

European Chain Hotels Market Review – March 2008

Early Easter causes occupancy and profit to fall

Occupancy and profit fell in the majority of European hotel city markets surveyed by TRI Hospitality's monthly **HotStats** during the first quarter of 2008.

Occupancy was down in six cities and profit fell in eight of the 10 European cities surveyed, but the figures are distorted by the Easter holidays arriving in March this year compared to April in 2007.

“The hotels in our European sample are primarily city centre four and five-star business hotels and although they may attract some leisure demand during the Easter holidays, it tends not to compensate for the losses in rate and volume from the corporate market,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

Occupancy falls furthest in Warsaw

The largest drop in demand was experienced in Warsaw where average occupancy fell by 8.3 percentage points to 61.8 per cent over the three month period. This put Warsaw's occupancy at seventh place in the table. Consequently the ability to increase average rate was compromised resulting in a 9.6 per cent decline in RevPAR and a 17.9 per cent fall in income before fixed charges (IBFC) – also known as gross operating profit.

“In Warsaw's case there was already a similar rate of decline in occupancy and profit before Easter so it's unlikely that the early holiday period alone skewed the three-month figures,” said Langston.

Nevertheless, in actual terms Warsaw was the fourth most profitable city with daily IBFC of €40.90 per available room. Amsterdam, its nearest rival, came in third place with a daily IBFC of €58.87 per available room.

Another city where a downward trend was already apparent before Easter was Munich, although in this case the loss of corporate bookings in the holiday period exacerbated the decline massively, with IBFC PAR down by 22.3 per cent in the first quarter compared to a drop of 4.1 per cent in the two months to February.



Budapest bucks the downward trend

The only city to experience significant occupancy and profit growth was Budapest, albeit from a very low base in the previous three-month period. Average occupancy increased by 4.4 percentage points to 58.1 per cent helping RevPAR increase by 12 per cent. This caused a significant 45.5 per cent improvement in daily IBFC to €16.49 per available room.

Hoteliers cited stronger than expected meetings, incentives, convention, and exhibition business during the first quarter. An extra 260 bedrooms at the Budapest Marriott in the market, which were closed for refurbishment during the winter of 2007, also contributed to the increases.

However, despite recording the greatest growth in profitability and volume, in actual terms Budapest was the least profitable hotel city market, and the second emptiest, in the survey.

London has the fullest and most profitable hotels

In actual terms, London hotels enjoyed the highest occupancy and profit in the survey, with daily IBFC PAR 23 per cent ahead of Paris, its nearest rival. Keeping payroll costs as a percentage of total revenue lower than in Eastern European cities such as Prague and Warsaw helped London hoteliers to maximise profit.

Only one city, Vienna, had a higher payroll percentage than Paris, with wage costs in the Austrian capital accounting for nearly half of total revenue, the highest in the survey

“The Vienna hotel market experienced virtually no year-on-year change in performance, which shows its relative stability. With the Euro 2008 football tournament coming in June, hoteliers would do well to get a firmer grip on wage costs now to really make the most of the extra visitors,” said Langston.

For more information contact:
Jonathan Langston, managing director
020 7486 5191
jonathan.langston@trihc.com

Ben Walker, research manager
020 7892 2240
ben.walker@trihc.com

Claire King, marketing manager
020 7892 2237
claire.king@trihc.com

HotStats BRIEFING DATA

European Chain Hotels - Performance report

The month of March 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
76.0	168.47	128.01	31.0	72.68
59.7	159.84	95.40	34.2	48.57
65.9	95.45	62.86	32.3	28.58
67.5	113.02	76.25	33.0	36.91
80.2	174.96	140.37	26.9	94.90
63.1	109.00	68.74	38.6	25.21
79.5	207.84	165.26	39.6	85.65
68.3	94.54	64.61	31.0	34.36
63.8	151.32	96.51	44.0	36.71
65.2	109.16	71.17	27.0	46.79

Amsterdam
Berlin
Budapest
Hamburg
London
Munich
Paris
Prague
Vienna
Warsaw

The three months to March 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
72.2	160.70	116.07	34.1	58.87
57.1	151.88	86.75	36.7	37.46
58.1	93.34	54.25	37.2	16.49
62.3	107.72	67.14	35.4	29.58
77.6	177.16	137.51	27.6	89.13
64.0	113.77	72.80	36.4	30.40
75.7	205.09	155.18	41.2	72.61
61.9	98.45	60.92	32.6	30.43
59.4	142.76	84.84	48.9	24.93
61.8	104.52	64.56	28.1	40.90

The month of March 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
83.8	159.09	133.30	29.9	79.43
68.6	157.45	107.99	29.6	61.10
64.5	90.67	58.48	35.5	24.96
73.7	107.62	79.26	28.8	45.93
83.7	172.69	144.47	25.4	108.22
75.1	109.42	82.12	30.3	47.91
78.3	187.31	146.64	36.9	81.55
67.2	115.72	77.80	24.2	53.52
71.9	149.87	107.77	40.7	47.82
75.8	106.09	80.44	23.4	60.94

Amsterdam
Berlin
Budapest
Hamburg
London
Munich
Paris
Prague
Vienna
Warsaw

The three months to March 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
77.9	151.37	117.84	33.9	60.03
61.3	142.71	87.45	34.5	39.53
53.7	90.19	48.44	41.9	11.33
64.1	102.22	65.52	34.2	30.38
79.6	169.70	135.12	26.8	92.64
70.4	111.31	78.36	33.5	39.14
75.1	183.92	138.13	40.7	65.52
59.6	109.93	65.56	29.0	37.51
59.3	141.91	84.11	48.6	25.22
70.0	102.00	71.43	26.4	49.84

Movement for the month of March

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-7.8	5.9%	-4.0%	1.2	-8.5%
-8.9	1.5%	-11.7%	4.7	-20.5%
1.3	5.3%	7.5%	-3.2	14.5%
-6.2	5.0%	-3.8%	4.2	-19.6%
-3.4	1.3%	-2.8%	1.5	-12.3%
-12.0	-0.4%	-16.3%	8.3	-47.4%
1.2	11.0%	12.7%	2.7	5.0%
1.1	-18.3%	-17.0%	6.8	-35.8%
-8.1	1.0%	-10.4%	3.4	-23.2%
-10.6	2.9%	-11.5%	3.6	-23.2%

Amsterdam
Berlin
Budapest
Hamburg
London
Munich
Paris
Prague
Vienna
Warsaw

Movement for the 03 months to March

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-5.6	6.2%	-1.5%	0.2	-1.9%
-4.2	6.4%	-0.8%	2.2	-5.2%
4.4	3.5%	12.0%	-4.7	45.5%
-1.8	5.4%	2.5%	1.3	-2.6%
-2.0	4.4%	1.8%	0.9	-3.8%
-6.4	2.2%	-7.1%	2.8	-22.3%
0.6	11.5%	12.3%	0.4	10.8%
2.2	-10.4%	-7.1%	3.6	-18.9%
0.2	0.6%	0.9%	0.3	-1.1%
-8.3	2.5%	-9.6%	1.8	-17.9%

EDITORS NOTES:

The European Chain Hotels currency within this report is shown in Euros

Hotels contained in these samples operate predominantly in the four and five star sectors.

TRI Hospitality Consulting provides a wide range of services to clients in the hotels, tourism and leisure sectors. It has offices in London and Dubai.

Definitions:

Occupancy is that proportion of the bedrooms available during the period which are occupied during the period.

Room rate is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

Room 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.

IBFC PAR is the Income Before Fixed Charges shown per available room.