

# HOTEL MARKET VIENNA

## 2012

A REPORT BY KOHL & PARTNER

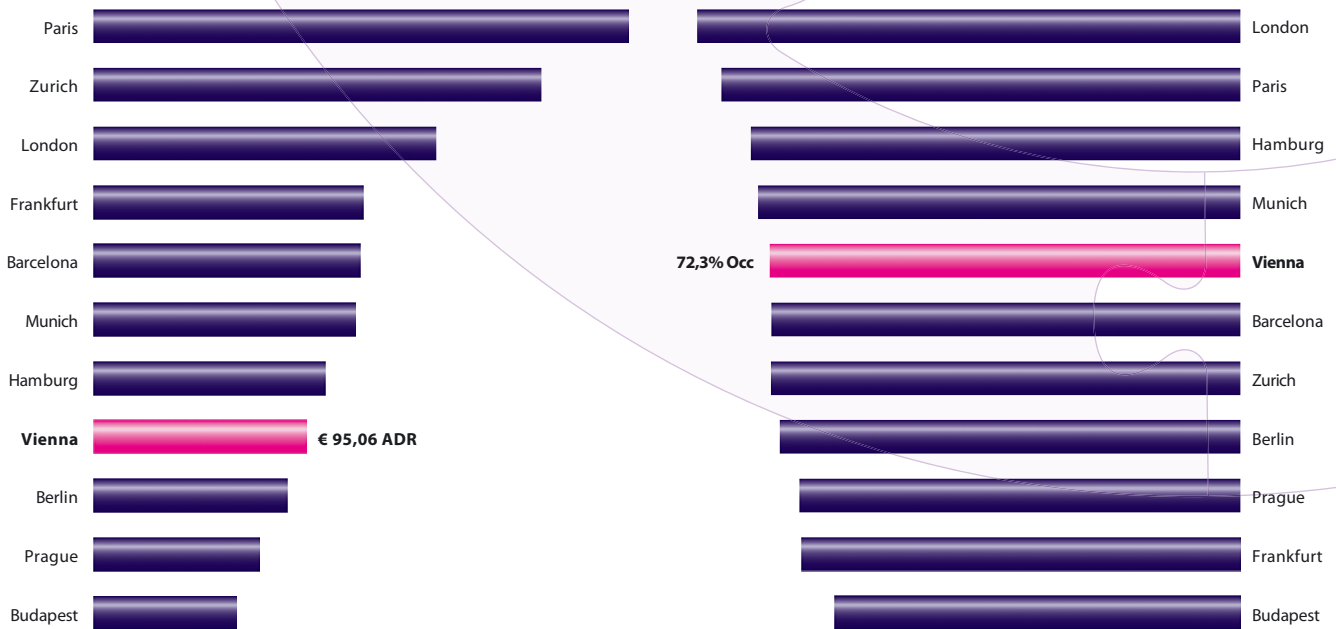


**KOHL & PARTNER**  
HOTEL & TOURISM CONSULTING

# OCCUPANCY LEVELS IN VIENNA ARE STRONG IN EUROPEAN COMPARISON

If you examine the REVPAR (Revenue per available Room), one of the most important indicators determining market forces in the hotel industry, Vienna's strength – but also its weakness – becomes clear in the two determining factors (occupancy rate and average net rate). In European comparison, the capital city is right at the top in terms of occupancy; but not in terms of the net average room rate. Here, the Viennese hotel market cannot keep pace with comparable top European destinations such as Zurich and Munich. The

reasons include – as well as the historical trend – a low level of market diversity, the high proportion of price-sensitive leisure guests and relatively few offbeat hotel products in the design architecture segment. The serious lack of international luxury brands and the comparably small number of institutional hotel investors should also be mentioned. The high occupancy rates measured throughout the year (weaker in January and February) are attained with low ADRs but also high REVPARS.



Source: STR Global, Cities selected by Kohl & Partner



Pentahotel Vienna



25hours Wien

# THE VIENNESE HOTEL MARKET WILL EXPAND FURTHER

The strong growth in hotel capacity will also continue in forthcoming years. Many operators who do not yet have a presence in Vienna, above all those from the European brand industry, are daring to venture into the Austrian capital city. The principle reasons for this include the steadily increasing number of overnight stays and a trust in the stability of the market.

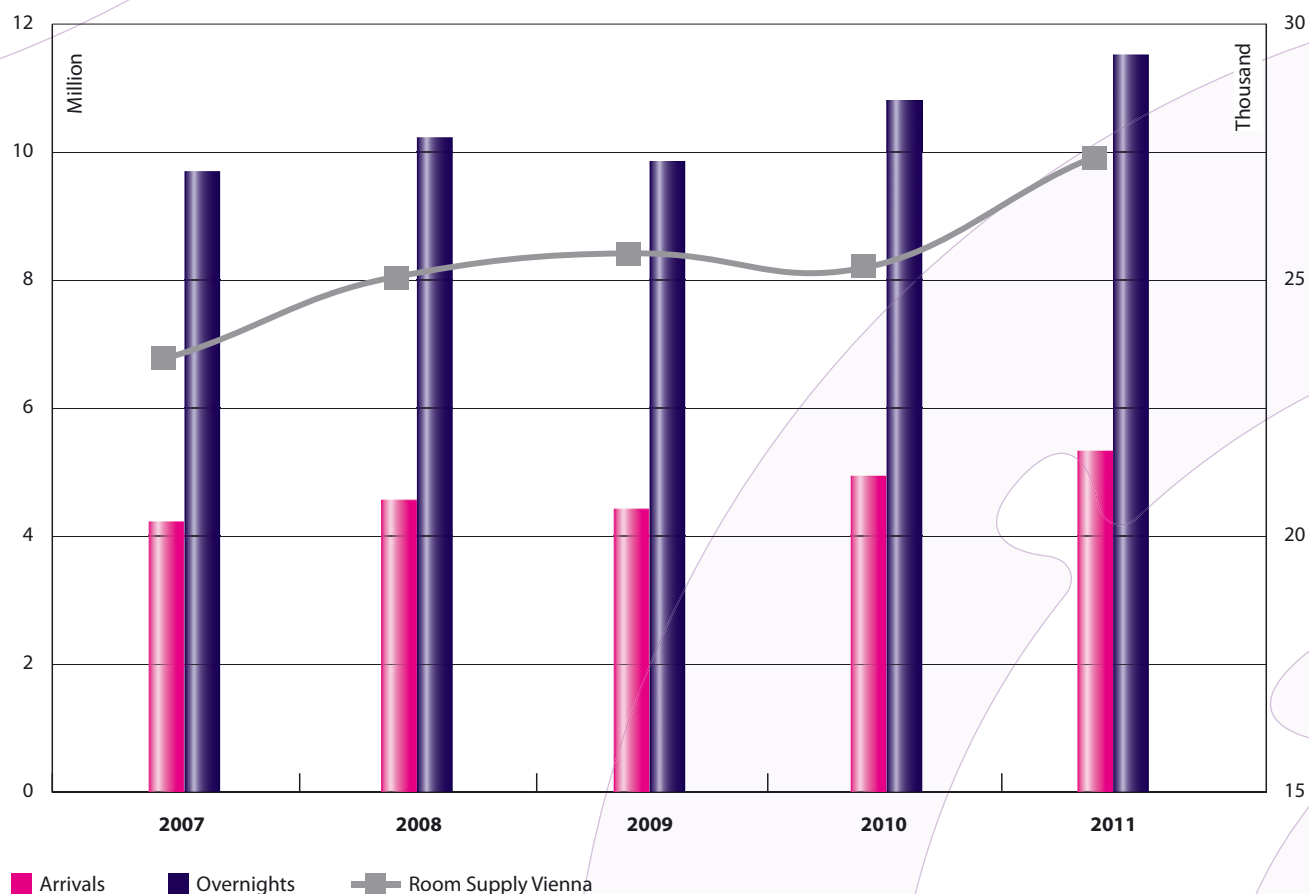
The highest growth rate was recorded in the 3-star segment, with an approximate 27% increase in the number of beds from 2007 - 2011. This was followed by the 4-star category,

the most strongly represented hotel segment in Vienna, with approximately half of overall capacity, which showed a 20% increase in the number of beds over the last five years. As well as the numerous luxury hotels in the city centre, there will be strong growth particularly around the new Main Railway Station (Hauptbahnhof) and in the defined urban development areas. In terms of product, most developments are taking place in the growing (low) budget and economy sector.

# NUMBER OF OVERNIGHT STAYS CONTINUES AT RECORD RATE

2011 was another record year for Viennese tourism with 11.4 million overnight stays; this represents a plus of 5.0% on the year before. There are many reasons for the consistent growth. In addition to the very successful work of the Vienna Tourist Board, with its associated Vienna Convention Bureau,

some newly emerging hotel real estate has been generating additional overnight stays in Vienna. The development of the overnight stay figures is also a consequence of real estate development, as well as the professional tourism marketing which has already been mentioned.



Source: Wiener Tourismusverband (Vienna Tourism Board)

# POSITIVE PROSPECTS FOR THE VIENNESE HOTEL INDUSTRY

Vienna continues to develop as one of Europe's leading congress centres. It has been possible to attract many large events to Vienna once again during 2012, including the European Radiologists' Conference with approximately 20,000 participants. In order to maintain occupancy rates at a high

level in the medium- and long-term, despite increased hotel capacities, further development of the tourist infrastructure (a third runway at the Vienna International Airport, cultural institutions, link to the European high-speed network) is necessary.

## RECOVERY OF ROOM PRICES

The downturn of room prices in Vienna was halted in the year 2011. With a plus of 5.5%, the Average Daily Room Rate (ADR) was at the 2009 level. If inflation is deducted from the ADR, a growth of just over the zero line can be seen. As the level of occupancy rates remained almost constant, the REVPAR (Revenue per available Room) increased by 5.4 %. The

upscale segment profited most from the upward trend with a plus of 5.6% in the ADR as well as 6.2% for the REVPAR. The strong increase of 4,300 beds (comparison for December 2010 and 2011) prevented a more positive development of the occupancy rates, despite record numbers of overnight stays. The average length of stay continues to decline.

## AN OVERVIEW OF THE VIENNESE HOTEL MARKET

Key Performance Indicators Vienna	2011	% change to previous years
Arrivals	4.868.654	7,2%
Overnights	11.405.048	5,0%
ADR	€ 95,06	5,6%
Occupancy	72,3%	-0,2%
REVPAR	€ 68,71	5,4%

Wiener Tourismusverband (Vienna Tourism Board)



Motel One Wien Westbahnhof

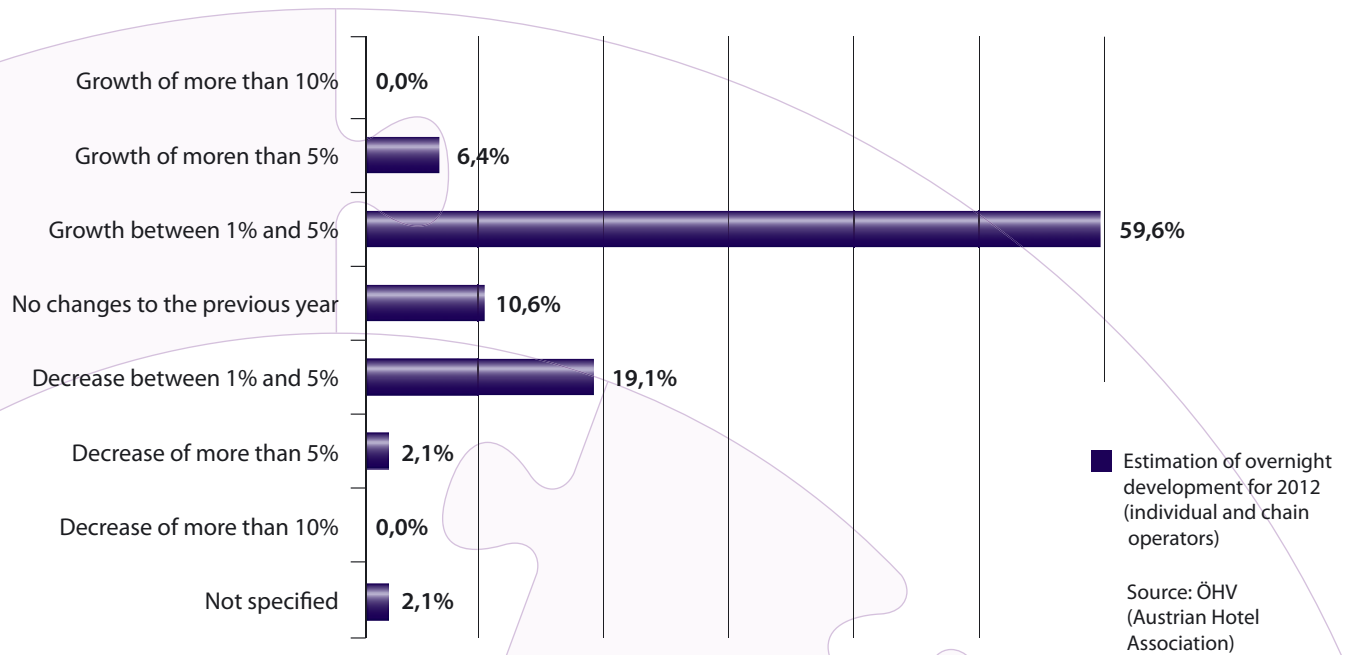


Hotel Daniel Vienna

# CONFIDENCE OF THE HOTEL INDUSTRY UNDAUNTED

Vienna's hoteliers are looking forward to the year 2012 with confidence. According to an ÖHV (Austrian Hoteliers' Association) Inside Survey, almost 60% of their member establishments are expecting a growth in overnight stays of

between 1% and 5%. 6.4% of establishments are expecting growth to exceed 5%. Around 21% are expecting demand to show a negative trend this year.



# GROWTH POTENTIAL IN THE DESIGN AND LIFESTYLE SEGMENT

As in the previous year, Kohl & Partner expects further growth potential in the lifestyle and design orientated segment, especially in the (low) budget and midscale segment. With the opening of Motel One, Pentahotel and 25hours,

this development has already begun. The city of Munich, for a comparable number of overnight stays, has twice as much capacity (4,500 rooms) as Vienna in the growing (low) budget segment.

Segment	Past	Future
Budget	→	↑
Midscale	↗	↗
Upscale	↑	→
Luxury	→	↗

Real estate owners and operators will be required to bring attractive, modern hotel concepts on to the market and further develop existing hotel real estate. The motto still applies: no "more of the same". Vienna has plenty of good

establishments, but creativity and accurate target-group orientated positioning is not strongly developed. If the positioning is unclear, then, in the final analysis, only the low price can be called on as a selling point.

# CHALLENGES FOR THE INDUSTRY

- Sustainability wins in our society, and is also increasingly becoming important in tourism. Within the framework of a project, Kohl & Partner is developing concepts which address the issue of reducing our CO2 footprints in the long term.
- As the cost issue has been exhausted in most establishments, productivity increases in terms of revenue are more important than ever. To attain the same GOPs when costs are rising, revenue must be raised. Clever packaging, revenue management and a detailed consideration of the gross margins are proven tools here.
- Provisions for an increasingly higher proportion of bookings via online platforms and the higher credit card percentage are cost-drivers in sales. Prices remain stable for the customer, but the hotelier loses between 15% and 30% of his revenue.



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