



3* Congress Hotel



BASIC PROJECT DATA

SHORT DESCRIPTION

Unique opportunity to develop a 3* Business Hotel with 125 rooms in Budapest. The hotel will be located within 200 metres of the new Budapest Congress Centre. It will include meeting facilities, fitness room, wellness centre and restaurant.

Funding requirement

EUR 3.5 M

(representing 100% of Equity)

Sector	Tourism
Location	District IX, Vágóhid Street, Budapest
Implementation period	30 - 36 months
Operator search	4 - 8 months
Raising bank financing	4 - 8 months
Construction	18 - 24 months
Overall Budget of the Project	EUR 7 million
Bank financing	EUR 3.5 million

I. PROJECT BACKGROUND

The project owner is a project company created to successfully implement the 3* Congress Hotel project. For the required EUR 3.5 million investment, the project owner would sell 100% shares representing full ownership of the project company, in possession of development rights.

The owners signed a contract with KRAFT & Associates – Tourism Development

(www.kraftassociates-td.com) to prepare the Business Plan and the financial projections for the project. KRAFT & Associates is also responsible for the hotel operator search. Several international hotel chains have expressed interest.

II. PROJECT DESCRIPTION

This is a unique investment opportunity to develop a 3* business hotel in Budapest, ideally located within 200 metres of the planned new Budapest Congress Centre. The future hotel is located close to several important cultural sites, such as the Hungarian National Theatre (www.nemzetiszinhas.hu) and the Palace of Arts (www.mupa.hu). Several office complexes have been built in the neighbourhood with major international tenants such as Morgan Stanley, Vodafone, IBM and Nestlé.

The dynamically developing District IX attracts increasingly more business and leisure tourists, creating growing demand for a branded hotel. This hotel could become one of the first – if not the first – internationally branded hotels in the close vicinity of the planned Congress Centre.

The hotel is planned to feature 125 guest rooms, meeting facilities on 130 m², an 80 m² fitness centre, breakfast area and private parking facilities.



The project planning and preparation phase (including operator search, obtaining necessary permits and raising bank financing) is expected to be completed within 12 months while construction will take approximately another 18-24 months after that. Once an investment decision is made, the new hotel could be in operation within 30-36 months.

○ WHY INVEST?

In general, the growing Budapest market justifies the advent of new hotels in town and those, located in upcoming or mature areas of town – for example the broad vicinity of the development - will see successful and sustained operation going forward.

As per the assessment of the project's status, the future investor can take over a project that is ready for development and in possession of development rights. The hotel will benefit from the adjacent conference centre, driving substantial demand for the subject hotel, which until the advent of additional properties will be the only branded property in the area. Even beyond the opening of other hotels, it can remain a good price value proposition with a sustained position and solid income stream.

○ COMPETITIVE ADVANTAGES

- Forthcoming development of the Budapest Congress Centre with a capacity of 4-5,000 people
- Limited competition in the area
- District IX is a dynamically developing district
- Easy access to Liszt Ferenc International Airport (17 km)
- Proximity to the Palace of Arts (www.mupa.hu)
- Proximity to the National Theatre (www.nemzetiszinhas.hu)
- Significant presence of multinational companies
- Proximity to Budapest's largest open air club (www.budapestpark.hu)
- Sufficient parking facilities
- Good accessibility and high profile visibility from all directions
- Efficient public transportation

○ PROPERTY RIGHTS, LICENCES, CERTIFICATIONS

The project developer owns the 1,250 m² project site. A set of architectural plans for the project were prepared in 2014 and are available for evaluation; it is understood that the final concept will be prepared in conjunction with the selected international hotel operating company to comply with the relevant brand standards and specifications.

In terms of any building permit, there has been an initial building permit issued for an earlier concept, which has now expired, but once the new scheme has been finalised it can be re-issued within 6 months.

○ CURRENT POSITION IN THE MARKET – EXPECTED SHARE

The project aims to fill a market niche for a business hotel in the vicinity of the future Budapest Congress Centre. The Budapest Congress Centre is an approximately EUR 80 million development, which will be financed from government funds and is planned to open in 48 months (2018-2019). For the realisation of the multi-thousand seat congress centre, the Government of Hungary has issued a governmental decree under registry number 1359/2014 (dated 30 June 2014), regarding many major developments and identifying the tasks and the deeds to be performed by the government commissioner assigned to manage 'Large scale development projects in Budapest'.

Since the surrounding area is home to many international companies with their headquarters located in the various office complexes along Soroksári út, and with easy access to the city centre, the area will attract a significant number of leisure and business tourists.

○ TARGET GROUPS

Business travellers, attendees of conferences and other events held in Budapest Congress Centre, visitors of cultural events.

○ SHORT MARKET DESCRIPTION, MAIN COMPETITORS

According to current market trends, there is a growing demand for international conferences in Budapest. Based on the number of international conferences held in Budapest, the city is ranked 9th in Europe while Hungary is the 18th most preferred conference and meetings destination in Europe (Source: www.iccaworld.com). In 2013, there were 1,017 international conferences held in Hungary (Source: www.turizmus.com). The number of conferences is expected to see an immediate and significant increase once the Budapest Congress Centre enters the market, driving substantial demand for quality hotels in the city.

○ MAIN COMPETITORS:

- Ibis Budapest Aero Hotel (www.ibis.com)
- Mercure Budapest Duna (www.mercure.com)
- Leonardo Budapest (www.leonardo-hotels.com)
- In terms of future supply, there are currently no announced projects in close proximity.

It must be noted that until the advent of another internationally branded hotel in the area, the subject property will be the only quality hotel in the area. Even beyond this point, it can remain the key midscale product offering a competitive price value proposition to its customers.

III. FINANCIAL INDICATORS

○ ASSUMPTIONS AND MAIN INDICATORS

KRAFT & Associates – Tourism Development lead by its CEO Dr Péter Kraft (Vice President and Country Manager of the American Express Hungarian Subsidiary 1990-1997 and Tourism Secretary of Hungary 1999-2000) prepared the financial projections of the project.

MAIN INDICATORS					
	Year 1	Year 2	Year 3	Year 4	Year 5
Number of Rooms	125	125	125	125	125
Average Daily Rate (ADR) (in EUR)	41	42	43	44	45
Occupancy Rate	55%	57%	60%	63%	63%
Revenue per Available Room (RevPAR) (in EUR)	22	24	26	28	29

○ QUANTITATIVE AND QUALITATIVE INDICATORS

QUALITATIVE INDICATORS					
All figures in EUR	Year 1	Year 2	Year 3	Year 4	Year 5
Sales (1000)	1,509	1,609	1,739	1,880	1,935
EBITDA (1000)	479	526	573	649	656
Free Cash Flow (1000)	212	65	129	208	249

IV. INVESTMENT OFFER

Required amount of investment

EUR 3.5 million (representing 100% Equity)

Form of investment

Cash

THE INVESTED CAPITAL (EUR 3.5 MILLION) WILL GENERATE AN INTERNAL RATE OF RETURN (IRR) OF 13 %.

NEARBY BUILDINGS



Office Towers (Infopark)



National Theatre

CONTACT DETAILS

MR. KRISZTIÁN BELLON, Project Manager

+36 20 446 0801

krisztian.bellon@kraftassociates-td.com

MR. AMBASSADOR PÉTER KRAFT, CEO

+36 20 938 0737

amb.peter.kraft@kraftassociates-td.com

www.kraftassociates-td.com

