HospitalityVision

Global Performance Review

Spring 2009

The clouds begin to gather

A question of confidence

Deloitte.

Welcome
Alex Kyriakidis

The past twelve months have been a challenging time for organisations across the globe and it was only a matter of time before the tourism industry fell victim to the current economic slowdown. The industry made the headlines for many positive reasons during the year including the Open Skies agreement in March, the 2008 Beijing Olympic and Paralympic Games and the long-awaited opening of the £750m Atlantis Hotel in Dubai. Closely beneath the surface however, hotel performance was starting to struggle with many world regions seeing performance take a nose dive south in the final quarter of the year.

2009 will remain a challenging time for hoteliers and the strategy will be one of survival of the fittest. Hotels will need to focus on value for money more than ever before and concentrate on what they do best; providing service standards and customer service that delivers the brand promise. This will ensure brand standards are maintained and customers remain loyal. It is also a time for innovation where "capturing the imagination of the consumer" will mean protecting revenues and winning market share.

In this edition of the Global Performance Review, we present an analysis of hotel performance trends across the globe and see which cities have secured a place in one of the top 20 ranking tables. With our relationship with Smith Travel Research, this year, we have been able to include US cities in the ranking tables to get a truly global picture of hotel performance.

As ever, we value your feedback.

Best regards

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Caution

During 2008, with plunging global economies and unprecedented bail-outs by governments around the world, it was only a question of time before tourism shared the pain.

ahead!

In the first half of the year, when the full extent of the financial crisis was still some way off, the number of international tourists was still growing and was up 5% on 2007 figures. Most world regions were reporting double-digit growth in hotel performance – in US dollar terms – until mid-way through the year. Then the deepening recession took its toll.

As business travellers and tourists started to think twice about trips away, there was a significant slowdown in revenue per available room (revPAR) in most world regions, particularly in the final quarter when it dropped into negative territory. North America ended the year with a 1.6% decline, while Asia Pacific and Europe saw growth of less than 2%, in US dollars. Central and South America and the Middle East, however, went on to turn in double-digit revPAR growth, up 14.5% and 18.3%, confirming that, even though the market is difficult, it is not uniformly grim around the world.

Adding up the total number of travellers, the World Tourism Organisation (UNWTO), says figures started to fall in the second half of the year, with year-on-year performance running at -1%, bringing down the net growth for 2008 to 2%. This was an obvious slowdown from the 7% growth recorded in 2007, but it still meant that an extra 16 million people had travelled around the world, taking the number of tourist arrivals to a record high of 924 million.

If we look at performance country by country, it's easy to see the correlation between sport and politics on hotel performance. The Beijing 2008 Olympics and Paralympic Games, for instance, allowed the city's hotels to push up room rates by more than 450% on the opening night of the Games. Formula 1 racing in Singapore, and the European Football Championships in Switzerland and Austria had a similar – though not as spectacular – impact on hotel room prices.

Outbreaks of political unrest in Thailand, the war in Gaza, the bombings in India – all of these had an expected impact on tourism in the affected countries – while fluctuating oil prices took their toll on some airlines.

When record highs of US$147 a barrel hit in July, many airlines went into liquidation – including long-haul low cost carriers Oasis Hong Kong and Zoom Airlines Inc, as well as European budget carrier XL Leisure Group. Other operators have cut schedules and altered their timetables to cope with falling demand.

But even with this difficult backdrop, many cities have managed to turn in impressive results, as the Global Ranking Indexes show on page 6 and 7. Six of them – New York, Abu Dhabi, London, Dubai, Paris and Tel Aviv – secured places in all three top ranking tables. Asia Pacific destinations dominated the occupancy table, by taking 11 places, and European cities claimed 10 slots on the average room rate table. In the revPAR table, Europe and the Middle East tied with seven cities each.

The outlook for 2009 is naturally cautious, with the UNWTO predicting either a stagnation or slight decline in international tourist arrivals, forecasting a drop of between -1% and -2%. Meanwhile, most economists are expecting the recession to hold down employment, housing and equity markets for some time to come. Unlike recent events that have knocked the tourism industry, 9/11 and SARS for instance, the current economic gloom is likely to keep consumer confidence – and therefore spending on travel – down for a lot longer. However, for many people, taking a vacation is the last 'luxury' they are prepared to let go, and hoteliers who can build attractive packages may generate fresh interest.

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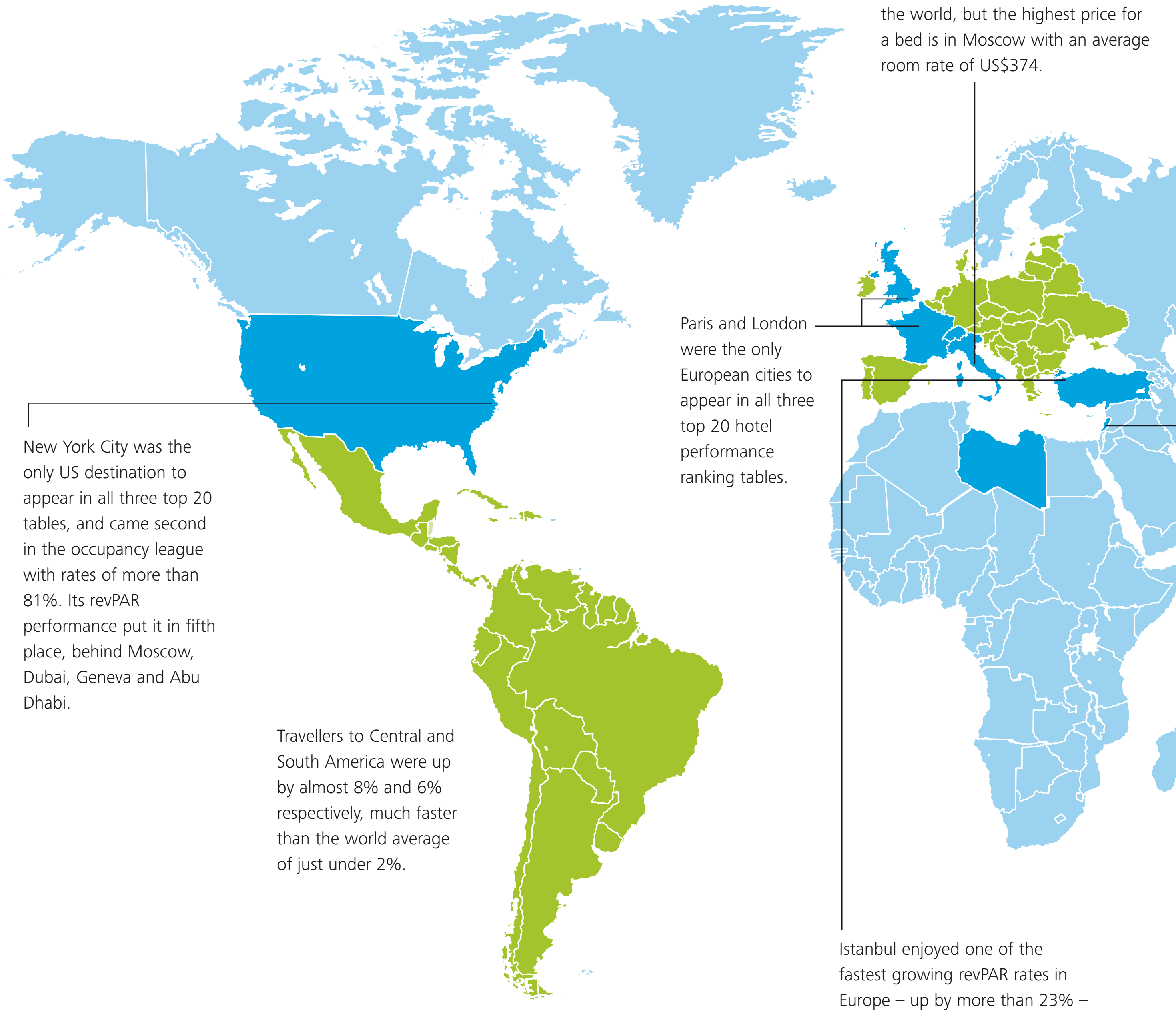
In this, the sixth edition of Deloitte's Global Performance Review, we compare hotel performance in key cities worldwide and focus on those that have made it into the top 20.

Highlights

Europe took 10 places in the average room rate table and seven in the revPAR table – the best performance of any region – even though it ended the year on a low note due to the economic crisis.

Four Italian cities – Venice, Milan, Rome and Florence – have some of the most expensive hotel rooms in the world, but the highest price for a bed is in Moscow with an average room rate of US$374.



Paris and London were the only European cities to appear in all three top 20 hotel performance ranking tables.

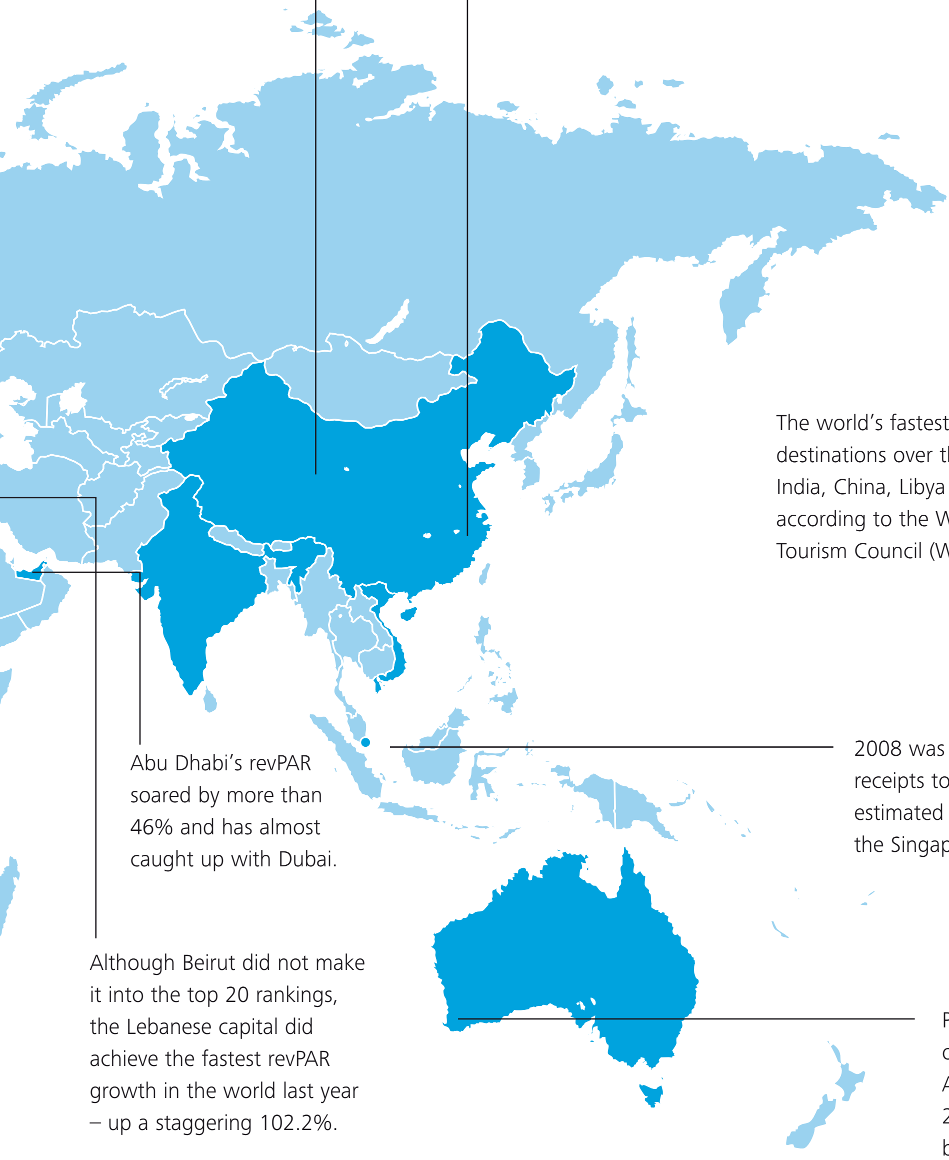
New York City was the only US destination to appear in all three top 20 tables, and came second in the occupancy league with rates of more than 81%. Its revPAR performance put it in fifth place, behind Moscow, Dubai, Geneva and Abu Dhabi.

Travellers to Central and South America were up by almost 8% and 6% respectively, much faster than the world average of just under 2%.

Istanbul enjoyed one of the fastest growing revPAR rates in Europe – up by more than 23% – and Turkey's tourism chiefs want to push the country into the world's top five favourite destinations.

China is now the fourth most popular destination in the world – after France, Spain and the US.

On the opening night of the Beijing Olympics, the city's hoteliers pushed revPAR up a staggering 611% to US$433. Average room rates rose by more than 450%.



The world's fastest growing tourism destinations over the next decade will be India, China, Libya and Vietnam, according to the World Travel and Tourism Council (WTTC).

Abu Dhabi's revPAR soared by more than 46% and has almost caught up with Dubai.

2008 was also a record year for tourism receipts to Singapore, generating an estimated S$14.8 billion, according to the Singapore Tourist Board.

Although Beirut did not make it into the top 20 rankings, the Lebanese capital did achieve the fastest revPAR growth in the world last year – up a staggering 102.2%.

Perth, Australia, took the top place in the world occupancy table, at 82.4%. The fact that six Australian cities made it into the occupancy top 20 shows how the country's tourism sector is becoming a more successful enterprise.

The Middle East achieved a better absolute revPAR than Europe for the first time. Dubai, hampered by the economic slowdown, still managed to earn a place in all three top 20 lists.

Facts and figures

Table 1. Occupancy global ranking index 2008

Occupancy ranking			
City	Ranking	Occupancy	% change to 2007
Perth	1	82.4%	-2.4
New York	2	81.9%	-1.8
Abu Dhabi	3	81.6%	8.5
Hong Kong SAR	4	81.2%	-3.7
London	5	81.1%	0.8
Hurghada	6	80.3%	4.1
Brisbane	7	79.9%	-4.0
Sydney	8	79.4%	-2.6
Melbourne	9	79.2%	-2.6
Osaka	10	79.0%	-2.5
Dubai	11	78.9%	-5.2
Adelaide	12	78.5%	-2.5
Seoul	13	77.9%	6.1
Paris	14	77.8%	-1.0
Bali	15	77.8%	10.4
Singapore	16	77.1%	-8.0
Tokyo	17	75.5%	-4.7
Tel Aviv	18	75.3%	0.4
Liverpool	19	75.3%	1.7
San Francisco	20	75.0%	-0.1

Source: STR Global

Table 2. Average room rate global ranking index 2008

Average room rate ranking			
City	Ranking	Average Room Rates	% change to 2007
Moscow	1	374	13.5
Geneva	2	343	20.0
Dubai	3	300	6.5
Abu Dhabi	4	283	34.9
New Delhi	5	279	4.5
Doha	6	278	23.0
New York	7	276	2.3
Venice	8	275	-3.7
Paris	9	268	11.3
Mumbai	10	257	4.4
Muscat	11	257	35.3
Riyadh	12	245	25.3
Milan	13	237	7.3
Zurich	14	236	25.0
Rome	15	229	5.4
Istanbul	16	227	27.8
Florence	17	227	1.4
London	18	225	19.3
Manama	19	223	21.1
Tel Aviv	20	221	23.7

Source: STR Global

Table 3. RevPAR global ranking index 2008

RevPAR ranking			
City	Ranking	RevPAR	% change to 2007
Moscow	1	250	10.5
Dubai	2	237	1.0
Geneva	3	231	19.1
Abu Dhabi	4	231	46.3
New York	5	226	0.5
Paris	6	208	10.2
New Delhi	7	197	-1.3
Doha	8	197	25.2
London	9	183	20.3
Muscat	10	176	31.1
Riyadh	11	174	24.9
Venice	12	174	-10.4
Zurich	13	170	16.4
Tel Aviv	14	166	24.2
Singapore	15	164	14.2
Mumbai	16	164	-11.1
Istanbul	17	159	23.5
Manama	18	159	17.9
Tokyo	19	154	14.2
Hong Kong SAR	20	151	3.4

Source: STR Global

Table 4. New hotel supply additions in top 20 world cities (ranked by RevPAR)

City	2007 actual		2008 actual		2009 forecast	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Moscow	2	418	1	275	3	785
Dubai	13	2,877	20	6,573	36	10,853
Geneva	0	0	0	0	0	0
Abu Dhabi	2	227	3	258	11	3,034
New York	14	1,623	20	2,596	52	8,524
Paris	1	115	3	350	5	498
New Delhi	0	0	0	0	4	305
Doha	5	3,064	4	848	8	2,047
London	14	1,765	6	1,283	17	2,002
Muscat	0	0	0	0	2	470
Riyadh	1	182	2	191	3	579
Venice	3	522	0	0	0	0
Zurich	2	160	2	501	0	0
Tel Aviv	0	0	0	272	0	0
Sinagpore	1	121	3	759	3	816
Mumbai	0	0	4	686	6	1,158
Istanbul	6	1,137	4	562	1	264
Manama	1	164	0	0	6	1,824
Tokyo	3	698	4	1,369	0	0
Hong Kong SAR	7	1,886	9	1,633	15	5,489

Source: Lodging Econometrics, The global authority for hotel real estate, Portsmouth NH.

Table 5. International tourist arrivals by sub region (millions)

		2008	2007	2000	% vs 2007	% vs 2000	2008 Market share %
Asia Pacific		**188.3**	**185.4**	**109.3**	**1.6**	**72.3**	**20.4**
	North East Asia	104.7	104.3	58.3	0.4	79.6	11.3
	South East Asia	61.8	59.6	35.6	3.6	73.6	6.7
	Oceania	10.6	10.7	9.2	-1.5	15.2	1.1
	South Asia	11.3	10.8	6.1	4.3	85.2	1.2
Europe		**488.5**	**488.0**	**392.4**	**0.1**	**24.5**	**52.9**
	Northern Europe	56.8	58.0	43.7	-2.1	30.0	6.1
	Western Europe	153.1	154.9	139.7	-1.2	9.6	16.6
	Central/Eastern Europe	99.4	96.8	69.2	2.6	43.6	10.8
	Southern/Mediterrannean Europe	179.2	178.2	139.8	0.6	28.2	19.4
Middle East		**52.9**	**47.5**	**24.4**	**11.3**	**116.8**	**5.7**
Africa		**46.9**	**44.9**	**27.9**	**4.6**	**68.1**	**5.1**
	North Africa	17.1	16.3	10.2	5.3	67.6	1.9
	SubSahara Africa	29.8	28.6	17.7	4.1	68.4	3.2
Americas		**147.6**	**142.0**	**128.2**	**3.6**	**15.1**	**16.0**
	Central America	8.4	8.0	4.3	7.9	95.3	0.9
	South America	21.1	20.0	15.3	5.9	37.9	2.3
	North America	98.4	95.0	91.5	3.2	7.5	10.6
	Caribbean	19.7	19.0	17.1	1.2	15.2	2.1

Source: World Tourism Organisation (UNWTO)

Mixed blessings

More than 20% of the world's tourists stopped off in Asia Pacific in 2008, up 2% to 188 million. This made it the second most popular region after Europe, with 53%. The region has become increasingly popular, with Olympic host China now the fourth most visited destination in the world, behind France, Spain and the US.

The Pacific Asia Travel Association (PATA) expects revenue from tourism to top US$4.6 trillion by the end of this decade and, by then, international tourist numbers are expected to have more than doubled, reaching around 500 million.

The region hosted several major sporting events last year as well as the 2008 Beijing Olympics, including the inaugural Formula 1™ SingTel Singapore Grand Prix. These brought in thousands of spectators, enabling hoteliers to push up their room rates, and operators will hope to emulate this success next year with the Commonwealth Games in Delhi and the World Expo in Shanghai.

Although Asia Pacific is not going to escape the general slowdown, robust economies in China and India, as well as other emerging countries, make it better placed than other regions.

More troublesome has been outbreaks of anti-government riots and political unrest in some countries, including Thailand, where protests in Bangkok led to the closure of its airport and a state of emergency being declared. There have also been bombings in several Indian cities, including the outrage in Mumbai where terrorists targeted the tourism icon, the Taj Mahal Palace Hotel. These events may deter visitors in the short-term, but tourists quickly come back, as we saw in Bali earlier this decade, and their presence helps the healing process.

The region's airlines, faced with sky-high oil prices, had to reduce routes and delay their expansion plans, while Oasis Hong Kong was one of several to collapse.

in the east

Table 6. Hotel performance in Asia Pacific – 2008 v 2007

	Occupancy (%)			Average Room Rates (US$)			RevPAR (US$)		
	2008	2007	% change	2008	2007	% change	2008	2007	% change
Asia Pacific	65.5	70.6	-7.2	138	126	9.7	91	89	1.8
North-East Asia	62.4	69.7	-10.4	132	120	10.0	82	84	-1.5
South-East Asia	67.4	70.2	-4.0	122	106	15.3	83	75	10.7
South Asia	63.3	67.9	-6.8	218	205	6.2	138	139	-1.1
Australia & Oceania	72.9	74.8	-2.5	146	138	5.6	106	103	2.9

Source: STR Global

RevPAR grew 13.6% here during the first half of 2008, but a problematic second half of the year meant that revPAR rose just 1.8% to US$91 as can be seen in table 6. Average room rates were up just short of 10% to US$138. Even though occupancy fell 7.2% to 65.5%, Asia Pacific dominated the occupancy top 20 ranking table, securing 11 places. It also took two places in the average room rate list and five in the top 20 revPAR league.

North-East Asia

International tourist numbers were only up marginally during 2008, despite the appeal of the 2008 Beijing Olympics. However, 105,000 arrivals gave the sub-region 56% of the Asia Pacific total. Hotel performance saw strong average room rate growth, up 10% to US$132, falling short of the regional average by just US$6. Occupancy was down 10.4% though, to 62.4%, resulting in an overall revPAR decline of 1.5%.

Japan

Tokyo led the sub-region with revPAR of US$154, putting it in 19th place in the top 20 revPAR table. RevPAR rose 14.2% compared to last year, driven by average room rates, which were up an excellent 18.9% to US$203. Occupancy was down 4.7% to 75.6%, due to new rooms coming into the market, but the city was still able to take 17th place in the table. More rooms become available in March, when Shangri-La Hotels and Resorts debut in Japan with the Shangri-La Hotel Tokyo, adding a further 202 rooms to the city's inventory. This hotel will occupy the top 11 floors of the Marunouchi Trust Tower Main building – a 37-floor, mixed-use location. Another Japanese city to take a place in the top 20 occupancy table was **Osaka**, where 79% put it in 10th place.

Hong Kong SAR

Hong Kong SAR followed closely behind Tokyo, with revPAR ending the year at US$151, giving it 20th position for revPAR. The city's average room rates, at US$185 were US$18 behind Tokyo, but Hong Kong SAR still enjoys the second highest occupancy in Asia Pacific, at 81.2%. This places it in fourth position among the world's top 20. According to the Hong Kong Tourist Board, international arrivals were up 4.7% to 29.5 million – more than 57% of them from mainland China. Numbers are expected to rise with a more favourable exchange rate between the Hong Kong dollar and the Chinese renminbi, but China's decision to permit direct flights across the Taiwan-Strait mean visitors from Taiwan, who previously had to use Hong Kong as a gateway to the mainland, will disappear.

China

China earned US$169.5 billion from tourism in 2008, up 5.8% on the previous year, according to China National Tourism Administration. Domestic demand remained stable, but foreign numbers dropped due to the global economic downturn, higher prices in the lead up to the 2008 Beijing Games, tighter security and visa restrictions. Even so, around 130 million tourists travelled into China last year, including visitors from Hong Kong, Macau and Taiwan, which is a slight decline from 2007.

2008 was **Beijing's** year to shine as an Olympic host, but negative publicity ahead of the event took away some of the lustre. The Free Tibet movement staged riots in Tibet and at major cities along the Olympic Torch relay, leading to a change of schedule. The country also received unwelcome media coverage for its response to the massive earthquake in Sichuan. Probably as a result, visitor numbers fell in the lead up to the Games and – although some hotels were fully booked – others had to slash rates to bring in the business. As other Olympic hosts have discovered though, the lull in bookings before and after the Games is a common experience, but on the opening night business was as spectacular as the fireworks. Average room rates peaked at US$485, up by over 450%, driving revPAR up a staggering 611% to US$433. Occupancy levels of between 88% and 92% were also impressive throughout the Games. The overall results for 2008 had room rates up by 36% to US$151, but much of this was offset by a decline of more than 20% in occupancy, down to 55.3%. Overall, revPAR rose 8.5% to US$83 for the year.

South-East Asia

Tourist arrivals to South-East Asia rose 4% to 62 million, quite a disappointment after the 12% growth in 2007. Despite this, South-East Asia achieved the highest revPAR growth in Asia Pacific during 2008, rising 10.7% to US$83 – putting it on par with North-East Asia in terms of absolute revPAR. The region also had the best growth in average room rates (up 15.3%), which now stand at US$122.

As other Olympic hosts have discovered though, the lull in bookings before and after the Games is a common experience, but on the opening night business was as spectacular as the fireworks.

Indonesia

Bali came out on top across the sub-region, with revPAR soaring 27.2% to US$91. The Indonesian resort island has enjoyed a steady recovery since the bomb attacks of 2005, and with occupancy rising to 77.8%, it earned 15th place in the world occupancy table. Average room rates were up 15.3% to US$118. As worldwide governments lift their travel warning to potential visitors, as the US and Australia have done recently, more tourists are expected. Extensive marketing campaigns featuring Indonesia also helped tourist arrivals rise 16.9% during 2008 to 6.4 million, and the upward trend is expected to continue.

Singapore

Singapore had exceptional growth in 2008 and secured places in both the occupancy and revPAR top 20 tables. Even with a 7.9% drop in occupancy, down to just over 77%, it still claimed 16th place in the occupancy league. Average room rates here were up 27% to US$213, enabling the city to take 15th place in the revPAR table, with a rise of more than 14% to US$164. 2008 was also a record year for tourism spending in Singapore, generating an estimated S$14.8 billion, according to the city's Tourist Board. An estimated 10.1 million visitors arrived in the city, and even though this is a 2% drop from the year before, Singapore is well on its way to achieving its target of 17 million visitors spending S$30 billion by 2015. Last year, the city demanded a lot of international attention by hosting a number of inaugural events, including the Singapore Air show, Singapore International Water Week and the 2008 Formula 1™ SingTel Singapore Grand Prix. In 2009, the first of two integrated resorts will open, and other high-profile events – including the Youth Olympic Games in 2010 – should encourage more visitors.

Vietnam

International tourist arrivals to Vietnam saw only marginal growth in 2008, according to the UNWTO, up just 0.6% to 4.2 million, which was a considerable slowdown from the 18% growth in 2007. Hotel performance was down as well with **Hanoi** seeing revPAR rise just 4.4% during 2008 to US$106. Although average room rates were up by more than 26% to US$165, plummeting occupancy – down by more than 17% to 65% – cancelled out the benefits. In **Ho Chi Minh City** hotel performance followed a similar trend, with average room rates up by almost of 30% to US$160, but occupancy was down 13.8% to 67%. Currency exchange rates, with the Vietnamese dong falling further against the US dollar, the Japanese yen and the euro, should attract more visitors this year, but service levels and infrastructure both need to be improved before room rates can be increased. The outlook for Vietnam remains good though, as the WTTC's most recent survey expects Vietnam to be the fourth fastest growing destination between now and 2018, behind India, China and Libya.

Thailand

Bangkok reported positive revPAR growth up until June, but the picture changed dramatically in the second half of the year. By September revPAR had dropped by more than 20%, and in December it was down by more than 56.2% as occupancy hit lows of 38.6%. This performance was mostly due to anti-government protests, which took over the streets and Bangkok's Suvarnabhumi Airport in late November. The occupied terminal is the gateway for the 13 million or so tourists who visit Thailand every year, and flights were halted just before protestors stormed the building. Despite the dismal effect on hotel bookings, revPAR in this capital city fell only 8.7% to US$71 for the year overall. Occupancy was down by 8.8% and average room rates saw a marginal 0.1% rise to US$108. In the popular resort destination of **Phuket**, hotel performance followed a similar trend, with revPAR down 11.1% for the year, driven again by declines in occupancy to 63.7%. Average room rates here remain strong at US$137.

South Asia

South Asia's international tourist arrivals rose 4.3% to 11.2 million. RevPAR here remained relatively static, declining 1.1% to US$138. Occupancy fell 6.8% to 63.3%, and average room rates rose 6.2% to US$218 – the highest of all the sub regions.

India

India has been enjoying strong economic growth and has made a significant contribution to the region's performance in the last couple of years, but the terrorist attacks in Mumbai at a hotel popular with both business travellers and western tourists changed the picture here completely. There were also bombings in major tourist hubs such as Jaipur, Bangalore and Ahmedabad.

In **New Delhi**, revPAR growth was static. A 4.7% decline in occupancy to 71.3% was counterbalanced by a 5% increase in average room rates to US$279. These high average room rates enabled the city to secure fifth position in the top 20 table and take seventh place on the top 20 revPAR table at US$197. Although **Mumbai** was stopped in its tracks in November because of the terrorist attacks, it still managed to earn places in the average room rate and revPAR tables, taking 10th and 16th place respectively. Overall last year, occupancy was down 14%, while average room rates rose 4.5% to US$257. Both cities are expected to see an influx of new rooms in 2009, with 305 added to New Delhi's inventory, while Mumbai will see 1,158 rooms enter the market.

In 2010, India will host the Commonwealth Games for the first time, and hoteliers here will be hoping to emulate the success of Melbourne, which was host in 2006. International and domestic hotel chains are rushing to maximise India's potential by providing new rooms, leading to a boom in development.

Australia and Oceania

Hotels in Australia and Oceania reported a 2.9% increase in revPAR during 2008 to US$106. Occupancy was down slightly at 72.9%, while average room rates went up 5.6% to US$146.

> The economic outlook for most Asian countries is more positive than elsewhere and there are predictions that international visitor arrivals will more than double by the end of 2010.

Perth, the capital of Western Australia and the number one performer worldwide in terms of occupancy, stole the show, although a slight increase in hotel supply knocked occupancy slightly, to 82.4%. RevPAR, meanwhile, was up 13.7% to US$128 in 2008. Hoteliers in Australia must have their marketing strategies right, as six cities made it into the top 20 occupancy table – **Brisbane, Sydney, Melbourne, Adelaide** and **Canberra** as well as Perth. Melbourne is becoming more appealing to tourists from the UK and a number of international airlines are making it easier for them to get there. However, more than 2,000 hotel rooms are due onto the market during the next 18-months, and this could damage the current high occupancy rates.

The epic movie, Buz Luhrmann's 'Australia', starring Nicole Kidman and Hugh Jackman, released at the end of 2008 and still playing across the world, may well inspire more tourists to take a trip down under, while New Zealand expects to attract thousands of spectators to the Rugby World Cup in 2011.

Summary on Asia Pacific

The economic outlook for most Asian countries is more positive than elsewhere and there are predictions that international visitor arrivals will more than double by the end of 2010. China and India will continue to make their mark, both regionally and globally, while other emerging economies become more powerful. The region must hope that the political and social tensions that have claimed lives and damaged tourism will not be repeated.

Winds of change

Green issues were front of mind for Europe's hotel industry at the start of 2008, but the deteriorating economy soon took over and all other concerns were put to one side. Even though last year was a tough one for Europe, the traditional tourists' favourite attracted 0.1% more visitors to 489 million, which represents 53% of the world's total.

Given the escalating number of job losses and business failures across the region, it's hard to predict how long people will hang on to their vacation fortnight or the weekend away, but we expect to see more trading down as the recession continues.

Last year though, Europe had an outstanding showing in the top 20 hotel performance ranking tables, taking more places in the average room rate and revPAR leagues than any other region. Ten European cities were among the world's best for average room rates and seven of them appear in the revPAR top 20.

However, even with these world ranking results, Europe's hotel performance was damaged by the economic turmoil and ended the year in negative territory – down 5.1% to €70. As seen in table 7, revPAR dropped more outside of the euro zone, but because of the strong euro against other European currencies, drops in average room rates, and therefore revPAR, appear slightly more extreme when reported in euros.

Table 7. European hotel performance 2008 – in euros

	Occupancy (%)	% Change	Average Room Rates (€)	% Change	RevPAR (€)	% Change
All Europe	65.7	-3.7	107	-1.5	70	-5.1
Euro zone	63.9	-4.4	106	0.8	68	-3.6
Non-euro zone	67.6	-3.4	109	-4.7	73	-7.9

Source: STR Global

Euro zone

Cities using the euro have seen revPAR go up – and down – with a variation of around 10%. Generally, average room rates have risen slightly, while occupancy has dipped into negative territory.

Given the gloomy economy and the strong euro, it is not surprising that city breaks once considered affordable treats are now seen as a luxury. Guests worried about job security and falling house prices are unlikely to be attracted by expensive rooms. The strong euro versus the US dollar also helped cities in the euro zone turn in strong performances in the average room rate and revPAR ranking tables, which are based on US dollars.

France

Paris was the only city in the euro zone to appear in the top 20 of all three ranking tables. The French capital achieved sixth place in the revPAR rankings, up 4.8% to €141, while its average room rates of €181 were the ninth most expensive in the world. Occupancy was down marginally to 77.8%, which was good enough to give the city 14th place in the occupancy top 20. While the Rugby World Cup and the Paris Air Show helped draw tourists in, this all-round performance confirms that Paris remains a perennial favourite for many source markets.

Italy

The country's rich heritage of culture, art and history should keep it up among the most popular places to visit, but a strong euro deterred tourists from the US and UK, who reportedly make up just under 10% of arrivals each. As a result, tourist arrival growth was only 1.4% year-to-October 2008. To make the country more appealing, the official 'Choose Italy' website will be re-launched early in 2009, after five years' work and a reported €45 million investment.

Italy has some of the world's most expensive hotel rooms and dominates the average room rate top 20 with four cities – **Venice** at eighth place (€187), **Milan** 13th (€159), **Rome** 15th (€155) and **Florence** 17th (€153). Venice was the best performer, and achieved the 12th strongest revPAR in the world at €119. **Naples** gained fame for a very different reason, by having one of the lowest occupancies in the world at just over 50%.

Germany

Germany had a strong performance, even without any major sporting events this year, and visitors were up 2.6% year-to-October 2008. The country's National Tourist Board is promoting Germany as a destination for countryside pursuits, well-being, recreation and city breaks as it seeks to alter its image among major source markets, such as the UK and Ireland. Campaigns worldwide are focusing on the country's palaces, parks and gardens.

Hotel performance in **Berlin** was not good enough to make the ranking tables, but average room rates still increased 6.2%, occupancy fell 2.3%, and revPAR grew 3.7% to €61. According to the city's Tourism Organisation, the number of domestic visitors fell for the first time since 2003, due to declining consumer confidence, high inflation and the lack of major attractions. Domestic tourism, which accounts for more than 60% of all business, remains an important element in Berlin's tourism mix, and both domestic and international visitors will be celebrating the 20th anniversary of the fall of the Berlin wall this year. It is also the 60th anniversary of the formation of the Federal Republic of Germany and in August, Berlin hosts the World Athletics Championships.

Some cities in Germany had a poor year. **Hanover**, for instance, had one of the lowest occupancies in major cities around the world, at 53.4%. **Dresden** had one of the lowest average room rates, at €69, and one of the lowest revPAR's at €43.

Belgium

Brussels' performance was not remarkable enough to go into the top 20, but it did buck the euro zone trend and experienced growth. Hotels in the EU capital are considered less expensive than other European capitals, and the city enjoys stable corporate demand from European Commission conferences. New hotel supply is limited, and this all helps to support hotel performance. Occupancy in Brussels was down 1.9% to 70%; average room rates increased 7.1% to €114, and the result was a 5.1% rise in revPAR to €79.

Switzerland's excellent snow falls and the European Football Championships in June pushed up its popularity during both winter and summer months.

Ireland

Ireland's strong economy, coupled with lucrative tax breaks, has encouraged hoteliers to double the number of hotel rooms during the past ten years. Now that the economy is in decline in both Ireland itself and the country's major source markets, the combination of extra rooms and lack of cash is damaging both domestic and international tourism. Hoteliers have to be more creative to fill up their rooms in **Dublin** and elsewhere. In 2008, occupancy in Dublin was down 9.2%, with a 3.5% decrease in average room rates. As a result, revPAR was down 12.4% to €71.

Non-euro zone

Variations in hotel performance across the non-euro zone were more extreme with revPAR declines and growth in excess of 10%. Among the success stories are Russia, Switzerland and Turkey.

Russia

Russia is becoming a critically important economic and political centre and its capital is home to the most expensive hotels in the world. In 2008, Moscow achieved a double tops for both its room rates and revPAR. Average room rates stood at an astonishing US$374, while revPAR grew 10.5% to US$250. St. Petersburg, meanwhile, had revPAR growth of 14.5%, driven by a 33.8% increase in average room rates. In absolute terms, St. Petersburg achieved average room rates of US$203, which is US$171 less than those in Moscow. This is due to the fact that Moscow is a magnet for business visitors, whereas it is tourists that head for St. Petersburg. Occupancy in the city dropped 14.4% to 52.6%, giving it one of the lowest occupancies in the world.

With high demand and the lack of branded hotel supply, foreign investment interest in Russia is at an all time high. Most hotel operators have Russia on their 'to do' list and there is a gap in the market in many secondary cities.

Switzerland

Switzerland's excellent snow falls and the European Football Championships in June pushed up its popularity during both winter and summer months. The weak Swiss franc against the euro at the beginning of the year also helped and, even when the exchange rate moved, tourist arrivals stayed steady and were up by more than 2% year-to-November.

Geneva's hoteliers have held their nerve through the economic crisis so far and increased revPAR by 19.1% to US$231 in 2008. This earned the city third place in the world, just US$19 behind Moscow. Geneva also achieved the second highest average room rates, at US$343. A steady supply of hotel rooms helped hotels perform well with no new supply added in 2007, 2008 and none planned for 2009 according to Lodging Econometrics (LE). Hoteliers in **Zurich** also had a profitable year and took the city into both the top 20 average room rate and revPAR tables. RevPAR here was up 16.4% to US$170, the 13th best in the world, while average room rates took Zurich to 14th position.

Turkey

Istanbul had one of the fastest revPAR growth rates in Europe, up 23.5% to US$159. It achieved 17th place in the world's revPAR table and 16th in the average room rate ranking. This healthy performance has drawn in hotel companies and developers resulting in a steady stream of room supply into the city as seen in table 4. Airline capacity is also increasing, thanks to additional routes being added by easyJet and other airlines.

Turkey is attracting more European and Russian visitors, mostly because of the favourable exchange rate against the euro and CIS currencies. Its popularity was helped by the government's decision to reduce VAT from 18% to 8% for tourism, and having a long-term strategy to boost the country's tourism sector. The Ministry of Culture and Tourism wants Turkey to be a world-recognised brand and among the world's top five favourite destinations within the next 15 years. It hopes to bring in 63 million tourists a year within that timeframe, and will encourage visitors to spend US$86 million while in the country.

UK

The weak pound against the euro and US dollar in the latter part of 2008, made the UK more affordable than it has been for some time for source markets such as the US and euro countries. As a result, **London** appeared in all three ranking tables. Occupancy grew 0.8% to an impressive 81.1% giving the city the fifth highest occupancy in the world. This strong demand and the 2012 Olympic and Paralympic Games on the horizon has resulted in a considerable amount of supply entering into the city over the past couple of years and it is expected a further 17 new hotels or 2,002 rooms will open in the city this year. Average room rates increased 4.4% to £117 achieving the 18th most expensive rooms and the city was ninth in the revPAR top 20, at £93. Along with Paris, London was the only other European city to place in all three of the top 20 tables. The current recession has made budget hotels more appealing, while boutique hotels have kept the average down and experienced much slower growth. Both business and leisure travellers are opting for more affordable accommodation while in London.

Liverpool, as the European Capital of Culture, had an exceptional year. The many cultural, artistic and sporting events staged during this special year drew tourists to England's north and hoteliers enjoyed occupancy of 75.3%, securing 19th in the occupancy tables.

Europe is facing a dangerous combination of dwindling consumer confidence, a lack of credit and declining business spend, which will obviously hurt the hotel sector.

Liverpool was the only city in the UK to achieve double-digit revPAR growth during 2008 – up 12.6% in GBP's. This year Vilnius, Lithuania and Linz, Austria share the title of European Capital of Culture and hotels there will be hoping to copy Liverpool's success.

Iceland

Iceland has had a dramatic fall, with the collapse of its banks and its economy having repercussions for business, government and overseas investors. Hotels in its capital **Reykjavik** had one of Europe's worst performances, with revPAR down 21.2%, mostly due to plummeting average room rates, down 15.9% to US$134. However, this is in dollar terms, which makes the picture look bleaker than it is. In Icelandic kronas, average room rates were actually up 13.3%, leading to a more realistic revPAR increase of 6.4%.

Romania

In **Bucharest**, revPAR dropped 12.7% to US$96. The Romanian capital experienced one of Europe's largest declines in occupancy, down 19.6% to 57%. New rooms flooded the market last year, with the opening of the Ramada Plaza and the Radisson SAS, while the RIN Grand completed its extension. Tourism is becoming an increasingly important industry for Romania, and the General Department for the Promotion of Tourism within the Ministry for Small and Medium sized Enterprises, Trade, Tourism and Liberal Professions, is stepping in to help. It will invest a reported €75 million in a branding exercise to bring more tourists to Romania by 2012.

Summary on Europe

Europe is facing a dangerous combination of dwindling consumer confidence, a lack of credit and declining business spend, which will obviously hurt the hotel sector. With unemployment rising in key markets and further cutbacks in corporate travel, hotels will need some smart tactics to keep profitable.

Rapid growth in

Tourism in the Middle East is still growing faster than any other world region, with visitor numbers up 11.3% to 52.9 million last year.

With figures like these, it's not surprising that hotel business was also impressive. The region enjoyed its fifth consecutive year of double-digit revPAR growth, which was up 18.3% to US$148.

This placed it ahead of South America, which had come up on top the previous year, and put the Middle East ahead of Europe in absolute revPAR for the first time. The region also achieved the highest occupancy and average room rates in the world in 2008, with average room rates up 17% to US$215. Occupancy increased by 1.2% to 68.8%, while all other regions – apart from South America (up 1.7%) experienced occupancy declines.

The remarkable year-end results in the Middle East were mostly due to an excellent start to 2008, as by September the region was sharing the world's financial woes. Business dipped into the red during December – down 3.2% – with heavy discounting in some markets.

There are some serious challenges facing the Middle East. First, the economic fall-out hitting their source markets, including European countries, means there are fewer bookings from these areas. This situation is unlikely to be reversed during 2009. Second, dollar-pegged destinations have become 30% more expensive for travellers from the UK, so holidaymakers are looking elsewhere to find more value for their money.

Many construction and resort development projects have stalled, as investments have slowed down, and tourism schemes that have been largely dependent on real estate residential developments have suffered. New tourism developments will therefore need to focus more on the product itself, and its potential to attract tourists.

United Arab Emirates

Dubai earned a place in all three top 20 tables and continued to achieve the highest average room rates and revPAR in the Middle East at US$300 and US$237 respectively. This performance gave it the second highest revPAR and third best average room rates in the world. Although occupancy dropped to 78.9%, it still secured 11th place on the occupancy ranking table. However, the emirate's revPAR growth dropped to 1% last year – an enormous difference to the 16.4% growth the year before.

Occupancy was the main culprit for the slowdown, but room rates are also to blame as a lack of cash keeps potential visitors away at exactly the same time as more hotel rooms come into the market. As seen in table 4, there are 36 hotels due to open in 2009 adding 10,853 rooms to Dubai's current supply according to LE. With the current exchange rates making the UAE less attractive to European travellers, it will have to compete against other sunspots, such as Egypt, Turkey and Asia.

Abu Dhabi meanwhile, had a fantastic 2008, with revPAR soaring by more than 46% to US$231. This earned the UAE capital fourth place on the revPAR ranking table, at US$6 behind Dubai. Occupancy was 81.5%, placing Abu Dhabi third in the world, and average room rates were up 34.9% to US$283. This meant the high-end destination now has the fourth most expensive rooms in the world, giving Abu Dhabi a crack at Dubai's revPAR title this year. Currently, there are not enough rooms to satisfy demand, so business is good for today's operators. However, there are several hotels in the pipeline, which will bring Abu Dhabi's stock to 23,000 by 2012. The local tourism authority then expects growth to stabilise.

Qatar

Doha, the capital of Qatar, was eighth in the revPAR rankings, up 25.2% to US$197, and secured sixth place in the average room rate table. Over the next five years, Qatar is investing US$17 billion in tourism, according to the Qatar Tourism and Exhibitions Authority (QTEA). Central to its plan is a goal to encourage 5% of transit passengers using Doha International Airport to stay in the city for 48 hours longer than planned. This will give them time to see what this rapidly developing city can offer, including the Pearl Qatar – a 985-acre man-made island east of the West Bay shoreline. This development is due to complete in 2011, but its first boutique shop opened in December 2008. The QTEA also wants to make Qatar a stopping off destination for cruise liners.

the Gulf

Oman

Oman continues to rival its gulf neighbours, and **Muscat** took 11th place in the average room rate rankings, up 35.3% to US$257, while an increase of more than 31% in revPAR gave the capital city 10th position in the revPAR table. Many hotels and tourism developments are underway, including The Wave, which welcomed its first resident in October 2008. A 6,000-seat convention centre is also planned for Muscat, which will encourage more corporate business, and when the expansion of Muscat International Airport is completed, it will release the handbrake that has been holding up air travel to the country. Passenger numbers are expected to more than double – from 4.8 million a year to 12 million by 2012. The Asian Beach Games in 2010 will also give Muscat a chance to showcase its many attractions.

Saudi Arabia

Like many countries in the region, Saudi Arabia wants to reduce its dependency on oil and is keen to boost tourism, both domestic and international. International tourism is expanding rapidly and, according to UNWTO, the latest data available shows a 54% rise in international tourist arrivals during the first quarter of 2008. Elaf Group, a subsidiary of Saudi Economic and Development Company, plans to drive tourism revenue up to US$19 billion by next year. A massive boost to religious tourism, with increases in the number of Hajj and Umrah pilgrims, is planned for the next three years. This will certainly help hotel business along the route in **Medina, Mecca** and **Jeddah** however; it was **Riyadh** that performed best last year. The royal capital and financial centre of Saudi Arabia was 12th on the average room rate table and 11th on revPAR table, up 24.9% to US$174.

Bahrain

In Bahrain, average room rates in **Manama** were up by more than 21% to US$223. This put the city 19th in the room rate league and 18th in the revPAR top 20. Bahrain is branding itself as a luxurious, yet family-oriented destination, and Muharraq Land, a US$50 million project in Manama, was launched this year. The project aims primarily to attract more visitors from other Gulf States and offers a recreation park, rides, games, gardens, walkways, a medical clinic, a hotel and restaurants. The government also plans to develop Bahrain's beaches, islands and Tubli Bay as a part of a coastal face-lift. Hotel supply will also increase, and according to LE, six new hotels equating to 1,824 rooms are set to open this year.

Egypt

Hurghada on the Red Sea has the world's sixth best occupancy, at 80.3%. Interestingly, Hurghada also has one of the lowest average room rates in the world – US$54 – an increase of 21.8% on the year before. **Taba** also has some of the lowest average room rates in the world, up 25.4% year on year to US$41. Many of Egypt's visitors are keen to find value for money, and Egypt offers luxury at a lower price than its Middle Eastern neighbours, but shares their good year-round weather. Tourist arrivals were up 15.7% last year, according to UNTWO.

Israel

Israel's tourism is closely aligned to developments in the peace process, and 2008 was a good year, with more religion-based tourists and visitors to the Dead Sea. According to UNWTO, 2.1 million tourists visited Israel last year, which was up 24.4% on the previous year, and the highest number since 2000. This surge helped **Tel Aviv** make it into all three top 20 tables with its best performance at 14th for revPAR. The city, which celebrates its centenary this year, was 20th for average room rates and 18th for occupancy. However, the recent flare up of the Israeli-Palestinian hostilities and the war in Gaza has devastated the area and may well keep tourists away.

Lebanon

Although **Beirut** did not make it into the top 20 rankings, the Lebanese capital did achieve the fastest revPAR growth in the world last year – up a staggering 102.2% to US$95. The city, a further illustration of how tourism is damaged by political conflicts, saw strong growth over the past year as it recovered from clashes with Israel in 2007 and 2006.

Summary on Middle East

The global economic downturn has damaged inbound hotel business across the Middle East, with some countries feeling the chill more than others. The recession in source markets, as well as the financial difficulties in Dubai, coincided with the religious holiday Eid, when many expatriates took the opportunity to return to their home countries, so extrapolating a trend from 2008 figures is not straightforward. However, there are many who feel the significant investments made in the Middle East during the last decade will help it to recover from the current downturn quicker than other areas.

Not all doom and

The US hit the credit crunch ahead of the rest of the world and Government bailouts had immediate repercussions on global stock markets. There has been plenty of media coverage of the financial turmoil of 2008, but there has also been some good news.

The Open Skies agreement eased restrictions on flights between Europe and the US; enabling any US airline to fly to Europe – and in the arena of world-class sport, the US team won the prestigious Ryder Cup. In January 2009 Barack Obama became the first African American President of the US and celebrations filled the city's hotels in Washington DC.

During 2008 overall, international tourist arrivals to North America rose 3.2% to 98 million, according to the UNWTO. Even though this was slower than the year before, given the huge challenges facing the US economy, this was quite a respectable increase. But with sagging consumer confidence and a weakening in air travel, US hotel performance suffered, and by year-end revPAR had fallen 1.9% to US$64. This decline was driven by a 4.2% drop in occupancy, down to 60.4%. In contrast, average room rates rose US$3 to US$107. Although most cities in the US reported declines in revPAR, there were variations across the country, and the only two cities to make it into the top 20 tables were New York City and San Francisco. However, hotels still recorded some impressive performances across the US as can be seen in the table below.

New York City was the only US city to appear in all three top 20 lists. It was second in occupancy after Perth with 81.9%, having fallen 1.8% during the year. Average room rates rose 2.3% to US$276, putting it in seventh place in the world. As a result, overall, New York City secured fifth position for revPAR with US$226 after Moscow, Dubai, Geneva and Abu Dhabi. The past two years have seen more than 4,000 rooms added to the city's room supply and 2009 is expecting a further 8,524 to come on board. With the economic slowdown this huge influx of new rooms looks likely to affect hotel occupancy in the Big Apple remains uncertain, only time will tell.

In October 2007, a US$30 million global marketing campaign was launched called 'This is New York City', hoping to raise annual visitor numbers from 47 million in 2008 to 50 million by 2015. Changes in visa requirements from November 2008 allows citizens of South Korea and six Eastern European countries (including the Czech Republic, Hungary, Estonia, Latvia, Lithuania and Slovakia) to enter the US without a visa, and this will help the city reach its targets. New York City's Mayor Michael Bloomberg has already predicted that 2009 will be a tougher year for tourism, with international tourist numbers dropping, but the city is expected to remain a popular choice compared to other US destinations.

San Francisco also made it into the top 20 occupancy table, securing 20th place with 75%. The city saw average room rates rise 5.4% to US$156, the third highest average room rates in the US after New York and Miami. San Francisco benefited from favourable exchange rates, as the weak US dollar offered greater value for Asian visitors.

Table 8. Top 10 US Cities ranked by revPAR 2008

		Occupancy			Average Room Rates (US$)			RevPAR (US$)		
Rank	**City**	2008	2007	% change	2008	2007	% change	2008	2007	% change
1	New York, NY	81.9	83.4	-1.8	276	270	2.3	226	225	0.5
2	San Francisco/San Mateo, CA	75.0	75.1	-0.1	156	148	5.4	117	111	5.3
3	Miami-Hialeah, FL	71.5	72.4	-1.3	160	158	0.8	114	115	-0.4
4	Washington, DC-MD-VA	67.1	68.3	-1.8	153	150	2.3	103	102	0.4
5	Boston, MA	66.5	68.4	-2.8	153	152	1.0	102	104	-1.8
6	San Diego, CA	69.5	72.9	-4.7	142	139	2.0	99	101	-2.7
7	Los Angeles-Long Beach, CA	71.3	75.0	-5.0	128	123	4.0	91	92	-1.3
8	Seattle, WA	68.1	71.4	-4.7	127	122	3.6	86	87	-1.3
9	Anaheim-Santa Ana, CA	68.8	72.2	-4.7	123	122	0.6	84	88	-4.1
10	Chacago, IL	63.5	67.5	-6.0	132	130	1.6	84	88	-4.5

Source: Smith Travel Research

gloom

Not all business leaders see a weak US dollar as a good thing, but hoteliers have been benefiting from the eager shoppers flocking to the country. In October 2008, the Mayor of San Francisco announced that a Tourism Improvement District would be a key part of his economic stimulus package. The district could generate US$27 million in the first year and would include a US$9 million upgrade to the Moscone Centre, with almost US$18 million being spent promoting and marketing the city and its hotels.

In President Obama's hometown of **Chicago,** revPAR fell 4.5% to US$84 last year, occupancy was down to 63.5%, and average room rates rose 3.3% to US$132. The city now hopes for an influx in tourists, keen to see where the President spent his earlier years, and Chicago is also competing to host the 2016 Olympic and Paralympic Games. Already one of North America's busiest airports – with 69.3 million passenger arrivals in 2008 – Chicago O'Hare International is undergoing extensive refurbishment, due to be completed by 2013. The expansion includes a new terminal, additional gates and parking facilities, which will be needed if the city secures its Olympic bid. Several hotels, including the InterContinental Chicago, the Mandarin Oriental Chicago and the JW Marriott Chicago Downtown, are due to open over the next two years, adding further support to the Olympic quest.

RevPAR remained relatively stable in **Los Angeles** as a 5% decline in occupancy was offset by a 4% rise in average room rates. Year-end occupancy stood at 71.3%, while average room rates were at US$128. Los Angeles' Mediterranean-type climate continues to make it a popular destination, and the recent opening of a crop of luxury hotels suggests the city is resisting the economic downturn. Among hotels to open last year were the 297-room SLS Hotel at Beverly Hills and the 201-room Montage Beverly Hills. Hyatt International opened its upmarket Andaz hotel brand, which includes art pieces throughout the property. Several older hotels in Los Angeles underwent multimillion-dollar upgrades, enabling them to charge higher room rates. These new hotels and upgrades, planned during a brighter economy, will help meet the growing demand for more and better rooms in the city.

Hotels in **Miami** had the second highest average room rates in the US, rising 0.8% to US$160 in 2008. Occupancy declined to 71.5%, resulting in an overall revPAR decline of 0.4% for the year.

Although the domestic market fell during the summer of 2008, the city, like several other major metropolitan areas, benefited from international travellers – particularly from Europe and South America – as a result of the weak dollar. More rooms coming onto the market also affected occupancy rates. During the third quarter of 2008, in Miami Beach alone, the Fontainebleau and Eden Roc returned more than 1,000 rooms to the market after extensive renovations, The Epic brought another 400 rooms to downtown Miami during December. Approximately 4,400 rooms were added during 2008 and another 5,000 are expected in the next two years.

During 2008, **New Orleans** continued its recovery from Hurricane Katrina three years earlier, and became one of only two cities in the US to report double-digit revPAR growth, rising 10.1% to US$74. Much of this was occupancy driven, which rose 8.6% to 62.6%. Average room rates ended the year at US$118. In October 2008, the city's football team staged one of its games in London against the San Diego Chargers, as part of a week-long promotion to encourage Britons to visit and invest in New Orleans. Organisers also hosted a mini-Mardi Gras to give Londoners a taste of New Orleans culture.

Hotels in **Washington DC** reported a marginal increase in revPAR in 2008, rising just 0.4% to US$103 – the fifth highest revPAR across the US. Occupancy fell below 70% while average room rates rose 2.3% to US$153. Several million visitors flooded in for the Presidential inauguration of Barack Obama on January 20th, and many hotels offered special packages during the four-day celebration. This provided the city's finances with a welcome boost, as many hotels put on special events that called for additional catering.

Summary on US
Most analysts expect the US hotel sector to return to growth in late 2010 but recovery is constantly being pushed further into the future. According to STR, hotels here will see an overall decline of 2.5% in 2009 and occupancy will dip to 59.1% – the lowest levels since 2003. Average room rates should see marginal improvements to US$108. Longer term, improved employment leading to more disposable income, better corporate profitability, and a more balanced supply and demand through the slowdown in construction should get the sector back to profitability. Rising incomes in much of the developing world should also boost the number of people visiting the US.

Solid performance

Early in 2008, Central and South America business leaders and tourism officials thought their countries might side-step the sub-prime mortgage crisis, but as the situation worsened, markets and currencies across the region followed the US' downward path and billion dollar bailout packages were needed here too.

However, tourism remained strong and arrivals in Central and South America grew faster than the world average of 1.8% and were up by 7.9% and 5.9% respectively. This led to better than expected revPAR increases, up 14.5% in 2008 – the second fastest growth in the world. This performance was buoyed by increases in average room rates, even though occupancy increased marginally.

No city in Central and South America made it into the top 20 lists though, and 2008's growth was behind the 2007 figures, which had amounted to the world's best revPAR increases – up 19.4%.

Panama

Panama's tourist arrivals have been on the increase over the past decade and 2008 was no exception. The latest data available shows a 19.9% jump in figures year-to-November 2008. This trend should continue, now that Royal Caribbean International has given Latin American passengers the option to start their cruises in Colon, Panama. Latin America travellers no longer have to travel to the US and obtain a visa to board a Caribbean cruise. In December, a fully-booked Enchantment of the Seas set sail on its maiden voyage from Colon and the local Ministry of Tourism expects to see 2,000 more passengers a week arrive at Tocumen International Airport, before heading for the port.

in a tough market

Panama's capital, **Panama City**, outperformed all others in the region with the 48th highest revPAR in the world up 20.2% to US$107. This was mostly due to increases in average room rates and a marginal decrease in occupancy to 72.5%. This robust performance in both hotel performance and tourist arrivals has interested many hotel developers and 19 major projects – or 4,119 rooms – are on the way.

Argentina

Buenos Aires was 49th in the world's revPAR rankings, at US$106 – up 10.7%, due to better average room rates and a marginal decrease in occupancy. Over the past couple of years, tourist arrivals had been increasing at about 9%, but this fell to just over 4.3% year-to-September 2008. Concerned with the drop in international arrivals, the Argentinian government and several trade groups are boosting domestic tourism by offering local people up to nine months of 0% financing on tourism costs. The government is also reportedly investing US$2 million to promote wine tourism, as its wines gain more consumers worldwide.

Brazil

Brazil, South America's largest economy, struggled with the global slowdown in the latter part of the year. The country had to pump money into its ailing auto sector, while the stock market and the Brazilian currency took some sudden and violent hits. Despite this volatility, demand from the corporate sector stayed high throughout the year and revPAR in **Sao Paulo** grew an impressive 20.4% to US$60. The main driver was an increase in average room rates, while occupancy went up 3% to 82nd position in the occupancy world rankings. Meanwhile, hotel performance in **Rio de Janeiro,** which is more dependent on the leisure tourist demand, experienced little change over 2007. The carnival capital of the world achieved 60th place on revPAR ranking at US$103 – down 0.6% on 2007.

Guatemala

Guatemala is diversifying its economy from agriculture and manufacturing towards tourism, and its many Maya ruins and ecotourism sights are a bonus in this strategy. Infrastructure around the country is also being improved, including the modernisation and expansion of Guatemala City's La Aurora International Airport. **Guatemala City** was placed 115th in the revPAR rankings in 2008, down 4.4% to US$62. Despite this decrease in hotel performance, the country did manage to attract more tourists in 2008 – up 5.4%.

Summary on Central and South America

Although Central and South America did not make it into the top 20, hotel performance here grew at a solid rate and the region continues to provide tourists with excellent value for money.

In the longer term, travel and tourism will become increasingly important in this region. The WTTC estimates the industry already accounts for 6.8% of GDP and this should rise to 7.4% over the next 10 years. Within the same time frame, employment in the sector is expected to increase from 6.5% to 7%.

Coping strategies

Most economists expect the global slowdown to last into 2010, with the inevitable loss of jobs during the year ahead. According to the International Labour Organisation, 11 million jobs have already been cut across the world as governments and industries struggle to cope, and the organisation expects another 50 million or more people to face unemployment in 2009.

We have already seen how the recession is bringing down the number of tourist arrivals and affecting hotel performance in many markets.

As we stated at the start of this report, the UNWTO predicts that 2009 will remain a challenging time for everyone in tourism, with international arrival growth rates expected to either stagnate or decline slightly, as consumers and businesses question the cash being spent on travel. But not every country is facing the same problems at the same time, and some economies are better placed than others. Some regions are expected to move out of recession earlier, and people setting off from these countries will help to take up the slack.

The strategy for the tourism industry this year is to focus on survival and for hotels in particular this means providing value for money. Concentrating on what they do best, what differentiates them from others, and providing the essentials of good hospitality will help them to maintain their brand strengths as hoteliers compete to fill their rooms.

Tempting though it is to slash room rates to bring in business, this is not a long-term solution, as it takes average room rates much longer to recover than occupancy levels. Already, we are seeing hotels around the world offering incentives such as free nights, two-for-one deals, free meals or inclusive spa treatments, and smarter marketing will be critically important. Reductions in airfares through low oil prices – US$35 a barrel in February 2009 compared to US$147 last July – should also help to keep the world moving.

It is inevitable that there will be Government intervention to prop up tourism, and it will be important for countries to continue to invest in tourism infrastructure projects and airport expansion once credit is more readily available. These investments, many of which have been at the planning stage for some years, will enable countries and regions to meet the ambitious tourism targets that will be within their reach when consumer confidence returns.

From the editor

Sample

Hotel performance data used to compile this report has been extracted from the STR Global database. The database currently tracks the performance of over 100,000 hotels worldwide. Hotels contributing to the survey include both independent and group operated units and vary in size. The majority of the hotels participating in the survey are classified as 3-star and above. The Global Ranking Indexes have been compiled on an inconsistent sample of hotels across 135 key world-wide cities (excluding Africa) in US dollars.

Foreign exchange rate

Exchange rate information is provided to STR Global by Oanda and may vary from other published data on this topic.

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