

## European Chain Hotels Market Review – July 2009

### European cities shrug-off recession to increase occupancy

Six out of the 10 hotel markets reviewed this month experienced a growth in room occupancy levels. Amsterdam showed the highest rate of improvement with an increase of 7.9 percentage points, compared with July 2008.

Despite fears of a drop in visitor numbers as a result of Swine Flu, London hoteliers in our sample successfully drove occupancy levels to 92.2% in July. This was the best performing city in the sample in absolute terms.

Whilst room occupancy levels in the majority of markets reviewed has grown, demand is still price-sensitive and all 10 cities experienced a decline in average room rate and overall rooms RevPAR. Jonathan Langston, managing director, TRI Hospitality Consulting, said: “The pace of decline in rooms RevPAR is moderating in most markets and while it is probably too soon to call a recovery, we expect that the pace of decline will continue to ease over the course of the next few months”.

In the year-to-date 2009, with the exception of Warsaw, all markets reviewed experienced a decline in average room rate. Warsaw hoteliers adopted a strategy of maintaining average room rate at the expense of room occupancy and as a result, the Warsaw hotel market experienced the lowest decline in terms of RevPAR in the year-to-date 2009. Additionally, at 13.3%, the decline in profit per available room (GOP PAR) in Warsaw was the lowest after London.

“Warsaw hoteliers have clearly benefited by adopting a strategy of limited discounting and as the market starts to recover, we expect Warsaw hotels to be in a relatively strong position to drive RevPAR,” said Langston.

### Decline in international visitor numbers

The recession has resulted in an increasing number of Europeans and Americans spending their holidays at home. A report issued by the French government indicated that between July and August, international visitors to France declined by a third. Italy’s tourism industry is also forecasting a decline of 8.3% in international visitors between May and October. This is primarily due to the recession severely impacting key source markets including Germany, the UK and the US.



Despite the decline in visitor numbers, in the month of July, occupancy levels in both Paris and Rome increased by 2.1 percentage points and 5.3 percentage points respectively. However, hoteliers have had to discount significantly in order to drive demand levels, and average room rate in the two markets declined by 5.5% and 6.7% respectively.

### European hoteliers control costs

European hoteliers have adjusted their operations to the changing reality of the markets. Despite a decline in RevPAR levels in July 2009, the Amsterdam, Berlin and Rome hotel markets experienced an increase in terms of profit per available room (GOP PAR) relative to July 2008.

Langston said: “Whilst London hoteliers were quick to react to declines in demand levels and revenues by reducing their cost base, it has taken continental hotels slightly longer to reduce cost levels. However, the majority of European hotel markets have now reined in costs and consequently, the pace of decline in profit per available room has started to moderate.”

In the year-to-date 2009, Vienna has experienced the sharpest decline of 49.1% in profit per available room (GOP PAR); Brussels, Munich and Prague also experienced declines in excess of 30%. Whilst Vienna, Prague and Munich were able to moderate the decline, the pace of decline in the Brussels hotel market picked up further in July, reflecting the city’s relatively weak profile as a leisure destination and the impact of Belgium’s strict employment laws on the capacity to control payroll.

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# HotStats Briefing Data

## European Chain Hotels - Performance report

### The month of July 2009

Occ %	ARR	RevPAR	Payroll %	GOP PAR
78.4	150.24	117.78	33.4	57.13
65.9	109.16	71.89	37.6	25.86
57.6	95.99	55.30	53.6	7.78
92.2	157.79	145.45	22.2	100.34
80.3	104.72	84.11	30.9	43.48
78.6	152.09	119.55	41.2	47.80
71.9	85.68	61.56	30.5	30.42
83.2	186.10	154.88	35.3	66.00
76.4	139.76	106.79	40.7	40.77
59.3	73.03	43.27	31.7	17.24

Amsterdam  
Berlin  
Brussels  
London  
Munich  
Paris  
Prague  
Rome  
Vienna  
Warsaw

### Seven months to July 2009

Occ %	ARR	RevPAR	Payroll %	GOP PAR
70.8	159.03	112.57	34.8	58.28
61.9	133.60	82.74	34.6	39.65
63.2	123.22	77.89	42.6	29.71
82.7	147.46	121.94	24.8	82.67
66.5	105.10	69.92	37.2	28.07
74.6	161.26	120.30	41.9	52.68
57.0	108.63	61.94	28.6	35.34
67.4	190.64	128.41	38.1	49.82
64.5	147.90	95.31	46.5	30.37
62.2	87.86	54.68	26.9	34.17

### The month of July 2008

Occ%	ARR	RevPAR	Payroll %	GOP PAR
70.5	172.47	121.59	35.3	55.45
62.7	115.95	72.69	37.6	24.89
64.0	106.42	68.10	48.5	15.77
89.2	182.84	163.11	22.2	115.93
82.1	128.38	105.34	28.0	61.27
76.5	160.95	123.07	42.5	53.83
74.3	94.55	70.28	27.0	42.39
77.9	199.39	155.28	38.2	56.00
73.5	154.76	113.73	40.8	44.13
67.5	73.17	49.38	30.7	23.19

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### Seven months to July 2008

Occ%	ARR	RevPAR	Payroll %	GOP PAR
74.4	189.02	140.67	31.6	80.15
64.8	149.34	96.70	33.2	51.41
71.5	137.27	98.14	38.0	47.76
82.4	161.39	133.05	25.3	91.47
71.9	121.34	87.22	31.9	45.04
79.2	174.91	138.49	39.4	69.07
66.4	125.44	83.34	25.9	54.05
71.6	214.35	153.40	36.6	69.23
69.7	181.49	126.49	39.2	59.67
68.5	85.59	58.61	26.1	39.41

### Movement for the month of July

Occ Change	ARR Change	RevPAR Change	Payroll Change	GOP PAR Change
7.9	-12.9%	-3.1%	-1.9	3.0%
3.2	-5.9%	-1.1%	0.0	3.9%
-6.4	-9.8%	-18.8%	5.2	-50.7%
3.0	-13.7%	-10.8%	0.1	-13.4%
-1.7	-18.4%	-20.2%	2.9	-29.0%
2.1	-5.5%	-2.9%	-1.4	-11.2%
-2.5	-9.4%	-12.4%	3.5	-28.2%
5.3	-6.7%	-0.3%	-2.9	17.9%
2.9	-9.7%	-6.1%	-0.1	-7.6%
-8.2	-0.2%	-12.4%	1.0	-25.7%

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### Movement for the 7 months to July

Occ Change	ARR Change	RevPAR Change	Payroll Change	GOP PAR Change
-3.6	-15.9%	-20.0%	3.2	-27.3%
-2.8	-10.5%	-14.4%	1.4	-22.9%
-8.3	-10.2%	-20.6%	4.6	-37.8%
0.3	-8.6%	-8.4%	-0.5	-9.6%
-5.3	-13.4%	-19.8%	5.3	-37.7%
-4.6	-7.8%	-13.1%	2.5	-23.7%
-9.4	-13.4%	-25.7%	2.7	-34.6%
-4.2	-11.1%	-16.3%	1.5	-28.0%
-5.2	-18.5%	-24.7%	7.4	-49.1%
-6.2	2.7%	-6.7%	0.8	-13.3%

#### EDITORS NOTES:

**Occupancy (Occ %)** is that proportion of the bedrooms available during the period which are occupied during the period.

**Room rate (ARR)** is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

**Room Revpar (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.

**GOP PAR** is the Total Gross Operating Profit for the period divided by the total available rooms during the period.

**Data Sample** TRI amends the above data samples each year to reflect the changes in the HotStats survey. Therefore this report will not match that of the published release data in last year's monthly report because the data is based on a differing hotel sample.



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