

# MARSEILLE, FRANCE

Wind of Change on the Old Port

Hotel Market Snapshot

February 2016



HOTELS



**BNP PARIBAS  
REAL ESTATE**

Real Estate  
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## HIGHLIGHTS

Marseille, the political, cultural and economic centre of the Bouches-du-Rhône department and of the Provence-Alpes-Côte d'Azur region, is France's second largest city.

The city's tourism industry has experienced a turning point in 2013 when Marseille held the title of European Capital of Culture. In preparation of this major event, the city has initiated numerous rejuvenation and redevelopment projects in order to replace its often battered reputation in the media with the image of an innovative and enjoyable city. Since then, the city has tried to capitalise on this event to further develop its popularity as a tourist destination.

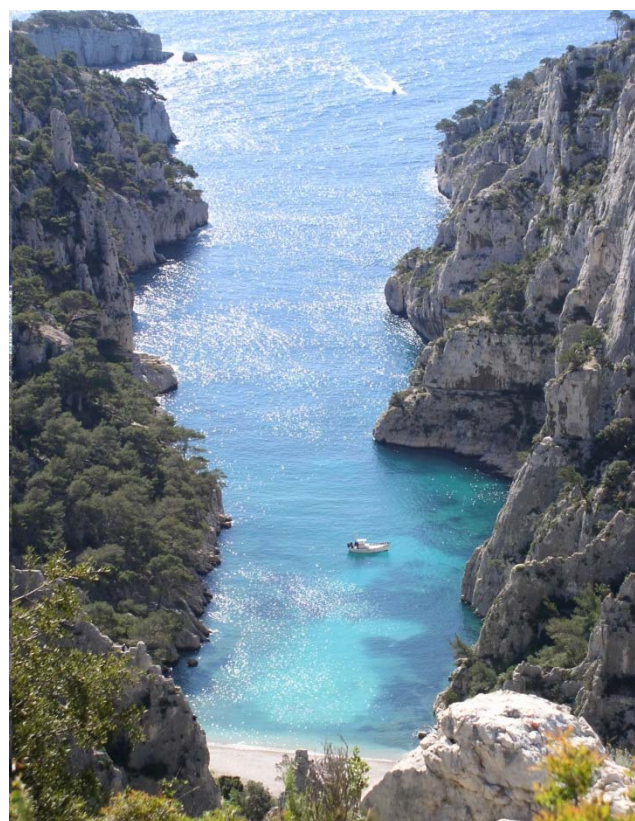
This edition of our hotel market snapshot will thus take a closer look into Marseille's tourism and hotel industry and will present the city's forthcoming hotel openings.

## WHAT'S NEW? WHAT'S COMING UP IN MARSEILLE?

- With the aim of providing a more lively area for pedestrians and hosting temporary exhibitions and events, the **Old Port** (*'Vieux Port'*) is currently being modernised. The re-organisation of the port, comprising an improvement of the boats' traffic flows, is scheduled to be completed in 2020.
- The rejuvenation of another landmark area, the **Vélodrome stadium's** district, includes two hotel projects, the B&B Marseille Prado Vélodrome (162 rooms) and the AC by Marriott Stade Vélodrome Marseille (126 rooms) which opened in December 2015 and January 2016 respectively.
- Meanwhile, the Canebière-Feuillants district, a popular place in Marseille, is also being redeveloped. The area will see the opening of the **81-room Mercure Canebière** by 2017.
- Another AccorHotels project is currently in progress; an 18<sup>th</sup> century private mansion, the *hôtel particulier* Amédée Armand, is being converted into a 5-star **51-room MGallery**. The hotel should also open in 2017.

MARSEILLE - Key facts & Figures (2015)	
Population (inner city)	852 500 (2012)
Surface (inner city)	240.6 km <sup>2</sup>
Unemployment	18.4% (2012)
Tourism arrivals	1.2 million
Overnight stays	2.1 million
% Leisure tourism	46.0%
% Business tourism	54.0%
% Domestic overnights	75.0%
% International overnights	25.0%
Number of hotels	82
Number of hotel rooms	5 769

Source: BNP Paribas Real Estate Hotels, Tourism Observatory Marseille, INSEE



Calanques National Park (Source: © OTCM / HAUER)



## ACCESSIBILITY

At the heart of the Mediterranean coast, the city of Marseille enjoys a strategic location at the crossroad of the European and African continents which gears its economy. The city's international airport is located 30 km from the centre, with direct connections serving more than a hundred destinations. With 8.2 million passengers in 2015, Marseille Provence Airport (AMP) ranked 4<sup>th</sup> within the country.

Over the past two years, Marseille's airport's activity was impacted by several strikes; nevertheless, passenger numbers recovered in 2015, recording a year-on-year increase of +1.0%. The decrease from domestic travellers (-1.4%) was offset by a growth in **international arrivals (+2.3%)** which **accounted for 59.2% of total passengers in 2015**.

At the end of 2015, additional routes to Dakar and Rabat have been added at AMP and from March 2016 the airline Volotea will add five new destinations to its flight network including Prague, Dubrovnik, Naples, Faro and Rennes. EasyJet has also announced three additional routes to be inaugurated in spring 2016.

After significant renovations on the terminal 2 (MP2) in 2014, the airport's administration has recently announced a major 10-year development plan. Between 2016 and 2025, the airport's capacity will increase by 35 000 m<sup>2</sup> to welcome 11.0 million annual travellers in the long-term, following a € 205.0 million investment.

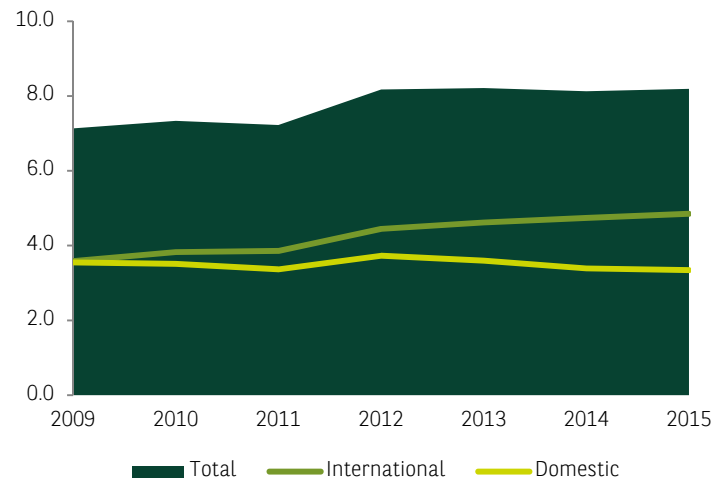
Moreover, the city is served by no less than three railway stations. The main train station, Marseille Saint-Charles, connecting Paris in 3 hours, welcomed 10.7 million passengers in 2014, a -7.0% drop compared to the previous year. Since the launch of the Eurostar line in May 2015, **connecting London to Marseille within 6 hours and 15 minutes**, demand from UK travellers has increased significantly. The addition of further wagons to increase the seat capacity per train is already under discussion.

## DEMAND

From 2012 to 2015, Marseille recorded an increase of +13.2% in arrivals and a growth of +9.9% in overnights. As the European Capital of Culture in 2013, the Phocean city passed for the first time the threshold of 2.0 million overnights.

After this particularly dynamic year, Marseille suffered a slowdown in 2014, but subsequently recorded another successful year in 2015 by welcoming close to 1.2 million visitors, a +5.9% growth compared to the previous year, generating an increase of **+4.3% in overnight stays**. This also represents a growth in the number of arrivals compared to 2013 (+2.9%), but a lower number of overnights (-1.5%), showing the shortening of travellers' average length of stay over the past three years.

Marseille Provence Airport – Passenger numbers and origins 2009-2015 (in millions)



Source: Union des Aéroports Français

The port of Marseille, **leading port in France for cruise passengers**, welcomed approximately 2.5 million passengers in 2014, a decrease of -5.9% compared to 2013 which can be partially explained by major strikes of the port's operator SNCM and the decrease of passengers from Corsica. However, 2015 figures look bright with an expected addition of more than 170 000 cruise passengers compared to 2014. In 2015 Royal Caribbean launched the 'Allure of the Seas' vessel on the Mediterranean including Marseille on its travel route. The world's biggest cruise ship, navigating from May to October, is expected to attract additional travellers especially from the US.

Marseille - Evolution of number of tourists and overnight stays 2012-2015 (in thousands)

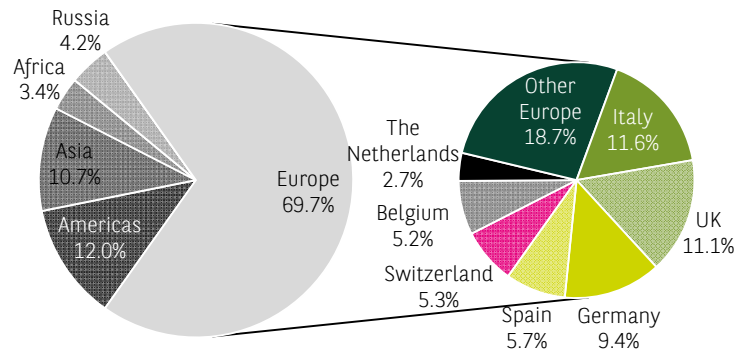


Source: Bouches-du-Rhône Tourisme

While Marseille welcomes numerous international one-day visitors, mostly explained by the stopover of cruise ships, **overnight stays in the city are dominated by the domestic clientele**, generating 75.0% of total overnights in 2015.

Among the international visitors, European travellers accounted for 69.7% of foreign overnights in 2015. The top 3 feeder markets, amounting to 32.1% of foreign overnights, were Italy, the UK and Germany. Regarding overseas travellers, visitors from the USA generated a 8.4% share while China represented 2.1% of foreign overnights in Marseille.

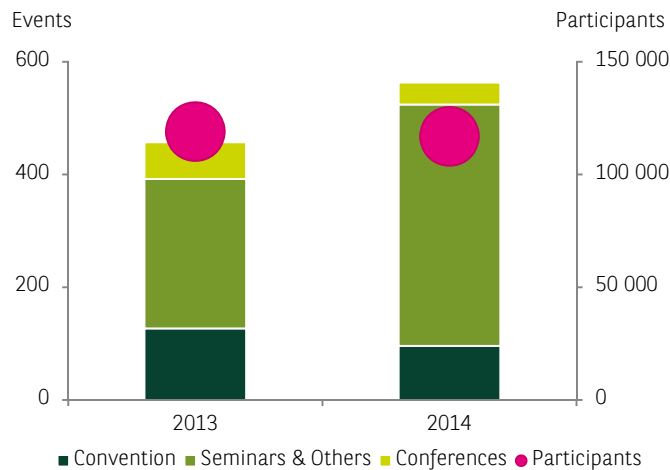
**Main international feeder markets (Overnights) 2015**



Source: Bouches-du-Rhône Tourisme

**Business Tourism**

**Number of business events and visitors in Marseille 2013-2014 (in thousands)**



Source: Tourism Observatory Marseille

Over the past four years, business tourism in Marseille accounted for more than half of total overnights. The city has developed a solid reputation as a MICE and business destination within Southern Europe, putting forward a clever mix between first-class infrastructures and numerous entertainment options associated with its coastal location.

Marseille's congress and convention centre, the **Palais du Pharo**, a 19<sup>th</sup> century building overlooking the entrance of the Old Port, counts today 7 000 m<sup>2</sup> of functional spaces. In 2013 an extension comprising an auditorium, exhibition halls and a dining area was inaugurated underneath the Palais featuring a stunning view over the Old Port. In terms of activity, both the number of events held at the Palais du Pharo and the number of participants increased by +15.5% in 2014. The average duration of congresses however dropped from 1.8 to 1.5 day.

The city's main exhibition centre, **Marseille Chanot**, is located next to the Vélodrome stadium, approximately 3.5 km away from the Old Port. The venue hosts trade fairs and major events within its 7 multifunctional halls and 3 auditoriums. In 2014, it accommodated 28 conventions, 40 fairs and more than 180 events.

In 2016, Marseille Chanot will host major exhibitions and trade fairs such as the ISHEID (an international medicine symposium), the Japan Expo Sud or the SIAC (an international contemporary art exhibition).

Marseille wishes to continue improving the quality of its facilities and as such has inaugurated in 2015 the renovation works of the World Trade Center Marseille Provence. The modernisation of the convention centre, currently disposing of 11 meeting and function rooms, will be split over two phases and total investment will amount to 8.0 million euros.



Palais du Pharo (Source: © OTCM / HAUER)





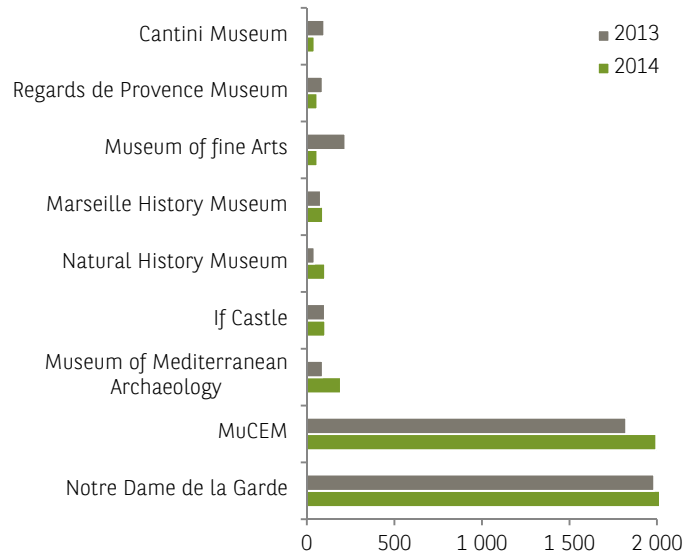
## Leisure Tourism

Given its favourable location on the Mediterranean coast and pleasant climate, the city is naturally inclined to leisure tourism. Besides its renowned 'Vieux Port' and its emblematic Notre-Dame de la Garde basilica overlooking the city – affectionately nicknamed 'la Bonne Mère' (literally the 'Good Mother') by its inhabitants, Marseille counts numerous historical sights and cultural infrastructures.

The **MuCEM** (Museum of European and Mediterranean Civilisations), inaugurated for the occasion of the 2013 European Capital of culture year, attracted approximately **2.0 million visitors in 2014**. The contemporary building, designed by Rudy Ricciotti, has become a landmark of the city hosting national and international exhibitions. The city's other museums attracted more than 605 000 visitors in 2014, among which 53.4% were for temporary exhibitions.

The **Vélodrome stadium** – another monument of the Phocian city, home to the famous Olympique de Marseille football club – has recently been fully refurbished to comply with UEFA requirements in order to host some of the EURO 2016 games. Meanwhile, leisure events such as rugby games and concerts are organised in the 67 000-seat arena, located in the new 'eco-district' of Marseille.

Main tourist attractions – Number of visitors  
2013-2014 (in thousands)



Source: Tourism Observatory Marseille

Not to forget, the **Calanques National Park**, situated along the coast between Marseille and Cassis, can be accessed by car or by boat. Its picturesque, protected landscape and turquoise blue waters attract over 2.0 million visitors per year.

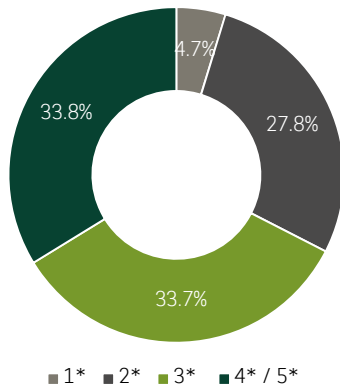


MUCEM (Source: © S-F - shutterstock.com)



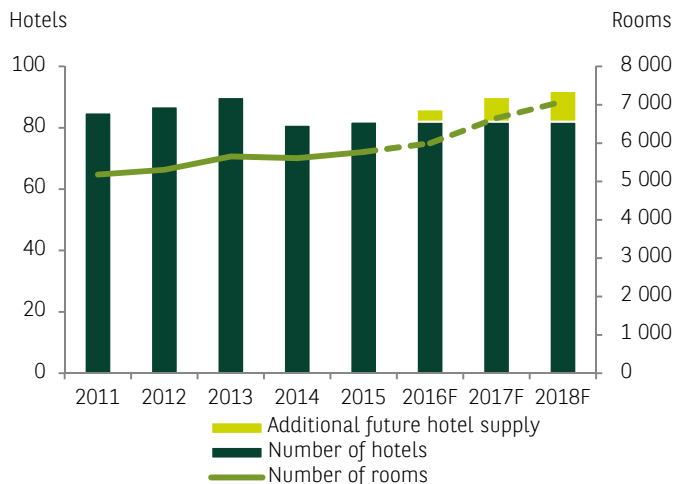
**SUPPLY**

Hotel rooms per category  
2015



Source: Bouches-du-Rhône Tourisme, BNP Paribas Real Estate Hotels

Hotel supply evolution  
2011-2018 forecast



Source: Bouches-du-Rhône Tourisme, BNP Paribas Real Estate Hotels

Several conversion projects are in progress but these remain rare. Indeed, some projects have faced fierce opposition in the past, such as the transformation of a historical building in the 1<sup>st</sup> district into the Alex Hôtel which eventually opened in 2014. Other projects currently under way are the conversion of the 'Belle de Mai' former maternity ward into a holiday vacation resort managed by Villages Clubs du Soleil, the conversion of the Amédée Armand *hôtel particulier* which will become an upscale hotel operated under AccorHotels' MGallery brand, and the transformation of an office and residential building located Rue de la République into a 5-star NH Collection hotel scheduled to open in 2017.

Taking into account greenfield developments and conversion projects combined, the pipeline is dense with the expected addition of **+1 389 rooms between 2016 and 2018**, or a +24.1% growth of total supply. As can be seen from the opposite map, projects are mainly concentrated in the western districts of the city – the closest to the sea.

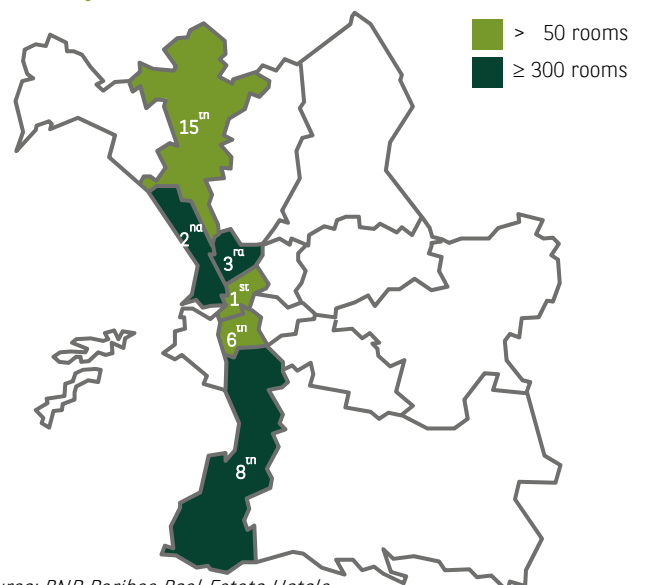
In 2015 Marseille counted **82 hotels**. Between 2011 and 2013, the number of hotels increased gradually to reach a peak at 90 properties, before declining the subsequent year, falling below the 2011 level.

Meanwhile, the number of **classified rooms reached 5 769 in 2015**. Total rooms increased by +11.3% over the 2011-2015 period, recording a +2.7% compound annual growth rate. 2013 showed the highest progression in terms of number of rooms with a +6.5% increase compared to 2012 incited by the European Capital of Culture event generating a particular interest for Marseille's hospitality sector.

Regarding hotel categories, a general upgrade was induced in 2012 by the implementation of the new French hotel classification. Today, the market is equally dominated by the **3 and 4/5-star categories**, representing each more than one third of Marseille's room supply. The 2-star segment represents more than one quarter of the room supply, while the 1-star segment accounts for a minor share with less than 5.0%.

The growth in hotel supply from 2011 until 2013 has been relatively slow, but it seems that the city has recently realised the **need to renew its touristic image and improve its reputation by initiating the development or redevelopment of numerous neighbourhoods**, such as Euromed Center or the Vélodrome stadium's area, both comprising hotel projects. Another new eco-district project called Smartseille, located in the north of the city, which involves the construction of 58 000 m<sup>2</sup> of housing, offices and shops, will also include a 90-room hotel operated under the B&B brand.

Future hotel room supply by district  
2016-2018 forecast



Source: BNP Paribas Real Estate Hotels



Marseille – Recent hotel openings  
2013-2016 YTD

Year	Category	Hotel	Rooms	District
2013	5*	InterContinental Marseille - Hotel Dieu	194	2 <sup>nd</sup> District
2014	5*	Hotel C2	20	6 <sup>th</sup> District
2014	3*	Alex Hôtel	21	1 <sup>st</sup> District
2015	2*	B&B Marseille Prado Vélodrome	162	8 <sup>th</sup> District
2015	N/A	Odalys City Prado Castellane	64	8 <sup>th</sup> District
2016	4*	AC by Marriott Stade Vélodrome Marseille	126	8 <sup>th</sup> District
<b>Total Rooms Recently Opened</b>			<b>587</b>	

Source: BNP Paribas Real Estate Hotels



AC by Marriott Stade Vélodrome Marseille (Source: © Hotel)

 Marseille – Future hotel openings (confirmed)  
2016-2018 forecast

Year	Category	Hotel	Rooms	District
2016	4*	Golden Tulip Marseille Euromed	210	2 <sup>nd</sup> District
2016	2*	Toyoko Inn – Gare Saint-Charles	231	3 <sup>rd</sup> District
2016	2*	B&B Smartseille (Allar)	90	15 <sup>th</sup> District
2017	5*	MGallery Préfecture	51	6 <sup>th</sup> District
2017	4*	NH Collection Marseille	176	2 <sup>nd</sup> District
2017	4*	Mercure Canebière	81	1 <sup>st</sup> District
2017	Apart.	Village Club du Soleil	124	3 <sup>rd</sup> District
2018	4*/3*	Golden Tulip and Campanile Parc Chanot	300	8 <sup>th</sup> District
<b>Total Rooms in the Pipeline</b>			<b>1 263</b>	

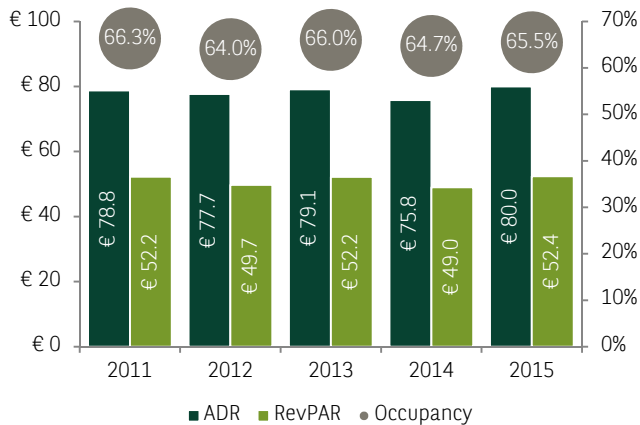
Please note that at least three other hotel projects have been identified for the coming three to five years, representing a potential of over 150 additional room units. However, at the time of writing our Hotel Market Snapshot, these projects had not been officially confirmed and are therefore not included in this table. Source: BNP Paribas Real Estate Hotels





**HOTEL PERFORMANCES**

Hotel trading performances (Marseille's urban area)  
2011-2015



Source: MKG Hospitality Database

The opposite graph shows a comparison of the RevPAR levels for five major regional tourism destinations in France, including Marseille's urban area.

Between 2011 and 2015, the cities of Marseille and Lyon clearly led the field with average RevPAR levels exceeding € 50.0. While Marseille, Bordeaux and Nantes recorded overall RevPAR increases of respectively +0.3%, +11.5% and +7.3%, Lyon and Toulouse followed opposite trends with RevPARs decreasing by -2.6% and -5.3% respectively over the analysed period.

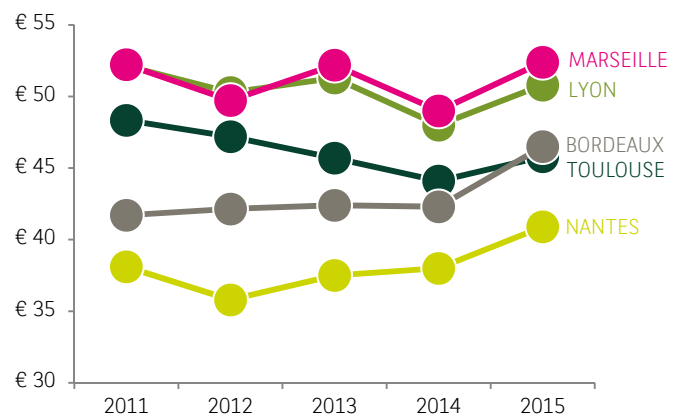
In 2015 RevPAR ranged between € 40.9 for Nantes and € 52.4 for Marseille. It shall be noted that 2015 was an exceptional year for the French secondary cities since they all recorded increases in RevPAR, ranging from +3.9% for Toulouse to +9.9% for Bordeaux.

Over the 2011-2015 period, Marseille's hotel market has recorded fluctuating performances.

While occupancy remained relatively stable, stagnating around an **average of 65.0%**, ADR fluctuated in larger proportions. After a -1.4% decrease in 2012, **the European Capital of Culture event in 2013** allowed the ADR to increase by +1.8% to reach € 79.1. Average rates fell the following year (-4.2%) before recording a substantial +5.5% growth in 2015.

As a result, over the analysed period **RevPAR reached a record level in 2015 at € 52.4**.

Key cities (Urban areas) – RevPAR evolution  
2011-2015



Source: MKG Hospitality Database



Grand Hotel Beauvau Marseille Vieux Port - MGallery Collection (Source: © Hotel)



## INVESTMENT MARKET

National and international investor interest has been growing for secondary markets in France, including the Phocian city. Indeed, Marseille's public authorities' supportive actions to launch substantial redevelopment plans in order to ease transportation and upgrade neglected neighbourhoods such as the Vélodrome area, Marseille Saint-Charles station, Euromed Center or the city's docks has provided new opportunities to investors.

Thus, although major hotel investments in the city remained rather sporadic over the last few years with only few transactions identified, most of them concerned **off-plan sales or property development agreements** as part of redevelopment programme. Examples include the two hotel projects around the Vélodrome (the AC by Marriott Stade Vélodrome Marseille and the B&B Marseille Prado Vélodrome, now both open) which were sold by a subsidiary of Bouygues Construction to ANF Immobilier for a total amount of € 24.0 million, while Foncière

des Régions invested in the Euromed district with the 210-room Golden Tulip hotel currently being constructed and scheduled to open in 2016.

Another option for hotel investors is the **acquisition and reconversion of existing buildings**, such as the acquisition in 2007 by Axa REIM of the emblematic historical Hôtel-Dieu for € 7.5 million to transform it into a 5-star InterContinental hotel, which opened in 2013. The project included a € 100.0 million refurbishment plan. More recently at the end of 2015, the Catalan investor Groupe Fondeville bought a complex of 5 Haussmann-style buildings to host the future Mercure Canebière. While InterContinental Hotels Group was initially rumoured to operate the property under its Indigo brand, AccorHotels ultimately secured the deal.

The following table illustrates the most significant hotel transactions recorded over the past five years in Marseille:

Year	Cat.	Hotel	Rooms	Price (€)	Price per room (€)	Seller	Purchaser
2011	3*	Alizé Marseille Vieux Port	39	Not disclosed	Not disclosed	Richard Family	ValueState, Extendam (JV)
2011	2*	Toyoko Inn <sup>1</sup>	231	20 000 000	86 580	City of Marseille	Toyoko Inn
2013	4*	Golden Tulip Marseille Euromed <sup>1</sup>	210	Not disclosed	Not disclosed	City of Marseille	Crédit Agricole Assurances, Foncière des Régions (JV)
2013	4*	Villa Massalia Concorde	140	7 805 704	55 755	Starwood Capital Group	Qatar Holding, Talaat Moustafa Group (JV)
2013	4* 2*	AC by Marriott Stade Vélodrome <sup>1</sup> B&B Marseille Prado Vélodrome <sup>1</sup>	126 162	24 000 000	83 333	Linkcity (Bouygues Construction)	ANF Immobilier
2013	3*	Ibis Styles Marseille Provence Aéroport (former Novotel)	117	Not disclosed	Not disclosed	AccorHotels	Turenne Capital Partenaires, Viveris Management (JV)
2014	4*	Grand Hotel Beauvau Marseille Vieux Port - MGallery Collection	73	Not disclosed	Not disclosed	AccorHotels	ValueState, Extendam (JV)
2015	4*	Mercure Canebière <sup>2</sup>	81	2 600 000 <sup>3</sup>	32 100	City of Marseille	Groupe Fondeville
2015	3*	Ibis Styles Marseille Castellane	53	3 400 000	64 151	Groupe HSI	SCI IP2

<sup>1</sup> Development project / <sup>2</sup> Conversion project / <sup>3</sup> Transaction price, not including an estimated € 14 000 000 for the conversion into hotel  
Source: BNP Paribas Real Estate Hotels

## OUTLOOK

With more than 18 000 direct jobs and a billion euros in economic benefits, tourism represents 6.2% of Marseille's economy. Being accessible from most European capitals in just a few hours, Marseille presents favourable conditions for a positive economic outlook and is expected to attract a growing number of **investors looking for value-added opportunities**.

If the first stages of its metamorphosis were completed in 2013, the transformation works continue. The city still shows a dense pipeline of upcoming projects, revealing the **strong interest of branded operators**.

Today, Marseille is getting ready for two key international happenings, since in 2016 it will be a venue for some of the **UEFA EURO 2016 football games** and in 2017 it will be **the European Capital of Sport**. The city will also host the kick-off of the EXPOFRANCE 2025 promotional tour, aimed at supporting the application of the country for the 2025 World Expo, in February 2017. These successive events, which will place Marseille under scrutiny, will above all be the occasion for the Phocian city to present its transformed and modernised new face to the world – an **exceptional opportunity to reinforce its touristic attractiveness** for the future.







INTERCONTINENTAL



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*\* 16 under direct ownership and 21 alliances*

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Cover page: Vieux Port and Notre Dame de la Garde (Source : © elwynn - shutterstock.com)

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