate growing demand.

Toulouse’s hospitality industry essentially relies on the domestic and the business markets which account for 58.0% and 70.0% of total overnights respectively. The **national economic recovery**, with an expected GDP growth of +1.5% for 2016*, offers a favourable outlook for hotel performances.

Besides, with the recent opening of the Oncopole cancer research and medical facility, and the future opening of the Parc des Expositions Toulouse Metropole, the city is expected to benefit from increased international visibility.

*Source: BNP Paribas CIB

The latter is expected to be driven by emerging markets, the recovery of European countries and by the USA thanks to an attractive exchange rate.

Over the last three years, the opening of new properties and the renovation of existing ones have helped reinforce Toulouse’s position as one of the leading business destinations in France, by upgrading the city’s hotel supply.

Offering attractive yields, Toulouse appears as a strong alternative investment destination for opportunistic and institutional investors wishing to acquire commercial property in France outside the capital.



Source: © romanslavik.com - Fotolia.com



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For more information, please do not hesitate to contact us.

* 18 under direct ownership and 22 alliances

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Authors



Quentin Laferté
Senior Consultant

quentin.laferte@bnpparibas.com

Direct line: +33 (0)1 47 59 20 04



Charlotte Languille
Analyst

charlotte.languille@bnpparibas.com

Direct line: +33 (0)1 47 59 24 03



Sean Knight
Analyst

sean.knight@bnpparibas.com

Direct line: +33 (0)1 47 59 21 08

Directors

Bruno Juin
Managing Director - Hotels
bruno.juin@bnpparibas.com

Maaïke Smorenborg
Director - Hotels - Consulting & Valuation
maaike.smorenborg@bnpparibas.com



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