

European Chain Hotels Market Review – April 2008

Profit grows in spite of weakening occupancy

Profit continues to increase in most European hotel markets in spite of falling average occupancy, according to the latest **HotStats** survey of ten European cities by TRI Hospitality Consulting.

In the four months to April profit grew in seven of the cities surveyed, while average occupancy rose in only two. Looking at the four months to April data strips out the non like-for-like comparisons caused by this year's early Easter, thus providing an accurate picture of hotel performance so far in 2008.

Our samples of chain hotels in Paris and Budapest were the only two to record an increase in demand compared to the same four-month period a year earlier. Elsewhere, average occupancy fell the furthest in Amsterdam, down by five percentage points, and Warsaw, Berlin and Munich also recorded notable drops in demand.

Strong push on rate in Berlin

In most markets, however, the drops in occupancy were offset by healthy rate growth, resulting in improved overall room sales and profit. In Berlin, average occupancy dropped by 4.1 percentage points to 59.9 per cent, putting the German capital at the bottom of the occupancy table. Yet rate growth was robust, rising by 9.1 per cent to a daily average of €151.11, in absolute terms the fourth highest in the survey. This resulted in income before fixed charges (IBFC) up by 6.4 per cent to €43.10.

Similarly Amsterdam's chain hoteliers pushed up achieved average room rate by 6.6 per cent to €168.94, the third highest in the survey, despite a fall in occupancy. The resulting improvement in IBFC was relatively weak, however, at 2.1 per cent to €70.48.

“In most cases, falling overall occupancy has not deterred hoteliers from continuing to push rates upwards. However the negative impact of weaker demand on revpar growth is clear to see and illustrates the generally slower economic conditions that are prevailing across most of Europe,” said Jonathan Langston, managing director, TRI Hospitality Consulting.



RevPAR growth has slowed

A look back at revpar growth one year ago highlights the altered economic picture and how much growth has slowed in certain markets. In Amsterdam revpar increased by 10.3 per cent in the four months to April 2007 compared to -0.1 per cent this year; in Berlin by 10.6 per cent (2.2 per cent this year); and in London by 13.9 per cent (4.7 per cent this year).

The one city that bucks the trend and appears most resilient to cyclical change is Paris. Its 13.2 per cent rate of revpar growth this year exceeded the growth rate of 10.1 per cent last year.

“Visitor numbers to Paris were up by 7.4 per cent to 29 million in 2007¹ and the city’s extremely strong leisure, congress and trade show profile appears to be pulling in ever higher numbers, much to the benefit of its chain hoteliers,” said Langston.

Elsewhere, our sample of Budapest hotels recorded the greatest profit growth albeit from a very low base in the four-month period a year earlier. IBFC PAR rose by 29.5 per cent to €25.68, which in absolute terms was the lowest in the survey. Similarly, in spite of a 14 per cent improvement in profit driven by rate growth, Vienna was second from bottom of the profit table with daily IBFC of €32.65 per available room.

In terms of negative profit growth, Munich’s poor showing was largely due to comparison with April 2007 when the city hosted Bauma, the triennial construction trade show that attracted more than half a million visitors.

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¹ Office du Tourisme et des Congres de Paris

HOTSTATS BRIEFING DATA

European Chain Hotels - Performance report

The month of April 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
82.9	190.88	158.26	26.6	105.97
68.4	149.16	102.04	32.1	60.21
75.6	109.77	82.95	27.9	53.10
75.8	118.41	89.72	28.2	57.05
83.6	180.13	150.55	25.5	103.91
74.9	126.37	94.60	28.4	58.19
85.0	214.21	182.14	37.7	96.28
67.7	131.31	88.86	26.6	57.99
71.7	155.43	111.47	39.3	55.96
75.6	112.88	85.33	23.4	67.72

Amsterdam
Berlin
Budapest
Hamburg
London
Munich
Paris
Prague
Vienna
Warsaw

The four months to April 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
74.9	168.94	126.47	31.8	70.48
59.9	151.11	90.54	35.4	43.10
62.5	98.33	61.46	34.2	25.68
65.7	110.78	72.74	33.2	36.40
79.1	172.81	136.66	27.0	90.14
66.7	117.29	78.23	34.0	37.32
78.0	207.56	161.86	40.2	78.48
63.3	107.15	67.84	30.7	37.26
62.5	146.38	91.47	46.0	32.65
65.2	106.92	69.71	26.7	47.55

The month of April 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
86.0	177.68	152.75	27.1	96.10
72.0	127.83	92.02	33.7	43.41
77.3	104.43	80.75	29.9	45.17
70.0	113.73	79.64	31.7	38.37
82.1	161.30	132.39	27.6	84.14
74.2	158.29	117.46	25.6	65.78
81.4	194.90	158.59	40.8	75.15
74.7	137.66	102.83	21.9	77.48
77.5	133.29	103.33	44.6	38.92
67.6	107.31	72.51	25.6	50.23

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The four months to April 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
79.9	158.45	126.57	31.9	69.05
64.0	138.52	88.60	34.3	40.50
59.6	94.83	56.56	37.9	19.83
66.7	106.51	71.06	33.2	33.68
80.2	162.62	130.47	27.0	87.81
71.4	123.55	88.16	31.1	45.82
76.6	186.72	143.04	40.7	67.83
64.5	116.03	74.81	26.3	48.31
63.8	139.29	88.91	47.5	28.65
69.4	103.29	71.70	26.2	49.94

Movement for the month of April

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-3.1	7.4%	3.6%	-0.5	10.3%
-3.6	16.7%	10.9%	-1.6	38.7%
-1.7	5.1%	2.7%	-2.0	17.6%
5.8	4.1%	12.7%	-3.5	48.7%
1.5	11.7%	13.7%	-2.1	23.5%
0.7	-20.2%	-19.5%	2.8	-11.5%
3.7	9.9%	14.8%	-3.0	28.1%
-7.0	-4.6%	-13.6%	4.7	-25.2%
-5.8	16.6%	7.9%	-5.3	43.8%
8.0	5.2%	17.7%	-2.2	34.8%

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Movement for the 04 months to April

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-5.0	6.6%	-0.1%	-0.1	2.1%
-4.1	9.1%	2.2%	1.1	6.4%
2.9	3.7%	8.7%	-3.7	29.5%
-1.1	4.0%	2.4%	0.0	8.1%
-1.1	6.3%	4.7%	0.1	2.7%
-4.7	-5.1%	-11.3%	2.9	-18.6%
1.4	11.2%	13.2%	-0.5	15.7%
-1.2	-7.7%	-9.3%	4.5	-22.9%
-1.3	5.1%	2.9%	-1.5	14.0%
-4.2	3.5%	-2.8%	0.6	-4.8%

EDITORS NOTES:

The European Chain Hotels currency within this report is shown in Euros

Hotels contained in these samples operate predominantly in the four and five star sectors.

TRI Hospitality Consulting provides a wide range of services to clients in the hotels, tourism and leisure sectors. It has offices in London and Dubai.

Definitions:

Occupancy is that proportion of the bedrooms available during the period which are occupied during the period.

Room rate is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

Room Revpar is the total bedroom revenue for the period divided by the total available rooms during the period

Payroll % is the payroll for all hotels in the sample as a percentage of total revenue.

IBFC PAR is the Income Before Fixed Charges shown per available room.