



TRANSFORMING REAL ESTATE  
INTO REAL ADVANTAGE

# HOTEL MARKET OVERVIEW

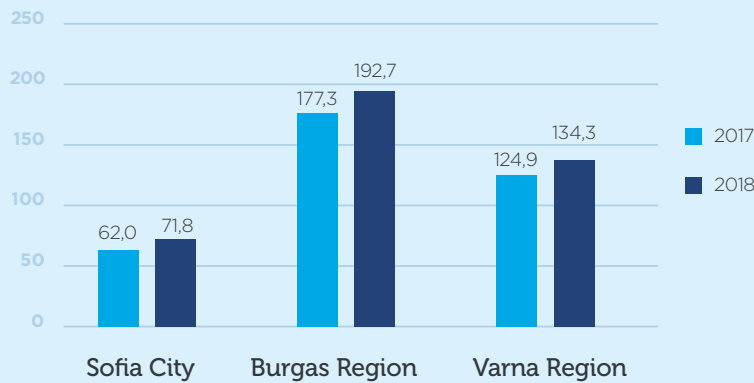
H2 | 2018



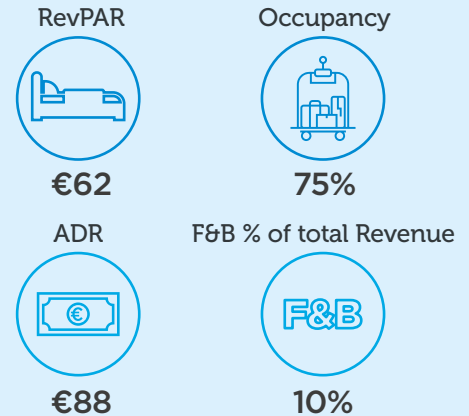
### MARKET HIGHLIGHTS

★★★★ & ★★★★★  
HOTEL HOTEL

ANNUAL REVENUE FROM OVERNIGHTS (MLN €)

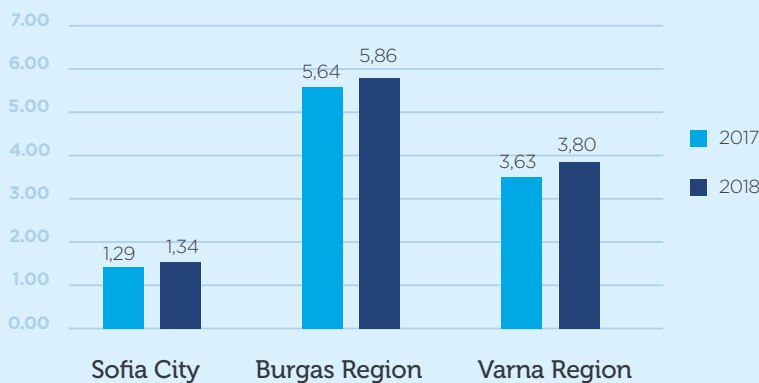


SOFIA CITY

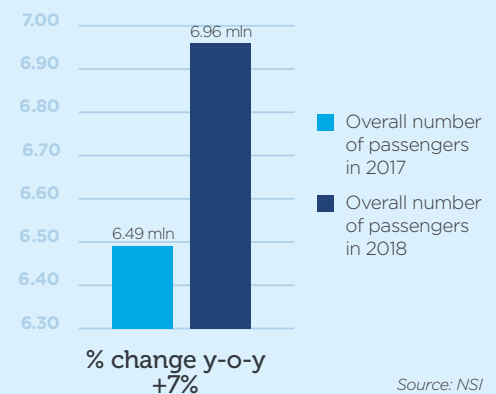


Source: MBL Hotel Management Survey 2019

NUMBER OF OVERNIGHTS (MLN)



PASSENGER TRAFFIC IN SOFIA AIRPORT  
OVERALL NUMBER OF PASSENGERS



Source: NSI

### STOCK AND PIPELINE

The number of branded and chain hotels in Sofia is continuously growing as a result of the increasing number of international visitors and low-cost flights. In 2018, there were 44 four- or five-star hotels in Sofia compared to

42 in 2017, and a new supply of luxury hotel rooms in the city center is expected in the next couple of years. Upon its completion, scheduled for 2019, Hyatt Regency Hotel will add 190 new rooms and suites to the high-end hotel market.

A 5-star Marriott hotel with a height of 107 m, 30 floors and 210 rooms is scheduled for delivery by the end of 2020. Another luxury hotel with 350 rooms is about to be opened near National Palace of Culture in Sofia.

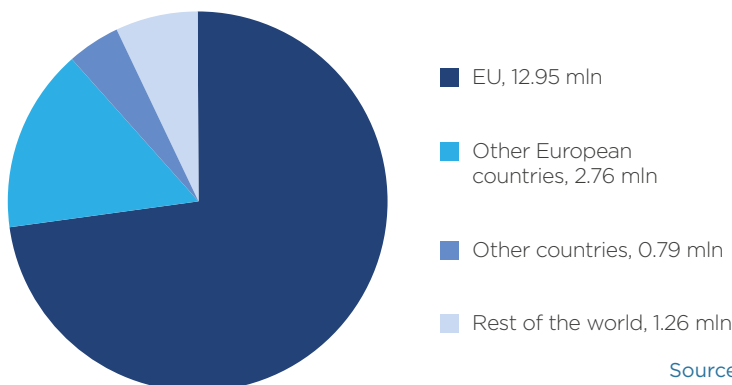
### INCREASING TREND OF OVERNIGHTS

The total number of overnights in 2018 changed positive with 4% compared to 2017, reaching 17.7 million, whereas 73% of the overnights were recorded by EU visitors. The increase in the

total number of international visitors in Bulgaria is mainly due to the fact that Sofia is gaining popularity as a modern European capital city. Events that contributed to this growth

were the Bulgarian Presidency of the Council of the EU in 2018, the international fairs and conferences held in Sofia and Plovdiv such as WEBIT, FESTIVAL and many others.

### TOTAL NUMBER OF OVERNIGHTS IN BULGARIA, 2018 (MLN)

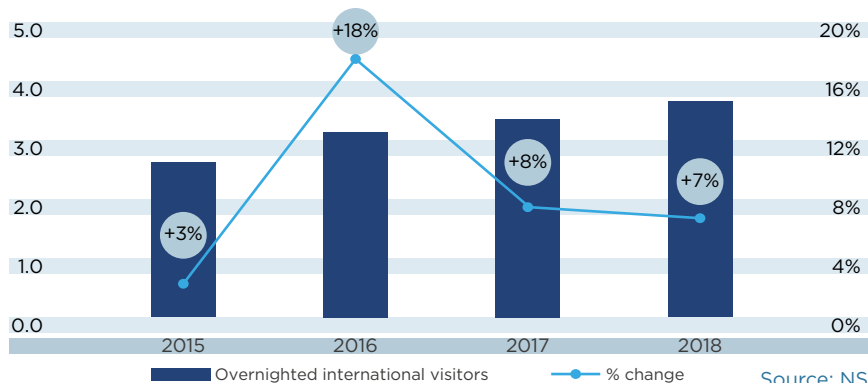


Source: NSI

### PERFORMANCE ANALYSIS

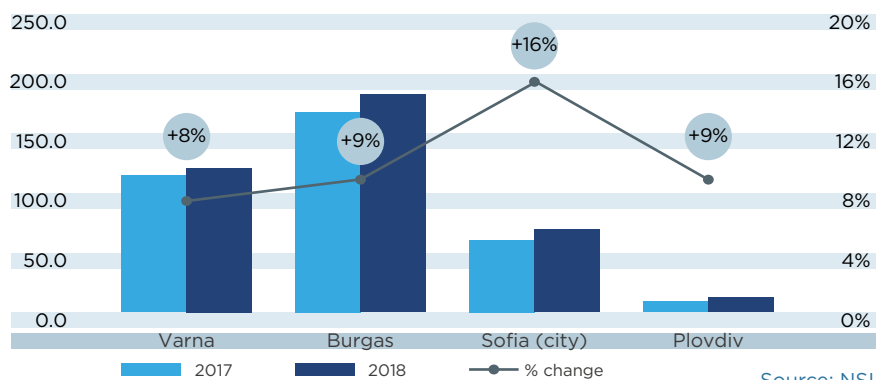
According to the latest MBL Hotel Management Survey, conducted among leading hotel managers in Sofia high-end hotel segment, the average occupancy for 2018 was 75%. The rate ranged between 45% and 95%, depending mostly on the location as central city hotels recorded higher occupancy rates. The average daily rate (ADR) for 2018 was €88. However, based on the survey responses, this relatively high average price level was supported mainly by the Bulgarian Presidency of the Council of the EU, and the fact that most high-end hotels significantly increased their prices during this period. The average revenue per available room (RevPAR) in Sofia was €62, with some hotels achieving higher than €100. According to the National Statistical Institute, in 2018 the Bulgarian hospitality market recorded €517.6 million revenue from overnights which is a 10% growth on yearly basis. At the same time, Sofia high-end hotel market registered €71.8 million overnight revenue which is 16% higher than the prior year.

### TOTAL NUMBER OF INTERNATIONAL OVERNIGHTED VISITORS IN BULGARIA (MLN)



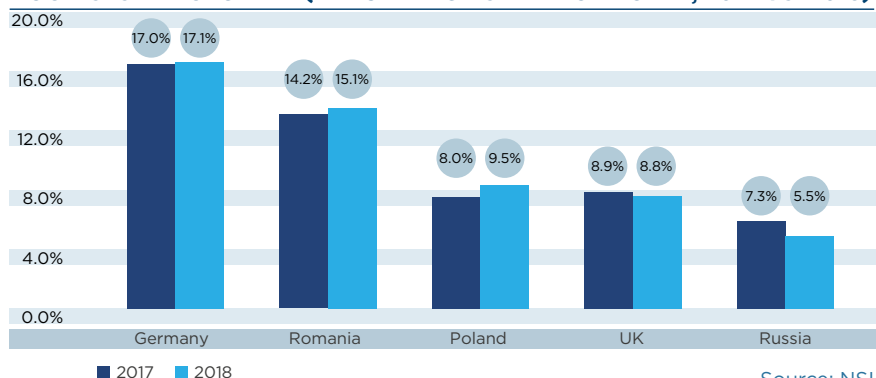
Source: NSI

### TOTAL REVENUE FROM OVERNIGHTS IN BULGARIA (MLN EUR)



Source: NSI

### TOP 5 EUROPEAN SOURCE MARKETS ACCORDING TO OVERNIGHTED TOURISTS IN BULGARIA (PERCENTAGE SHARE OF TOTAL, 2017 VS. 2018)



Source: NSI

### SOURCE MARKETS

The countries in TOP 5 European Source Markets for Bulgarian hotels in 2017 and 2018, measured by share of the total visitor numbers, remain the same with only slight shifts in positions. The leading countries two years in a row were Germany and Romania. In 2018, Poland outpaced UK becoming number three and recording 27% growth in overnight visitors compared to 2017. Russian visitors decreased significantly, arguably due to the Russian Government sanctions against EU, as well as the fact that the interest of Russian citizens to invest in Bulgarian vacation properties has declined.

### MBL HOTEL MANAGEMENT SURVEY

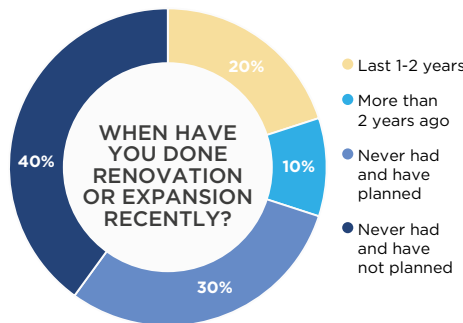
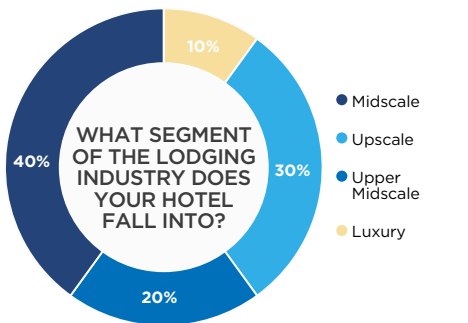
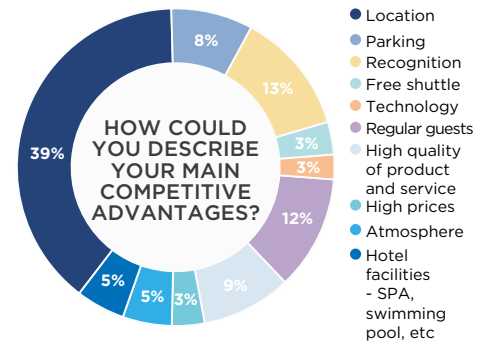
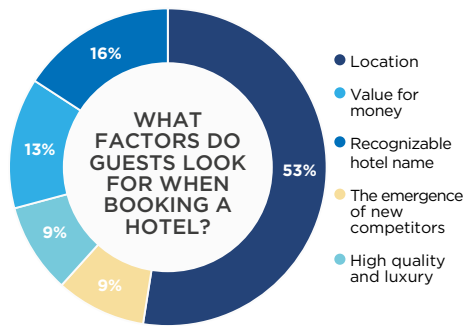
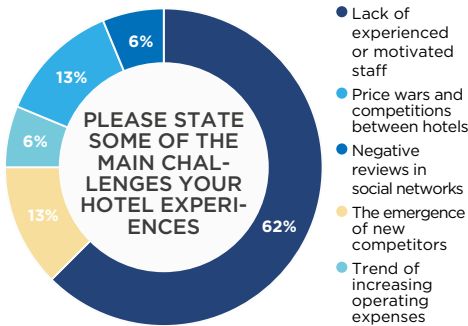
MBL Hotel Management Survey was conducted in Q1 2019 among general managers of high-end hotels in Sofia. Our key observations are the following:

- » Most hotels consider 2018 as a stronger year than 2017, but in their opinion 2019 is less likely to be so good;
- » However, the overall expectations of participants for 2019 in terms of key hotel performance indicators are positive;
- » The majority of respondents perceive belonging to an international hotel brand as positive. Only a few consider this both as positive and negative, weighing the stronger market recognition among guests

with the higher costs in terms of franchise fees and global brand's restrictions and policies that need to be complied with;

- » Less than half of the participants see the emergence of new hotels in Sofia as not necessary, believing that the local market does not need more supply of rooms. Most of the GMs are looking forward to seeing the effect of new hotel openings as they think it will bring positive trends to the market;
- » Most of the hotels that participated bet on quality product and service while others rely on low prices;

- » Most GMs consider location as a major and leading factor for success;
- » Hotels increasingly perceive technology as an integral part of hospitality;
- » There is a common opinion among most GMs that business congress tourism is an essential factor for further development of Sofia hospitality industry;
- » In terms of performance, January and February are usually the weakest months for hotel business in Sofia;
- » During the weekdays hotels are visited mostly by business groups and individuals, while weekends are taken by leisure tourists.



**Respondents profile**

- Management staff from selected high-end hotels in Sofia
- Hotels in the range between 45 and 610 rooms in CBD and Midtown

**Objectives of the study**

- To identify the challenges and productivity in the Hotel Industry.
- To identify current market condition, trends and benchmarks

**Limitations of the study**

- This study is purely based on the information given by the management of sample hotels.
- The study is conducted in the current scenario and the opinions, perception and expectations of the respondents may differ with time.

**Research Methodology**

The data was collected using personal interviews with management staff from 4-star and 5-star hotels in Sofia.

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