

## **European Chain Hotels Market Review – September 2009**

### **London leads the way in a mixed month of performances in Europe**

London hoteliers experienced in September an increase in monthly Revenue per Available Room (RevPAR) for the first time since August 2008, according to the latest **HotStats** survey by industry experts TRI Hospitality Consulting. Meanwhile, hotels in Budapest, Munich and Prague continued to suffer major declines in RevPAR performance.

Despite a 3.9% drop in average room rate in London, RevPAR for the month of September finished 0.5% above the same period in 2008 due to a 3.9 percentage point increase in occupancy levels. Furthermore, profit per available room (GOP PAR) in the UK capital grew by 3.3% in the month of September 2009, to £94.39. This was made possible by a decrease in the level of payroll as a percentage of total revenue, down to 22.4% from 24.7% in September 2008.

“Following a summer of fluctuating price and volume, it was back to business for London hoteliers in September. Twelve months on from the collapse of Lehman Brothers and the immediate impact of the banking crisis, London hoteliers are growing profits,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

At the end of the third quarter, the impact of the economic downturn on the primary measure of profitability for hoteliers across Europe is clear. Year to date figures show double digit decline in GOP PAR is a common factor in all but one of the surveyed cities, the exception being London (-8.2%). More apparent is the massive year on year declines experienced in previously buoyant markets such as Amsterdam (-24.4%), Budapest (-33.9%), Munich (-36.4%), Prague (-38.6%) and Vienna (-41.3%).

### **Paris in the fall**

Of the 10 cities surveyed, Paris witnessed the largest margin of growth in occupancy levels in September 2009, of 6.6 percentage points, to 79.8%. However, with a 17.1% decrease in 2009, this is the third consecutive September in which average room rate has declined in the French capital, down to €160.50.

In addition to the current economic downturn, which has reduced the proportion of hotel guests from corporate and conference sources, the city has witnessed a year-on-year decline in the level of rack rate business. This type of demand is primarily attributed to major events, such as Paris Fashion Week, the Paris Motor Show and one-off events such as the 2007 Rugby World Cup. During these periods hoteliers are able to charge premium prices. However, due to the absence of



a number of these events and a greater proportion being scheduled in October, GOP PAR levels in the city in September dropped by more than 17%.

The year on year decrease in profitability at Parisian hotels may also be attributed to a 4.5% increase in payroll as a percentage of total revenue, up from 35.7% to 40.2% for the month of September, as hotels are unable or unwilling to adjust labour costs in-line with falling revenues.

### **Profitability in Prague goes from bad to worse**

In contrast to the glimmers of improvement in a number of major cities throughout Europe, the latest **HotStats** survey finds the capital of the Czech Republic wading deeper into the mire.

With the Czech GDP declining by more than five per cent in the first half of 2009 and the addition of more than 1,500 bedrooms to the city in the last 18 months, the outlook for the Prague hotel market is far from positive. Following a relatively stable summer period, a 10.8 percentage point decline in occupancy levels to 68.3% in the month of September condemns Prague to rock bottom of the ten cities surveyed. The 31.1% decline in average room rate, resulting in an overall RevPAR decline of more than 40%, to €73.83, leaves the city languishing alongside Warsaw and Budapest at the bottom of the pile. Consequently, the profitability (GOP PAR) of Prague hotels declined by approximately 55% in the month of August 2009, to €44.42, compared to the same period in 2008.

“Prague is not the only city to have considerably gone off the boil, but it has clearly been the victim of significant levels of new hotel development at a time when hoteliers can ill afford any additional threats to performance” said Langston.

The additions to Prague hotel supply in 2008 included the 559-bedroom Clarion Congress, the 75-bedroom Kempinski Hybernska, the 40-bedroom Buddha Bar Hotel and a 150-bedroom hotel at the SK Slavia Praha football stadium. In 2009 additions to supply have included the 101-bedroom Augustine Hotel by Rocco Forte, the 150-bedroom Sheraton Charles Square, the 260-bedroom Park Inn and the 214-bedroom Jurys Inn.

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**The month of September 2009**

Occ %	ARR	RevPAR	Payroll %	GOP PAR
79.6	186.23	148.31	28.2	91.70
76.6	158.42	121.41	25.9	86.86
73.0	98.59	71.93	25.2	40.49
81.1	126.85	102.87	25.8	69.96
87.1	151.11	131.64	22.4	94.39
79.9	141.61	113.21	26.1	69.05
86.4	160.50	138.69	40.2	66.98
68.3	108.06	73.83	26.6	44.42
78.1	195.37	152.60	32.8	82.94
75.2	87.51	65.84	22.7	47.42

Amsterdam  
Berlin  
Budapest  
Hamburg  
London  
Munich  
Paris  
Prague  
Vienna  
Warsaw

**Nine months to September 2009**

Occ %	ARR	RevPAR	Payroll %	GOP PAR
72.1	160.26	115.60	34.2	60.45
64.0	134.28	85.95	33.5	43.76
58.3	99.23	57.85	30.8	25.02
72.8	107.82	78.51	33.8	35.99
83.3	144.29	120.21	24.8	80.50
68.3	108.66	74.17	35.6	31.90
74.5	159.77	118.99	42.2	51.26
60.0	107.18	64.32	28.6	35.86
66.7	151.50	101.04	44.4	34.98
63.3	88.28	55.84	27.0	33.94

**The month of September 2008**

Occ%	ARR	RevPAR	Payroll %	GOP PAR
79.0	214.12	169.10	28.4	105.83
81.5	168.66	137.40	25.5	99.29
77.9	115.03	89.64	22.4	57.55
82.3	140.12	115.33	23.5	82.69
83.3	157.32	131.00	24.7	91.40
78.1	177.30	138.42	22.7	91.86
79.8	193.65	154.57	35.7	81.38
79.1	156.79	124.00	18.5	98.03
81.1	203.17	164.71	33.4	92.91
82.4	95.36	78.61	21.2	63.02

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**Nine months to September 2008**

Occ%	ARR	RevPAR	Payroll %	GOP PAR
74.5	189.25	141.00	31.7	79.93
66.6	148.92	99.17	32.6	53.74
69.9	106.27	74.23	28.1	37.87
72.2	111.78	80.70	30.5	44.31
82.8	156.79	129.78	25.5	87.67
72.5	129.08	93.59	30.5	50.19
78.2	175.41	137.12	39.3	67.17
68.8	128.69	88.47	25.1	58.38
71.2	179.15	127.47	39.1	59.61
68.9	87.53	60.31	26.1	39.98

**Movement for the month of September**

Occ Change	ARR Change	RevPAR Change	Payroll Change	GOP PAR Change
0.7	-13.0%	-12.3%	-0.2	-13.4%
-4.8	-6.1%	-11.6%	0.4	-12.5%
-5.0	-14.3%	-19.8%	2.7	-29.6%
-1.2	-9.5%	-10.8%	2.2	-15.4%
3.9	-3.9%	0.5%	-2.2	3.3%
1.9	-20.1%	-18.2%	3.4	-24.8%
6.6	-17.1%	-10.3%	4.5	-17.7%
-10.8	-31.1%	-40.5%	8.1	-54.7%
-3.0	-3.8%	-7.4%	-0.6	-10.7%
-7.2	-8.2%	-16.2%	1.5	-24.8%

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**Movement for the nine months to September**

Occ Change	ARR Change	RevPAR Change	Payroll Change	GOP PAR Change
-2.4	-15.3%	-18.0%	2.5	-24.4%
-2.6	-9.8%	-13.3%	1.0	-18.6%
-11.6	-6.6%	-22.1%	2.8	-33.9%
0.6	-3.5%	-2.7%	3.2	-18.8%
0.5	-8.0%	-7.4%	-0.7	-8.2%
-4.2	-15.8%	-20.8%	5.1	-36.4%
-3.7	-8.9%	-13.2%	2.9	-23.7%
-8.7	-16.7%	-27.3%	3.5	-38.6%
-4.5	-15.4%	-20.7%	5.4	-41.3%
-5.7	0.9%	-7.4%	0.8	-15.1%

**EDITORS NOTES:**

The hotels profiled in this report are drawn from the HotStats database and reflect the portfolios and distribution of the hotel chains that we survey and which operate primarily in the four and five-star sectors.

**Please note:** The data samples are reviewed and rebased each year to reflect the changes in the HotStats survey base. As a result, performance ratios published last year may differ from those contained within this report.

**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.

TRI Hospitality Consulting provides a wide range of services to clients in the hotel sector. It has offices in London, Dubai and Madrid.



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