

European Chain Hotels Market Review – October 2009

London defies gloom as Europe continues to decline

With the notable exception of London, all the cities surveyed in October 2009 experienced declines in RevPAR levels. Jonathan Langston, managing director, TRI Hospitality Consulting, stated: 'Whilst the decline in occupancy levels seems to be stabilising across Europe, there is still significant downward pressure on average room rates, particularly in markets heavily reliant on leisure demand'.

Through the current recession, London's strong performance has been the bright spot in the European hotel market. In the face of lower levels of corporate demand, the city successfully tapped into the leisure market, containing declines in performance levels.

Budapest experienced a significant RevPAR decline of 28.7% and a profit per available room (GOP PAR) decline of 42.6% in October 2009 relative to October 2008. This is due to unusually high performance levels experienced by the market in October 2008 due to a two-day meeting of NATO defence ministers at the city's Marriott hotel.

In the 10 months to October 2009, Barcelona experienced a decline of 21.5% in RevPAR and 38.7% in profit per available room (GOP PAR). Spain has been particularly hard hit by the global recession as a result of the collapse of the housing market and growing levels of unemployment and whilst the German and French economies have started growing, the Spanish economy remains in recession. Additionally, Barcelona has also been affected by a fall in visitor numbers from the UK due to the decline of sterling against the euro.

Record visitor numbers to Vienna

According to figures released by the Vienna Tourist Board, the city experienced a record month in October 2009 as visitor numbers increased 0.2% relative to October 2008. This provided a welcome boost in demand levels for Vienna hotels, which have experienced a 19.4% decline in RevPAR and a 37.4% decline in profit per available room (GOP PAR) in the 10 months to October 2010.

The increase was led by double-digit increases in visitor numbers from the US, Japan, France and the UK. 'It remains to be seen if the increase in visitor numbers to Vienna can be repeated in other cities across Europe. But it is at least a promising sign', said Langston.



The majority of additional overnight accommodation demand, however, was accommodated at three and five-star hotels and consequently, our predominantly four-star sample experienced a decline of 0.5 percentage points in room occupancy levels and 8.6% in average room rate in October 2009. Langston added, 'Whilst there is reason to be optimistic, it is important to note that demand is still price-sensitive and it will probably be some time before revenue levels in leisure-led markets recover to pre-crisis levels'.

Profitability declines across Europe

As a result of diluted revenue levels across Europe, all of the markets surveyed experienced declines in profitability levels in the 10 months to October 2009. London was the only market in Europe where hoteliers were able to reduce payroll levels in the face of diminished revenues due to the flexibility of the British workforce. Five out of the ten markets surveyed experienced declines of approximately 35% or more in profit per available room (GOP PAR). Whilst the pace of decline in profitability moderated in October 2009, all markets surveyed experienced declines in profit per available room (GOP PAR).

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HotStats Briefing Data

European Chain Hotels - Performance report

Currency: € Euros

The month of October 2009

| Occ % | ARR | RevPAR | Payroll % | GOP PAR |
|-------|--------|--------|-----------|---------|
| 72.6 | 167.36 | 121.47 | 30.5 | 71.27 |
| 66.2 | 121.95 | 80.72 | 32.3 | 38.75 |
| 78.2 | 145.73 | 113.92 | 25.3 | 86.34 |
| 70.5 | 95.06 | 67.04 | 25.3 | 40.25 |
| 88.0 | 154.19 | 135.65 | 22.2 | 102.70 |
| 80.7 | 121.40 | 98.00 | 27.5 | 61.35 |
| 86.8 | 167.63 | 145.42 | 36.5 | 78.68 |
| 69.5 | 114.74 | 79.75 | 22.5 | 58.06 |
| 79.8 | 166.08 | 132.52 | 34.8 | 70.60 |
| 73.5 | 94.87 | 69.74 | 20.9 | 55.49 |

Ten months to October 2009

| Occ % | ARR | RevPAR | Payroll % | GOP PAR |
|-------|--------|--------|-----------|---------|
| 72.2 | 160.99 | 116.20 | 33.8 | 61.55 |
| 59.1 | 130.47 | 77.05 | 35.9 | 29.01 |
| 65.5 | 135.67 | 88.79 | 32.4 | 48.09 |
| 59.6 | 98.72 | 58.78 | 30.2 | 26.57 |
| 83.8 | 145.33 | 121.76 | 24.5 | 82.74 |
| 69.5 | 110.16 | 76.60 | 34.5 | 34.91 |
| 75.7 | 160.68 | 121.68 | 41.5 | 54.06 |
| 61.0 | 108.06 | 65.90 | 27.8 | 38.12 |
| 68.0 | 153.24 | 104.25 | 43.2 | 38.62 |
| 64.3 | 89.05 | 57.26 | 26.2 | 36.13 |

The month of October 2008

| Occ% | ARR | RevPAR | Payroll % | GOP PAR |
|------|--------|--------|-----------|---------|
| 77.3 | 188.26 | 145.47 | 29.0 | 89.23 |
| 61.8 | 159.41 | 98.56 | 31.3 | 50.77 |
| 78.5 | 167.63 | 131.55 | 26.0 | 95.08 |
| 75.2 | 124.96 | 93.99 | 21.0 | 70.17 |
| 84.5 | 160.53 | 135.56 | 22.2 | 103.42 |
| 80.7 | 151.58 | 122.39 | 24.3 | 81.90 |
| 87.0 | 197.86 | 172.20 | 32.0 | 104.80 |
| 68.3 | 146.07 | 99.74 | 20.7 | 77.08 |
| 80.3 | 181.67 | 145.84 | 35.7 | 80.55 |
| 75.7 | 93.74 | 71.00 | 21.8 | 59.22 |

Ten months to October 2008

| Occ% | ARR | RevPAR | Payroll % | GOP PAR |
|------|--------|--------|-----------|---------|
| 74.8 | 189.15 | 141.45 | 31.4 | 80.87 |
| 60.4 | 162.37 | 98.12 | 31.9 | 47.31 |
| 67.8 | 151.12 | 102.46 | 31.7 | 57.95 |
| 70.4 | 108.31 | 76.25 | 27.1 | 41.17 |
| 82.9 | 157.18 | 130.36 | 25.1 | 89.26 |
| 73.4 | 131.60 | 96.52 | 29.7 | 53.42 |
| 79.1 | 177.92 | 140.69 | 38.4 | 71.00 |
| 68.7 | 130.48 | 89.64 | 24.6 | 60.32 |
| 72.1 | 179.43 | 129.34 | 38.7 | 61.74 |
| 69.6 | 88.22 | 61.40 | 25.6 | 41.93 |

Movement for the month of October

| Occ Change | ARR Change | RevPAR Change | Payroll Change | GOP PAR Change |
|------------|------------|---------------|----------------|----------------|
| -4.7 | -11.1% | -16.5% | 1.5 | -20.1% |
| 4.4 | -23.5% | -18.1% | 0.9 | -23.7% |
| -0.3 | -13.1% | -13.4% | -0.7 | -9.2% |
| -4.7 | -23.9% | -28.7% | 4.3 | -42.6% |
| 3.5 | -3.9% | 0.1% | 0.0 | -0.7% |
| 0.0 | -19.9% | -19.9% | 3.2 | -25.1% |
| -0.3 | -15.3% | -15.6% | 4.5 | -24.9% |
| 1.2 | -21.4% | -20.0% | 1.9 | -24.7% |
| -0.5 | -8.6% | -9.1% | -0.9 | -12.4% |
| -2.2 | 1.2% | -1.8% | -0.9 | -6.3% |

Movement for the ten months to October

| Occ Change | ARR Change | RevPAR Change | Payroll Change | GOP PAR Change |
|------------|------------|---------------|----------------|----------------|
| -2.6 | -14.9% | -17.9% | 2.4 | -23.9% |
| -1.4 | -19.6% | -21.5% | 4.0 | -38.7% |
| -2.4 | -10.2% | -13.3% | 0.7 | -17.0% |
| -10.9 | -8.9% | -22.9% | 3.0 | -35.5% |
| 0.8 | -7.5% | -6.6% | -0.6 | -7.3% |
| -3.8 | -16.3% | -20.6% | 4.8 | -34.6% |
| -3.3 | -9.7% | -13.5% | 3.1 | -23.9% |
| -7.7 | -17.2% | -26.5% | 3.3 | -36.8% |
| -4.1 | -14.6% | -19.4% | 4.6 | -37.4% |
| -5.3 | 0.9% | -6.7% | 0.6 | -13.8% |

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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