

CBRE Switzerland

Hotels & Operational Real Estate 2024

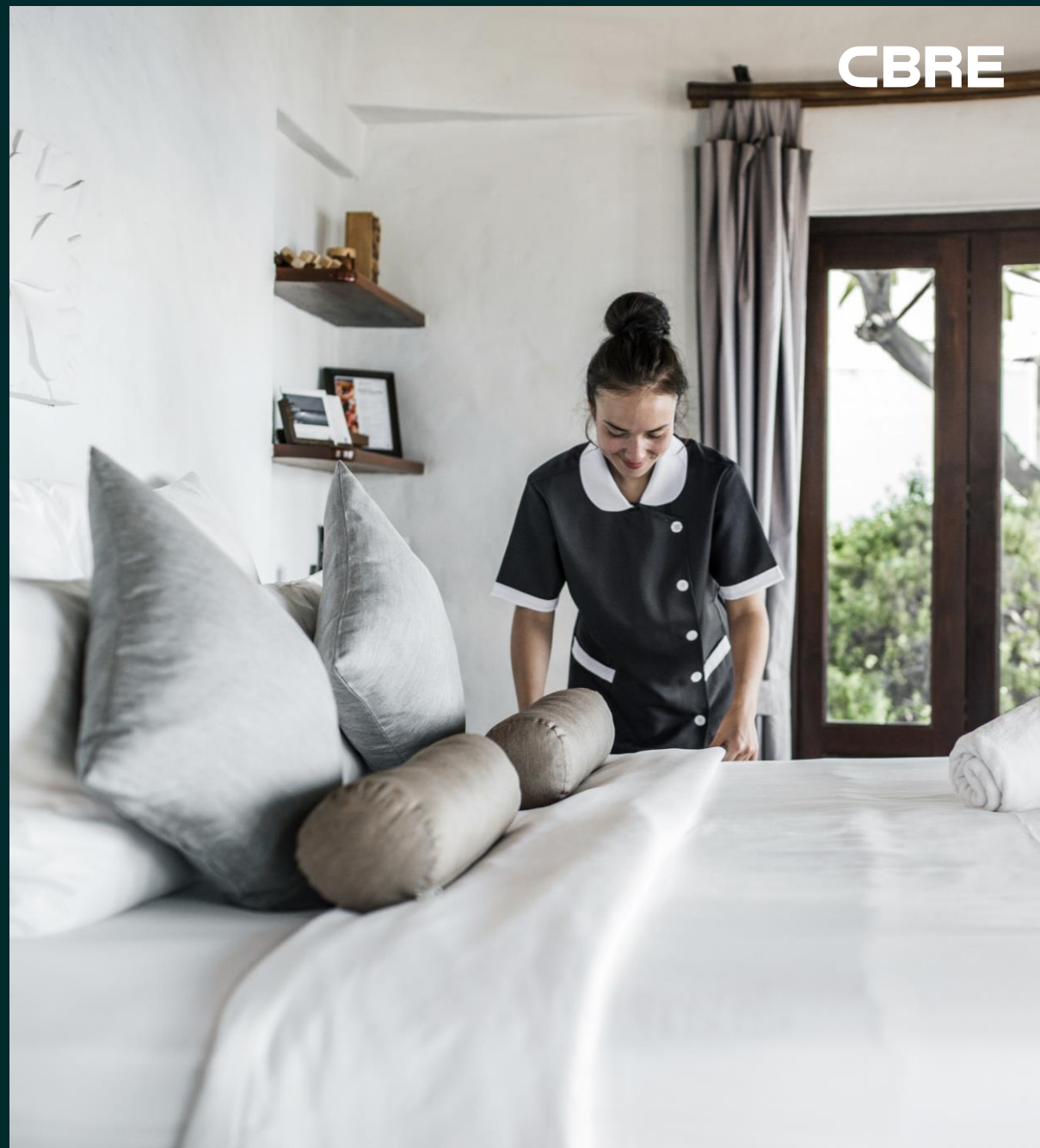
REPORT

Record high demand
momentum at the
beginning of the year

CBRE SWITZERLAND

MAY 2024

CBRE



Hotels

45 Bedrooms
Average Hotel Size

Economy - 24%
Largest Segment

24%
Brand Penetration

1,385 Bedrooms
In Construction

Supply & Pipeline

Switzerland offered approximately 120,000 bedrooms across 3,500 hotels to its record number of domestic and international travelers in 2023 (41.8 million).

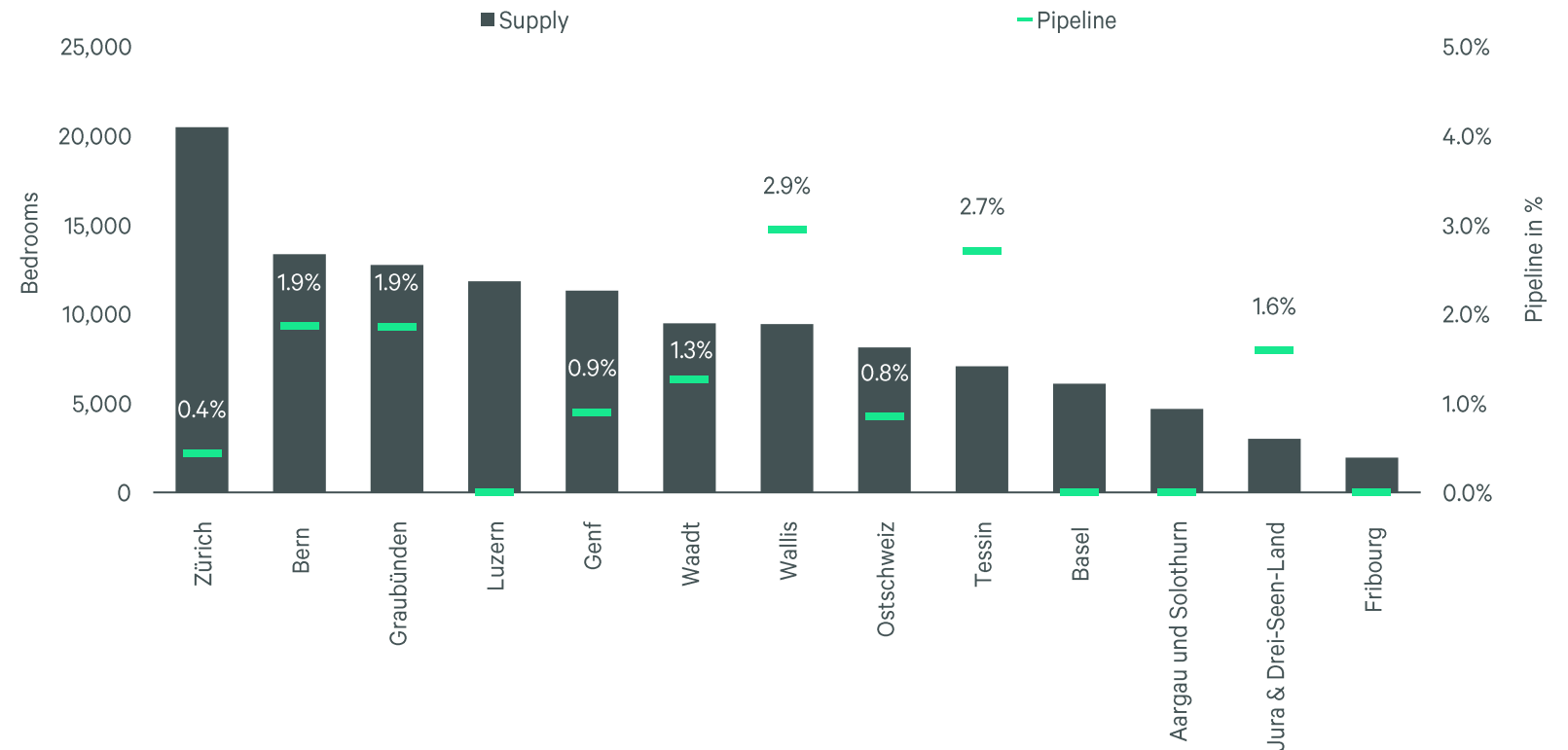
By far the largest room count is observed in the Zurich region with over 20,000 keys, followed by Bern (incl. the Bernese Oberland) with circa 13,400 keys.

Approximately 1,400 new bedrooms are currently under construction across the country, with a further 5,500 in various stages of planning, though we expect only part of these to materialise. This new construction is adding 1.2% to the existing supply by 2025, with the largest increases in absolute and relative terms observed in the Valais region (two hotels in Crans-Montana and one in Sion, adding 278 bedrooms in total).

In Zurich and Geneva city center, the two most sought-after markets for travelers, operators and investors alike, only one new addition is confirmed: the 84-bedroom Stay KooooK Geneva City Centre, recently opened in May 2024.

Most hotel rooms in Switzerland remain unbranded (76%) and the average hotel size is relatively small, at 45 keys, illustrating the fragmented nature of the Swiss hotel market. Only 2% of branded supply is linked to a Swiss label.

Hotel Supply & Pipeline by Tourism Region



Source: BFS, AMPM Hotels

Overnight Demand

Swiss overnight demand increased by an average of 1.8% per annum from 2013 to 2019, despite the minor decline in international visitor numbers in 2015/16 driven by the unpegging of the Swiss Franc from the Euro.

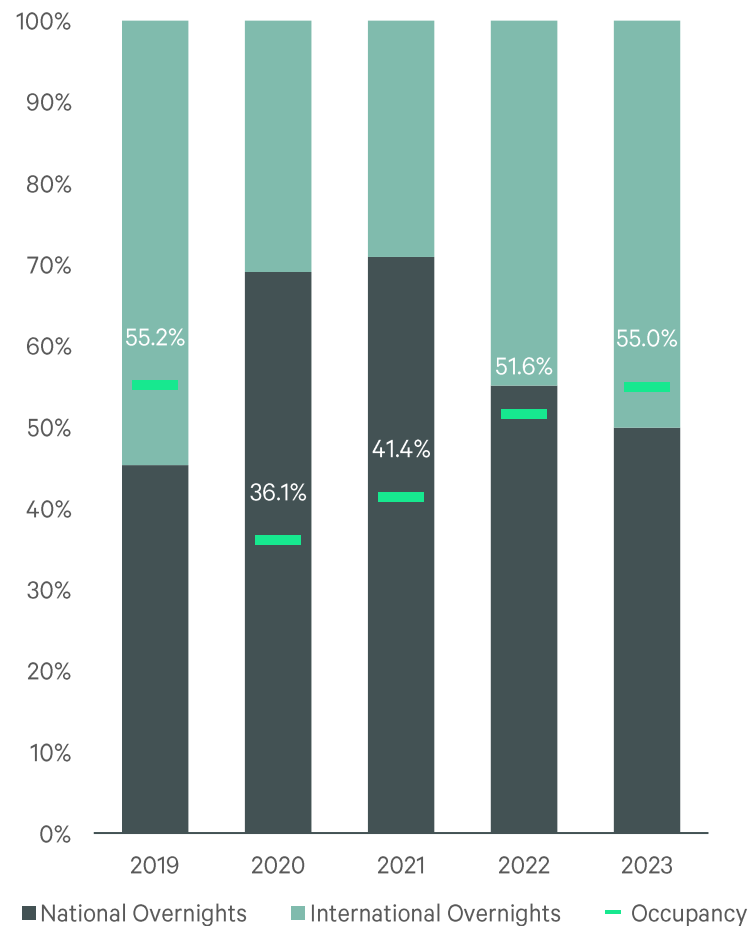
While demand decreased significantly in 2020 as a result of the covid-19 pandemic (by 40%), recovery started in 2021 driven by increased domestic demand and strong growth in many leisure destinations. While other countries saw extended forced closing periods, operators in Switzerland were not subjected to such restrictions.

As observed elsewhere in Europe, cities (reliant on corporate and international demand) were more severely impacted, while some leisure destinations saw record overnight figures in 2021 and 2022 – i.e. Lugano and Saanen – and most revived more quickly than their urban counterparts, leading the Swiss market recovery.

2023 turned out to be a record year, ahead of the latest BAK Economics forecast, with 41.8 million overnight stays. The share of domestic demand remained slightly elevated at 50% vs. 45% pre-covid. Occupancy remained marginally behind the 2019 high of 55.2% (at 55.0%), given the 2.8% increase in supply over the same period.

BAK Economics (October 2023) projects further demand growth in 2024 and 2025, by 0.7% and 1.0% respectively, driven by the urban markets.

Overnight Stays and Occupancy 2019 – 2023



Source: BFS, KOF

Overnight Demand Spotlight 2023 vs. 2019

+5.6%
Switzerland

+5.7%
Zurich

+3.2%
Geneva

Vaud -1.6%
Biggest gap to 2019¹

Geneva +10.9%
Biggest growth over 2019¹

¹ Tourism Region, according to BFS

Transactional Activity

Hotel transactions have made up between 5-10% of total Swiss investment volumes over the last six years¹. Given the small number of transactions per year, volumes can vary greatly, and are skewed by individual sales, such as the Credit Suisse hotel portfolio (over 600 keys) in 2019, which made up over half of the volume that year.

While significant volumes were on the market in 2023 (CBRE was tracking over CHF 1bn), the outturn was broadly in line with the longer-term average at around CHF 280m across 11 transactions. Circa 42% of investment volumes over the past 6 years were acquired by international capital, a significantly higher share than for the wider commercial real estate sector in Switzerland. Investors out of the UAE, USA and Germany accounted for the largest individual shares. The appeal of alpine resort destinations, and their strong operational performance over the last few years, is reflected in the large share of total volumes transacted in these regions (45%), followed by the prime cities of Zurich and Geneva (27%). The latter are predominantly driven by the larger individual lot sizes in those markets, such as the Hotel Le Richemond, which was acquired by Jumeirah Hotel Group in 2023, supported by CBRE.

In March 2024, the Swiss National Bank announced a surprise interest rate cut of 25 bps to 1.5%. This made it the first major Western central bank to soften its restrictive monetary policy to combat inflation. Transaction market sentiment appears to be improving with increasing interest registered from both domestic and foreign investors, as well as a growing number of divestments, reflected in a number of ongoing and planned transactions.

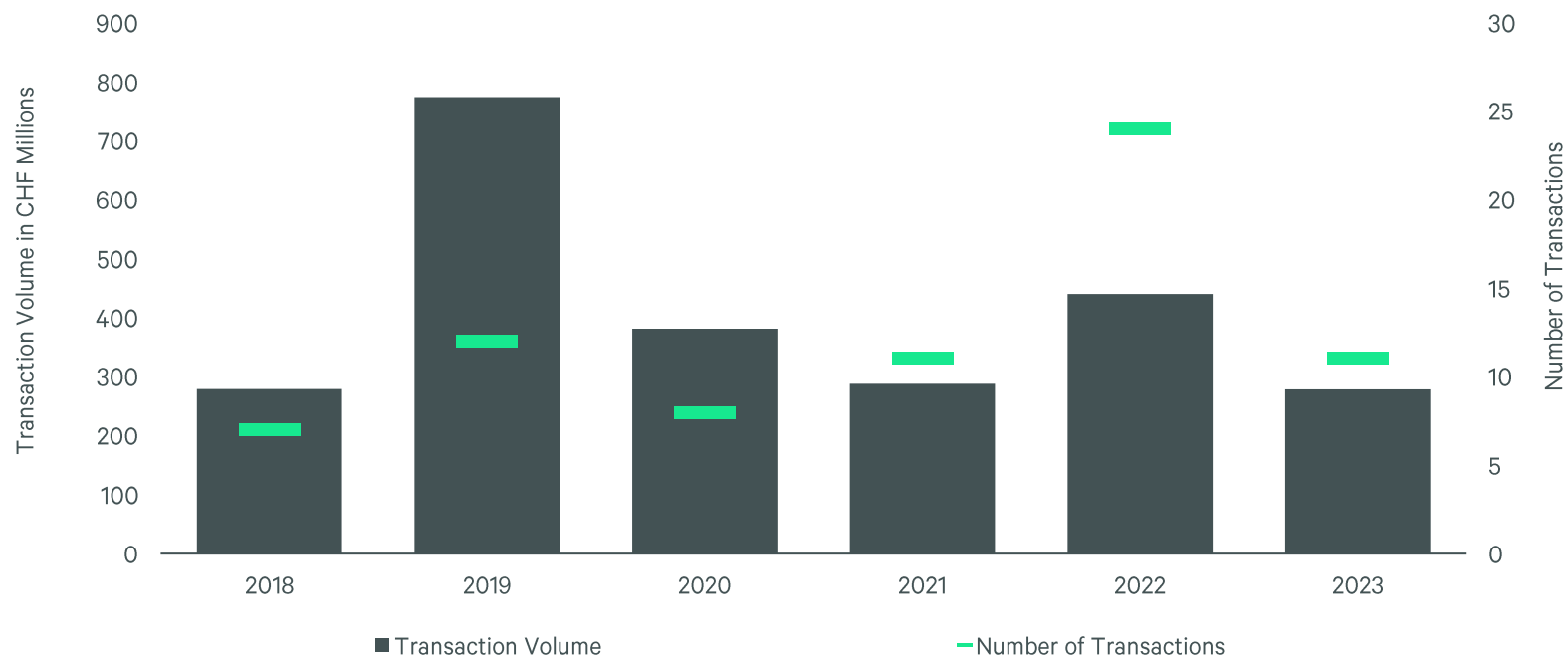
CHF 2.4bn
Volume 2018 - 2023

CHF 280m
Volume 2023

42% of Volume
Int. Capital

27% of Volume
Zurich & Geneva

Hotel Transaction Volume 2018 - 2023



¹ Based on CBRE research, including transactions between professional investors and does not reflect a complete picture of the Swiss real estate transaction market
Source: CBRE Research; The above is based on CBRE research and reflects an approximation only. Transactions below CHF 5m are generally excluded

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