

## European Chain Hotels Market Review – June 2008

### Vienna kicks average rate skywards

The UEFA EURO 2008 football championships caused a massive surge in profit for Vienna's chain hotels, according to the latest European HotStats survey from TRI Hospitality Consulting.

Income before fixed charges (IBFC) – also known as gross operating profit – increased by 80.5 per cent to a daily figure of €128.82 per available room. Increased profit was driven by an extraordinary 61.4 per cent rise in achieved average room rate to €270.16, the highest in the survey

“Vienna's chain hoteliers played a winning tactical game in June, eschewing volume for revenue growth. By making the most of strong corporate demand for UEFA EURO 2008 and kicking their rates skywards, the effect on profit growth was outstanding,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

Some business was deterred by the high rates and average occupancy in the Austrian capital fell by 9.5 percentage points to 72.4 per cent, the lowest in the survey. The surge in extra revenue, however, meant that payroll represented just 28.2 per cent of total revenue in June, compared to 40.1 per cent during the six months to June. The football had other positive effects on Vienna's half year figures. In the six months to June, IBFC PAR increased by 22.7 per cent, compared to a rise of just 2.1 per cent in the five months to May.

### Paris tops profit league while Hamburg hits bottom

Paris was the most profitable city in the survey despite unfavourable comparison with last June when performance was boosted by the biennial Paris Air Show. Daily IBFC fell by 17.8 per cent to €131.93 per available room. After Vienna in second place, London was the third most profitable city market, reporting a 3.3 per cent increase in IBFC to €123.61 per available room.

Hamburg moved to the bottom of the profit table in June, with a 15.3 per cent drop in IBFC to €45.23 per available room. Although average occupancy only dipped by 1.5 percentage points to 74.5 per cent, achieved average room rate dropped by 4.6 per cent to €110.17.

“A combination of recent openings and refurbishments plus widespread discounting is putting pressure on rates in Hamburg. Given the city's significant reliance on leisure demand, achieving rate growth in July and August is likely to remain a challenge,” said Langston.



## **Demand slows but profit grows in most of Europe**

Focussing on the half-year figures, overall demand decreased in eight of the ten cities surveyed. The overall drops in demand were minimal in most cases. In Amsterdam, however, average occupancy fell by 4.6 percentage points, the furthest year-on-year drop. Some hoteliers reported fewer leisure guests from the US and the UK. Achieved average room rate still rose by 6.1 per cent, but lower demand impacted profitability, with IBFC increasing by just 1.6 per cent, below the 4 per cent rate of eurozone annual inflation.

In two cities – Munich and Prague - lower demand resulted in a decline in achieved average room rate. Profit growth was negative in three cities – Munich, Prague and Warsaw - but failed to keep pace with eurozone inflation in a further three cities– Amsterdam, Hamburg and London.

“Last year represented a high watermark for international travel and Europe enjoyed the lion’s share of arrivals. The drops in average occupancy need to be seen in this context. The prevailing economic outlook remains one of uncertainty, but in the first half of 2008, European hotel performance was reasonable, with both rooms revenue and profit continuing to grow in most city markets,” said Langston.

For more information contact:  
Jonathan Langston, managing director  
020 7486 5191  
[jonathan.langston@trihc.com](mailto:jonathan.langston@trihc.com)

Ben Walker, research manager  
020 7892 2240  
[ben.walker@trihc.com](mailto:ben.walker@trihc.com)

Claire King, marketing manager  
020 7892 2237  
[claire.king@trihc.com](mailto:claire.king@trihc.com)

# HOTSTATS BRIEFING DATA

## European Chain Hotels - Performance report

### The month of June 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
79.7	187.85	149.76	28.3	92.23
73.9	156.16	115.46	30.2	71.17
73.0	128.87	94.08	27.3	53.08
74.5	110.17	82.02	30.8	45.23
86.8	192.04	166.75	22.5	123.61
80.1	128.22	102.72	28.3	60.49
83.9	250.10	209.86	32.8	131.93
74.0	142.30	105.31	23.5	72.92
72.4	270.16	195.62	28.2	128.82
76.0	124.97	94.98	21.4	72.69

Amsterdam  
Berlin  
Budapest  
Hamburg  
London  
Munich  
Paris  
Prague  
Vienna  
Warsaw

### The six months to June 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
77.2	176.01	135.89	30.1	79.50
65.1	154.81	100.79	32.6	55.93
66.9	114.27	76.44	30.9	38.56
69.5	111.70	77.59	31.7	41.27
81.3	176.43	143.35	25.9	97.72
70.1	119.93	84.12	32.7	42.27
79.9	216.72	173.07	38.4	90.74
67.4	125.95	84.91	27.3	52.79
67.3	172.43	116.03	40.1	54.98
68.6	118.73	81.49	25.5	57.12

### The month of May 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
86.3	180.39	155.76	27.1	99.43
78.5	145.15	113.87	28.7	69.35
78.5	123.34	96.80	28.3	54.66
75.9	115.52	87.71	28.3	53.41
88.9	182.82	162.54	22.5	119.69
78.9	121.78	96.14	32.3	51.02
88.9	272.67	242.48	30.0	160.58
72.9	173.10	126.11	18.6	104.13
81.9	167.39	137.13	36.5	71.37
78.1	124.00	96.88	23.7	72.81

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### The six months to June 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
81.8	165.95	135.72	30.1	78.23
68.5	141.87	97.18	31.9	50.91
65.9	109.86	72.34	34.0	31.70
69.7	110.41	76.91	31.5	40.15
82.3	167.54	137.84	25.4	95.75
73.6	120.87	88.96	31.4	46.74
79.4	205.83	163.44	37.9	86.23
68.9	141.88	97.73	22.4	71.92
70.3	151.45	106.43	42.9	44.81
72.0	116.51	83.87	25.4	60.27

### Movement for the month of June

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-6.6	4.1%	-3.9%	1.2	-7.2%
-4.5	7.6%	1.4%	1.4	2.6%
-5.5	4.5%	-2.8%	-1.0	-2.9%
-1.5	-4.6%	-6.5%	2.4	-15.3%
-2.1	5.0%	2.6%	-0.1	3.3%
1.2	5.3%	6.8%	-3.9	18.6%
-5.0	-8.3%	-13.5%	2.8	-17.8%
1.2	-17.8%	-16.5%	4.9	-30.0%
-9.5	61.4%	42.7%	-8.3	80.5%
-2.1	0.8%	-2.0%	-2.3	-0.2%

Amsterdam  
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### Movement for the 06 months to June

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-4.6	6.1%	0.1%	0.0	1.6%
-3.4	9.1%	3.7%	0.8	9.9%
1.1	4.0%	5.7%	-3.1	21.6%
-0.2	1.2%	0.9%	0.2	2.8%
-1.0	5.3%	4.0%	0.5	2.1%
-3.5	-0.8%	-5.4%	1.3	-9.6%
0.5	5.3%	5.9%	0.4	5.2%
-1.5	-11.2%	-13.1%	4.9	-26.6%
-3.0	13.9%	9.0%	-2.7	22.7%
-3.3	1.9%	-2.8%	0.2	-5.2%

#### 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.