

## European Chain Hotels Market Review – January 2008

### Payroll makes the difference to London's profitability

Chain hotels in Paris had the best room sales in January but London took the lead in terms of profit, according to the latest **HotStats** survey of 10 European cities by TRI Hospitality Consulting.

Paris put in the best sales performance with room RevPAR increasing by 9.4 per cent to Eu147.34. However, to look at room sales alone would give a misleading and partial picture. With Paris spending 40.8 per cent of total sales on labour compared to 28.4 per cent in London, payroll was the critical cost that prevented a Parisian hotel room generating more profit than the same room in London.

London was the most profitable city in the survey with income before fixed charges (IBFC) of Eu82.07 per available room, far ahead of Paris in second place with IBFC of Eu69.46 PAR.

“The best RevPAR performance will not always deliver the best profits. Hoteliers have to keep costs in check to extract the best operating return,” said David Bailey, deputy managing director, TRI Hospitality Consulting.

### Warsaw keeps payroll costs low

In absolute terms, Warsaw was the fourth most profitable city in the survey, despite a 20.5 per cent year-on-year decline in IBFC PAR. Again, labour costs were a critical factor. Warsaw had the second lowest payroll percentage in the survey at 28.5 per cent of total sales.

Low labour costs helped Warsaw hoteliers convert two thirds of room sales into profit, compared to just one quarter in Vienna, the city with the highest payroll percentage.

“The fixed payroll cost component tends to take up a greater percentage of total revenue at the start of the year when sales are generally at their weakest. But despite a year-on-year drop in revenue Warsaw hoteliers were still capable of controlling wage costs,” said Bailey.

Amsterdam was the third most profitable city in the survey, with an 11.6 per cent increase in IBFC to Eu48.70 per available room, driven entirely by rate.

### Demand increases in Prague and Vienna

Only chain hotels in Prague, Vienna and Budapest showed significant growth in demand, albeit from a low base during the same month a year earlier.



In Prague average occupancy rose by 3.5 percentage points year-on-year to reach 58.1 per cent, but a drop in achieved average room rate meant that profit stayed flat.

In Vienna, occupancy increased by 4.9 percentage points also to 58.0 per cent, and a 5.0 per cent rate improvement resulted in the fourth best room sales in the survey. RevPAR increased by 14.6 per cent to Eu82.15.

However, despite the boost to sales Vienna's expensive trading environment hampered its profitability resulting in IBFC of Eu21.74 per available room compared to Eu25.80 in Prague.

Budapest had the highest increase in occupancy of 8.5 percentage points, but still came bottom of the table, underlining the extreme seasonal low hit in January 2007.

For more information contact:

David Bailey, deputy managing director

020 7486 5191

[david.bailey@trihc.com](mailto:david.bailey@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 single month of January 2008

	Occ %	ARR	RevPAR	Payroll %	IBFC PAR
Amsterdam	68.4	154.49	105.59	36.5	48.70
Berlin	51.2	128.69	65.93	42.5	16.97
Budapest	51.1	92.81	47.45	39.3	13.30
Hamburg	54.3	103.59	56.24	38.8	20.77
London	73.4	189.93	139.47	28.4	82.07
Munich	61.9	115.01	71.19	36.5	29.61
Paris	72.7	202.68	147.34	40.8	69.46
Prague	58.1	95.33	55.34	33.9	25.80
Vienna	58.1	141.45	82.15	50.5	21.74
Warsaw	57.4	98.51	56.56	28.5	37.27

### The single month of January 2007

	Occ%	ARR	RevPAR	Payroll %	IBFC PAR
Amsterdam	70.6	144.06	101.63	37.3	43.62
Berlin	54.1	122.41	66.22	38.8	21.11
Budapest	42.7	94.46	40.30	45.2	5.96
Hamburg	53.4	96.87	51.76	40.4	15.18
London	75.6	179.35	135.52	28.7	80.55
Munich	64.9	116.07	75.34	34.9	34.21
Paris	74.1	181.95	134.74	40.8	64.67
Prague	54.6	99.10	54.09	32.7	25.75
Vienna	53.2	134.73	71.70	53.4	15.01
Warsaw	66.7	96.56	64.37	26.9	46.86

### Movement for the 01 month to January

	Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
Amsterdam	-2.2	7.2%	3.9%	-0.8	11.6%
Berlin	-2.9	5.1%	-0.4%	3.7	-19.6%
Budapest	8.5	-1.7%	17.7%	-5.9	123.2%
Hamburg	0.9	6.9%	8.7%	-1.6	36.8%
London	-2.1	5.9%	2.9%	-0.2	1.9%
Munich	-3.0	-0.9%	-5.5%	1.6	-13.4%
Paris	-1.4	11.4%	9.4%	0.0	7.4%
Prague	3.5	-3.8%	2.3%	1.2	0.2%
Vienna	4.9	5.0%	14.6%	-2.9	44.8%
Warsaw	-9.3	2.0%	-12.1%	1.7	-20.5%

#### EDITORS NOTES:

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

Hotels contained within 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.