

## European Chain Hotels Market Review – August 2009

### European cities experience a weak August

All the cities in the HotStats European Chain Hotels survey suffered a drop in RevPAR during August compared to the same month a year ago. But the rate of decline for most cities was slower than for the first eight months of the year.

Seven out of 10 cities surveyed experienced a decline in occupancy levels relative to performance in August 2008 and nine out of 10 cities experienced a decline in average room rate. With the exception of Berlin, the cities also showed declining profitability in August year-on-year as measured by gross operating profit per available room.

David Bailey, deputy managing director, TRI Hospitality Consulting, said: “In terms of recovery, July was clearly a more positive month than August for European hotel markets and whilst we remain optimistic that the worst of the declines have already occurred, recovery will be gradual.”

In the eight months to August 2009, the most significant declines in RevPAR were experienced in the central and eastern European cities of Vienna, Prague and Budapest. With a drop of 24.7%, Prague was the worst affected market in terms of RevPAR performance. This is a result of a decline in international visitor numbers in the first half of 2008 as well as significant supply increases in recent years.

The Vienna tourist board reported that relative to August 2008, in August 2009 there was a decline in visitor numbers from the UK, Spain, Russia and France while visitor numbers from Germany, Italy and the US increased. Bailey said: “Recovery in markets such as Budapest, Prague and Vienna is likely to be mixed as hotel demand is dependent on a recovery in the domestic economy as well as key source markets”. As Shangri-La announced that it would be opening a 207-bedroom hotel in Vienna in Autumn 2010, the city benefited from a much-needed increase in demand levels in August due to the Jehovah’s Witness congress, which was held at the Ernst-Happel Stadium between 6 and 9 August and was anticipated to attract 40,000 delegates.

With the exception of London, all hotel markets surveyed have experienced a double digit percentage drop in profit per available room (GOP PAR) in the eight months to August 2009. London hoteliers were able to limit declines in profit levels as a result of surprisingly buoyant performance levels and tight control over costs.



## Munich feels the heat as Berlin hoteliers rein in costs

Despite Germany experiencing a warm summer, hotel performance in Munich declined significantly in August with a rooms RevPAR drop of 30.3% compared to August 2008. This is due, in part, to unusually high demand levels in August 2008, when the city hosted the European Society of Cardiology Congress. In 2009, the congress moved to Barcelona causing a relative decline in performance levels. Additionally, Munich's hotel market also benefits from significant levels of high-yielding demand from Middle Eastern guests, which was affected due to Ramadan falling in the last week of August. As a result of the significant decline in rooms RevPAR, profit per available room (GOP PAR) declined by 51% compared to August 2008.

Despite experiencing a decline of 6.9% in rooms RevPAR, Berlin hoteliers were successful in reining in costs and consequently profit per available room (GOP PAR) in August 2009 increased by 17.9% relative to 2008.

Hamburg has been the relatively bright spot in the German hotel market with RevPAR declining by just 2.3% in the eight months to August 2008, compared to a decline of 21.3% in Munich and 13.6% in Berlin. However, Hamburg hoteliers have been less successful in controlling costs compared to their counterparts in Berlin and consequently, profit per available room (GOP PAR) declined by 22.6%, compared to 20.1% in Berlin.

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# HotStats Briefing Data

## European Chain Hotels - Performance report

### The month of August 2009

Occ %	ARR	RevPAR	Payroll %	GOP PAR
74.1	141.29	104.68	37.6	45.06
66.0	111.60	73.68	36.7	30.28
69.3	80.59	55.83	29.9	23.24
76.1	90.82	69.13	38.5	21.84
83.8	136.41	114.24	27.9	63.11
68.8	95.10	65.41	37.6	22.10
62.1	146.47	90.98	48.2	26.34
72.5	75.68	54.85	31.8	20.29
71.0	127.15	90.30	46.6	20.13
58.7	67.41	39.54	34.5	10.70

Amsterdam  
Berlin  
Budapest  
Hamburg  
London  
Munich  
Paris  
Prague  
Vienna  
Warsaw

### Eight months to August 2009

Occ %	ARR	RevPAR	Payroll %	GOP PAR
71.2	156.67	111.56	35.1	56.59
62.5	130.63	81.58	34.9	38.46
56.5	95.59	53.99	31.7	22.22
71.5	104.40	74.65	35.4	30.61
82.8	146.06	120.97	25.2	80.20
66.8	103.78	69.34	37.3	27.31
73.0	159.66	116.56	42.5	49.32
59.0	103.47	61.04	28.9	33.42
65.3	145.02	94.67	46.5	29.06
61.8	85.38	52.75	27.6	31.17

### The month of August 2008

Occ%	ARR	RevPAR	Payroll %	GOP PAR
70.7	164.05	116.04	36.8	53.32
64.9	122.03	79.14	39.3	25.69
73.9	95.34	70.43	29.4	32.00
75.9	93.85	71.23	33.7	29.73
84.6	148.12	125.23	27.9	70.67
71.4	131.42	93.87	31.6	45.10
69.7	159.11	110.84	43.2	40.38
74.3	88.18	65.51	29.4	32.24
71.6	137.19	98.16	47.2	26.95
58.8	65.93	38.77	36.1	11.57

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### Eight months to August 2008

Occ%	ARR	RevPAR	Payroll %	GOP PAR
74.0	185.99	137.54	32.1	76.74
64.8	145.87	94.47	33.8	48.14
68.9	100.79	69.39	29.0	33.92
71.0	107.72	76.42	31.8	39.57
82.7	159.67	132.05	25.6	88.82
71.8	122.62	88.07	31.9	45.05
78.0	173.12	134.98	39.7	65.42
67.4	120.20	81.06	26.3	51.27
69.9	175.72	122.88	39.9	55.50
67.2	83.41	56.09	26.9	35.88

### Movement for the month of August

Occ Change	ARR Change	RevPAR Change	Payroll Change	GOP PAR Change
3.3	-13.9%	-9.8%	0.8	-15.5%
1.2	-8.5%	-6.9%	-2.7	17.9%
-4.6	-15.5%	-20.7%	0.5	-27.4%
0.2	-3.2%	-2.9%	4.8	-26.5%
-0.8	-7.9%	-8.8%	-0.1	-10.7%
-2.7	-27.6%	-30.3%	6.0	-51.0%
-7.6	-7.9%	-17.9%	5.0	-34.8%
-1.8	-14.2%	-16.3%	2.4	-37.1%
-0.5	-7.3%	-8.0%	-0.6	-25.3%
-0.1	2.2%	2.0%	-1.6	-7.5%

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### Movement for the 08 months to August

Occ Change	ARR Change	RevPAR Change	Payroll Change	GOP PAR Change
-2.8	-15.8%	-18.9%	3.0	-26.3%
-2.3	-10.4%	-13.6%	1.0	-20.1%
-12.4	-5.2%	-22.2%	2.8	-34.5%
0.6	-3.1%	-2.3%	3.7	-22.6%
0.1	-8.5%	-8.4%	-0.4	-9.7%
-5.0	-15.4%	-21.3%	5.4	-39.4%
-5.0	-7.8%	-13.6%	2.7	-24.6%
-8.5	-13.9%	-24.7%	2.7	-34.8%
-4.7	-17.5%	-23.0%	6.6	-47.6%
-5.5	2.4%	-6.0%	0.7	-13.1%

#### 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.