

## European Chain Hotels Market Review – July 2008

### Mid-East migration and opera lift profit in Munich

July was a mixed month for European chain hotels, with year-on-year profit growth in half of the cities surveyed by TRI Hospitality Consulting's latest HotStats report. Income before fixed charges (IBFC) – also known as gross operating profit – increased in Budapest, Hamburg, London, Munich and Paris.

The German cities of Munich and Hamburg stood out as the only markets to report a year-on-year increase in demand. In Munich, the sample of four and five-star international chain hotels reported average occupancy up by 1.3 percentage points to 82.1 per cent, the second highest in the survey.

“There were three main reasons for Munich's strong performance. Unlike the rest of Germany, July remains a full-business month because the Bavarian school holidays start in August; an opera festival fuelled strong rate growth for city centre hotels; and leisure demand from the Middle East remained buoyant,” said Charles Scudamore, director, TRI Hospitality Consulting.

The Middle East is an increasingly important source market for Munich's hotels particularly in the summer. Overnight stays were up by 38 per cent to 253,000 last year, according to the city's tourist office, with wealthy Middle Eastern visitors escaping the heat at home to use Munich's medical and leisure facilities.

Munich was the third most profitable city in the survey with daily IBFC up by 40.9 per cent to €61.27 per available room. This was largely the result of the highest rate growth in the survey - up 20.2 per cent to €128.38 per available room, which also pushed payroll down by 3.6 percentage points to 28 per cent of total revenue, the second lowest in the survey.

### Drop in leisure demand in Amsterdam

The largest fall in demand was reported in Amsterdam where average occupancy dropped by 10.9 percentage points to 74 per cent, primarily due to a reduction in leisure visitors from North America and the UK.

Leisure demand accounts for 40 per cent of annual overnight stays in Amsterdam, the proportion being higher in the city centre during summer. Around 36 per cent of total visitors are from the UK and North America, according to the city's tourist board.



“Despite the fall in average occupancy, it is encouraging to see that rate growth was still achieved. We expect the Amsterdam hotel market to return to its annual trend from September onwards,” said Scudamore.

### **Occupancy rise boosts profit in Hamburg**

Elsewhere, Budapest reported the greatest profit growth albeit from a very low base a year earlier, with daily IBFC increasing by 92.7 per cent to €28.57 per available room. This still put Budapest second from bottom of the profit table. With little change in average occupancy and rate growth of 9.1 per cent, the profit jump was largely due to a substantial 8.3 point decrease in payroll to 32.2 per cent of total revenue caused by some hotels in the sample reducing their manpower levels during the last 12 months.

The second highest increase in profit was reported in Hamburg: a 52.7 per cent rise in IBFC to €39.42 per available room. This was the result of an overall increase in demand while rate growth of 1.5 per cent remained weak.

“Hamburg is a popular leisure destination particularly with Germans and Danes. Its hotels generally enjoy higher weekend occupancies than other German cities, with a choice of musicals including “The Lion King” being a major draw. A spate of recent hotel openings, however, has resulted in discounting, hence the low growth in average room rate,” said Scudamore.

London was the most profitable city in the survey, with daily IBFC increasing by 24.8 per cent to €129.76 per available room. The profit boost was largely down to the biennial Farnborough Airshow, which lifted achieved average room rate by 17.5 per cent to €204.76

For more information contact:

Charles Scudamore, director

020 7486 5191

[charles.scudamore@trihc.com](mailto:charles.scudamore@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 July 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
74.0	156.13	115.50	33.6	55.37
62.7	115.95	72.69	37.6	24.89
69.7	101.38	70.66	32.2	28.57
74.7	100.07	74.75	30.3	39.42
89.3	204.76	182.74	22.1	129.76
82.1	128.38	105.34	28.0	61.27
77.6	213.16	165.46	38.7	82.29
80.6	89.58	72.20	28.9	41.17
72.7	139.75	101.59	42.7	35.80
67.5	99.08	66.87	30.7	31.41

Amsterdam  
Berlin  
Budapest  
Hamburg  
London  
Munich  
Paris  
Prague  
Vienna  
Warsaw

### The seven months to July 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
76.7	173.22	132.92	30.6	75.99
64.8	149.34	96.70	33.2	51.41
67.3	112.30	75.59	31.1	37.09
70.2	109.90	77.18	31.5	41.00
82.4	180.84	149.09	25.2	102.39
71.9	121.34	87.22	31.9	45.04
79.5	216.21	171.96	38.4	89.51
69.3	119.81	83.07	27.6	51.10
68.1	167.34	113.93	40.5	52.18
68.5	115.91	79.36	26.1	53.37

### The month of July 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
84.8	152.46	129.35	30.5	70.65
71.5	117.00	83.67	38.6	27.31
70.4	92.96	65.42	40.4	14.83
69.0	98.58	68.03	34.2	25.82
89.4	174.23	155.73	24.5	103.95
80.7	106.78	86.20	31.6	43.49
81.9	201.07	164.64	38.0	80.09
82.3	111.97	92.11	25.0	60.11
77.5	128.88	99.85	43.1	36.80
72.5	100.29	72.72	28.7	36.42

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### The seven months to July 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
82.2	163.92	134.79	30.2	77.12
68.9	138.10	95.21	32.6	47.46
66.5	107.23	71.32	34.8	29.22
69.6	108.69	75.61	31.8	38.05
83.3	168.58	140.42	25.3	96.93
74.6	118.64	88.56	31.5	46.26
79.8	205.13	163.61	38.0	85.35
70.8	136.80	96.91	22.8	70.19
71.3	147.86	105.47	42.9	43.64
72.1	114.12	82.24	25.7	56.78

### Movement for the month of July

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-10.9	2.4%	-10.7%	3.1	-21.6%
-8.8	-0.9%	-13.1%	-1.0	-8.9%
-0.7	9.1%	8.0%	-8.3	92.7%
5.7	1.5%	9.9%	-3.9	52.7%
-0.1	17.5%	17.3%	-2.5	24.8%
1.3	20.2%	22.2%	-3.6	40.9%
-4.3	6.0%	0.5%	0.6	2.7%
-1.7	-20.0%	-21.6%	4.0	-31.5%
-4.8	8.4%	1.7%	-0.4	-2.7%
-5.0	-1.2%	-8.0%	2.0	-13.8%

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### Movement for the 07 months to July

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-5.5	5.7%	-1.4%	0.4	-1.5%
-4.2	8.1%	1.6%	0.6	8.3%
0.8	4.7%	6.0%	-3.8	26.9%
0.7	1.1%	2.1%	-0.3	7.8%
-0.9	7.3%	6.2%	0.0	5.6%
-2.8	2.3%	-1.5%	0.5	-2.6%
-0.2	5.4%	5.1%	0.5	4.9%
-1.5	-12.4%	-14.3%	4.8	-27.2%
-3.3	13.2%	8.0%	-2.5	19.6%
-3.6	1.6%	-3.5%	0.4	-6.0%

#### 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.