

HotStats™

Europe Chain Hotels Market Review - June 2007

Paris sees profits leap but Moscow stays in first place

Parisian chain hotels experienced a dramatic jump in profitability this June, according to the latest HotStats survey of leading European cities by TRI Hospitality Consulting.

Income before fixed charges per available room, a proxy measure of profit, leaped by a massive 51.4 per cent to Eu106.09 in the French capital. This means that the profit per available room in Paris was greater than the revenue per available room in all of the cities in the survey, except for London and Moscow.

Paris's improved profitability was the result of a drop in payroll costs of 5.1 points to 30 per cent, and the largest increase in revpar in the survey, rising 35.1 per cent to Eu242.48.

"Parisian hoteliers were able to really push rate for the first time this year, buoyed by very strong business demand, in part thanks to more than 150,000 trade visitors to the bi-annual Paris Air Show," said Jonathan Langston, managing director of TRI Hospitality Consulting.

However, Moscow held onto top place as the most profitable city with IBFC PAR up 20.3 per cent to Eu198.43. This was sustained by an enormous hike in average room rate of 34.4 per cent to Eu242.82 and despite payroll costs edging up 3.6 points to 19.3 per cent.

"Parisian hoteliers may have enjoyed huge revpar and profit growth, but the much lower cost base that exists in Moscow continues to enable its hoteliers to convert more revenue into profit," said Langston.

The boot is on the other foot for Germany

Chain hotel performance in Berlin, Hamburg and Munich suffered from unfavourable comparison with June 2006 when Germany played host to the World Cup. Room rate and revpar fell substantially in all three cities, with Berlin experiencing the most dramatic fall in room rate, down 35.1 per cent to Eu145.15. However, the German cities also showed the biggest increases in occupancy out of the 10 cities surveyed.

"All three German cities showed improvements in occupancy this June, suggesting that normal business demand was interrupted during last year's World Cup. But higher occupancy alone wasn't enough to stem the sharp falls in profit caused by lower rates and a high payroll burden," said Langston.

Budapest still struggling

The long term trend is most worrying for Budapest, Hamburg and Prague, which all experienced double digit falls in profit during the six months to June 2007 compared to the same period in 2006.

In the Hungarian capital, profit per available room fell by 28.5 per cent to Eu30.87, less than a quarter of the profit achieved in Moscow.

“Ironically Budapest and Moscow have had the same average occupancy of 65.9 per cent so far this year. But one city has the lowest rates in our survey and the other has the highest. The double challenge Budapest faces is to stimulate demand and quickly get to grips with rising wage costs,” said Langston.

In the year-to-date, Hamburg and Prague also experienced across-the-board negative movement, resulting in drops in profit of 15 per cent and 10.8 per cent respectively.

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HOTSTATS BRIEFING DATA

European Chain Hotels - Performance report

The month of June 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	117.36	92.11	28.3	51.89
75.3	112.43	84.67	28.6	51.18
89.0	216.97	193.05	22.5	142.16
75.1	242.82	182.36	19.3	198.43
78.9	121.78	96.14	32.3	51.02
88.9	272.67	242.48	30.0	160.58
71.9	149.25	107.36	19.2	86.57
81.9	167.39	137.13	36.5	71.37

The 06 months to June 2007

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
81.7	165.66	135.36	30.2	78.35
68.6	141.74	97.29	31.9	51.24
65.9	104.54	68.83	33.5	30.87
68.8	107.84	74.16	31.8	38.43
82.3	198.84	163.71	25.4	113.72
65.9	224.76	148.21	20.4	149
73.6	120.87	88.96	31.4	46.74
79.4	205.83	163.44	37.9	86.23
67.7	124.01	83.9	23.3	59.85
70.3	151.45	106.43	42.9	44.81

The month of June 2006

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
89.3	193.27	172.54	25.7	111.08
67.6	223.49	151.01	24.5	97.39
77.6	121.51	94.31	21.9	67.36
68.7	154.72	106.33	25.1	70.77
88.4	192.12	169.74	24.0	118.33
78.6	180.68	141.93	15.7	164.91
66.2	163.35	108.14	26.4	71.79
83.5	214.86	179.46	35.1	106.09
84.2	156.5	131.75	16.3	109.47
84.3	163.34	137.77	35.1	76.58

The 06 months to June 2006

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
81.1	160.62	130.23	31.0	73.39
67.0	145.78	97.61	31.7	50.47
67.6	104.96	70.92	27.9	43.16
71.3	112.86	80.51	30.5	45.23
82.3	177.05	145.66	27.1	94.84
65.2	174.37	113.76	20.7	121.69
70.6	111.18	78.44	31.1	40.22
75.1	190.73	143.26	40.0	69.44
72.2	128.15	92.53	22.0	67.08
70.8	144.12	102	42.8	43.06

Movement for the month of June

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-2.9	-6.7%	-9.7%	1.3	-10.5%
10.9	-35.1%	-24.6%	4.2	-28.8%
0.9	-3.4%	-2.3%	6.4	-23.0%
6.6	-27.3%	-20.4%	3.5	-27.7%
0.6	12.9%	13.7%	-1.5	20.1%
-3.5	34.4%	28.5%	3.6	20.3%
12.7	-25.4%	-11.1%	5.9	-28.9%
5.4	26.9%	35.1%	-5.1	51.4%
-12.3	-4.6%	-18.5%	2.9	-20.9%
-2.4	2.5%	-0.5%	1.4	-6.8%

Movement for the 06 months to June

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
0.6	3.1%	3.9%	-0.8	6.8%
1.7	-2.8%	-0.3%	0.2	1.5%
-1.7	-0.4%	-2.9%	5.6	-28.5%
-2.6	-4.4%	-7.9%	1.3	-15.0%
0.1	12.3%	12.4%	-1.7	19.9%
0.7	28.9%	30.3%	-0.3	22.4%
3.1	8.7%	13.4%	0.3	16.2%
4.3	7.9%	14.1%	-2.0	24.2%
-4.5	-3.2%	-9.3%	1.3	-10.8%
-0.5	5.1%	4.3%	0.1	4.1%

EDITORS NOTES:

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

Hotels contained with these samples operate primarily in the three, 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.