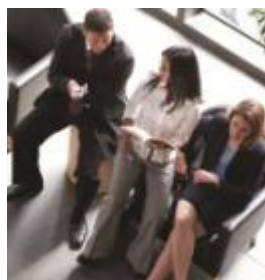




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# BRUSSELS, BELGIUM UPSCALE HOTEL MARKET

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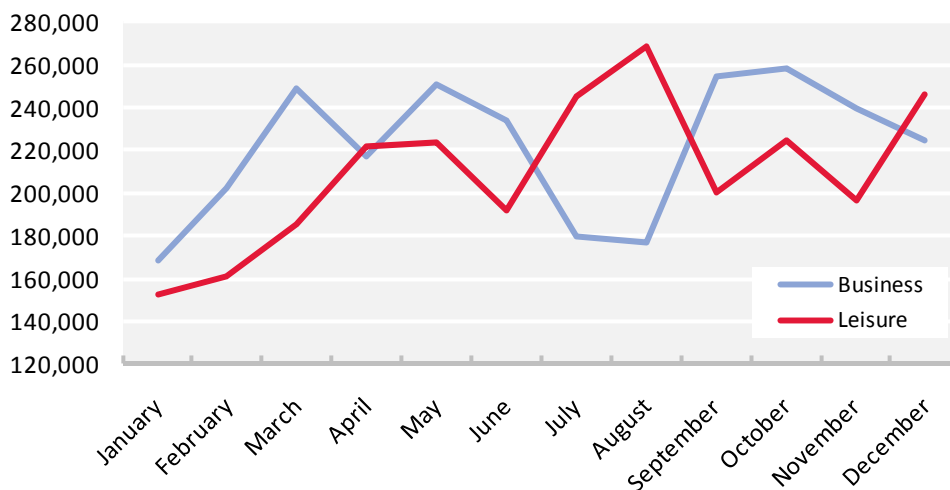
## Summary

This article discusses the performance of the upscale hotel market in Brussels over the last few years and presents our forecast of how it will perform in the coming years. It also briefly discusses the investment environment in the upscale market, touching upon the evolution of price per room in 2010 and the most relevant transactions for that year.

## Supply and Demand Trends

After three consecutive years of growth in overnight **demand** in Brussels across all market levels, 2009 witnessed a 1.4% decrease, with the total number of overnights at just below 5.2 million, according to the Tourism Observatory of Brussels. Whilst corporate demand decreased by about 14% and the meeting and conference segment by 5%, leisure demand increased by 7%, thus shifting the traditional balance of this

FIGURE 1: BEDNIGHTS IN BRUSSELS BY PURPOSE OF VISIT 2009



Source: Observatoire du Tourisme a Bruxelles

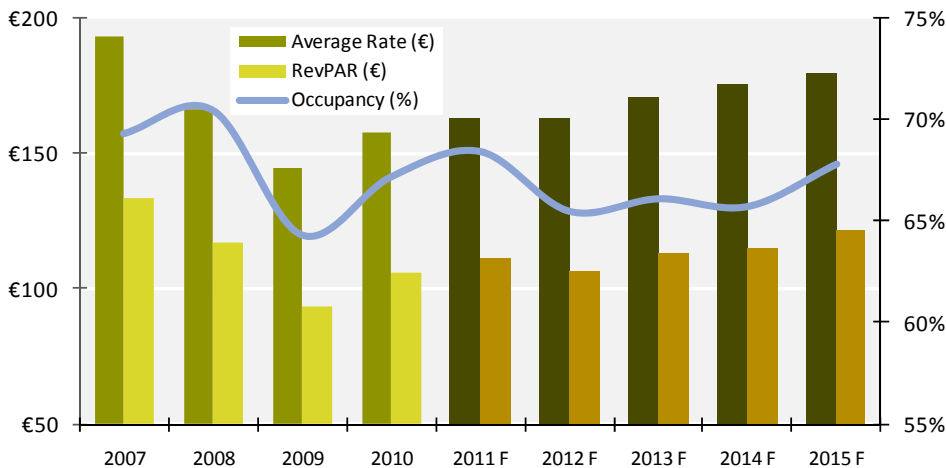
business-driven market to a more even balance between business and leisure. Statistics for 2010 were not yet available at the time of writing, but anecdotal evidence and hotel performance (detailed later) indicate a strong recovery of demand in the last few months of the year.

On the other hand, **supply** has been relatively stable within the market, although the opening of the first aloft-branded hotel in Europe with 150 rooms in October 2010 created a positive buzz in Brussels. Additionally, the 142-room Park Inn Brussels Midi opened on 1 March 2011. Finally, Thon Hotels will be opening its seventh property in Brussels before the summer of 2012. The Hotel Thon EU Quarter will have 435 rooms. The Astoria Hotel, which has been closed since 2007 shows little outward signs of undergoing renovation, so predicting a reopening date is impossible.

## Recent and Forecast Hotel Performance

We have researched and analysed the occupancy and average rate performance of a sample of approximately 1,500 upscale hotels rooms in Brussels. Our analysis considers the historical performance from 2007 to 2010 and takes into account new supply expected to come on stream over the next few years. Figure 2 summarises our research and conclusions from this room night analysis.

FIGURE 2: UPSCALE HOTEL PERFORMANCE 2007-15



Source: HVS research and analysis

As can be seen from Figure 2, **historical** occupancy in Brussels for upscale hotels still increased in 2008, although pressure on average rates resulted in a decrease in revenue per available room (RevPAR) of 12%. In 2009, an aggregated drop in occupancy of six percentage points and a decrease in average rate from €166 to €145 resulted in a drop in RevPAR of 20%. The last months of 2010 led the recovery in both occupancy

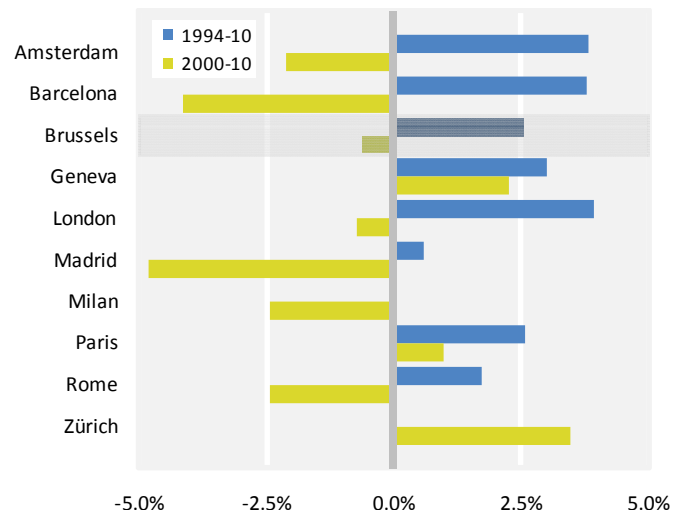
and average rate, resulting in a 14% increase in RevPAR for the year. This is a significant improvement over the previous year, but RevPAR remained lower than in 2007 and 2008.

Taking into consideration the expected recovery in demand and the new supply, we have **forecast** a recovery in average rate in 2011, with no increase in 2012 as new supply enters the market and constrains occupancy levels as it captures market share. Gradual recovery in rate is expected thereafter. Overall, we expect RevPAR to have recovered from the dip in 2009 and to return to sustainable levels, following expected increases in supply, by 2015.

## Investment environment

In our recently published European Hotel Valuation Index report, Brussels registered a small increase in **hotel values** of 0.1% in 2010 (see Figure 3). Brussels experienced a decrease in value of 11.8% in 2009, albeit a smaller decrease than the European average of 13.8%. The city is ranked 21<sup>st</sup> in the index with hotel values averaging €172,500 per room in 2010. We expect only moderate increases in value per room in Brussels hotels over the next five years. The lack of value fluctuations over an extended period, both past and forecast, also reflects limited supply growth and shows the stability of the market, where demand from government reliable sources (EU and NATO amongst others) keep to complement an otherwise weaker corporate demand.

FIGURE 3: VALUE CHANGES IN THE MAIN EUROPEAN MARKETS



Source: HVS European Hotel Valuation Index 2011

#### THE HOTEL (FORMER HILTON), ACQUIRED BY PANDOX



The most noteworthy **single asset transaction** in 2010 was the acquisition of the former Hilton Brussels by Pandox from a US investment company for €29 million in September. The hotel was deflagged and is now known as The Hotel. We understand that Pandox plans to invest a further €25 million in restoring the hotel to its former glory. The company already owns another seven hotels in Belgium, of which five are in Brussels.

Of the few **portfolio transactions** that took place during the course of 2010, the most salient of those that included assets in Belgium was the sale of 48 properties by Accor for €367 million in a sale-and-leaseback (variable)

transaction to a joint venture between Foncière de Murs and Credit Agricole's Predica. This transaction took place in August 2010, and ten of the properties are located in Belgium.

## Conclusion

The strategic geographical location of Brussels and its (unofficial) status as the Capital of Europe, have greatly contributed to establishing this city as an international market. Its attractiveness as a short-break destination, and demand from government sources and corporate ensure balanced, solid sources of visitation which, coupled with minimal supply in the pipeline, make this a solid, low-risk/low-return market to invest in.



## About HVS

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With offices in London since 1990, **HVS London** serves clients with interests in the UK, Europe, the Middle East and Africa (EMEA). We have appraised almost 4,000 hotels or projects in 50 countries in all major markets within the EMEA region for leading hotel companies, hotel owners and developers, investment groups and banks. Known as one of the foremost providers of hotel valuations and feasibility studies, and for our ability, experience and relationships throughout Europe, HVS London is on the valuation panels of numerous top international banks which finance hotels and portfolios.

## About the Author

**Sophie Perret** is an associate director at the HVS London office. She joined HVS in 2003 following ten years' operational experience in the hospitality industry in South America and Europe. Originally from Buenos Aires, Argentina, Sophie holds a degree in Hotel Management from Ateneo de Estudios Terciarios, and an MBA from IMHI (Essec Business School, France and Cornell University, USA). Since joining HVS, she has advised on hotel investment projects and related assignments throughout the EMEA region and is specifically responsible for the development of HVS services in France and the French-speaking world. Sophie is currently pursuing an MSc in Real Estate Investment and Finance at Reading University.

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