

## European Chain Hotels Market Review – May 2008

### Budapest enjoys highest profit growth

Chain hotels in Budapest reported the greatest increase in profit during May, according to TRI Hospitality Consulting's HotStats survey of 10 European hotel markets.

Daily income before fixed charges (IBFC) – also known as gross operating profit – increased by 34.5 per cent to an average figure of €62.54 per available room in the Hungarian capital. A major cause of Budapest's profit growth was the year-on-year decrease in payroll as a percentage of total revenue, which fell by the largest margin in the survey - 3.7 points to 25.1 per cent.

The HotStats data suggests that some hotels have reduced their manpower levels within the last year; one general manager of a four-star property reported employing 60 fewer staff now compared with three years ago.

“Wage costs have undoubtedly risen since Hungary joined the EU in 2004 and in reaction some streamlining of resources has occurred. As long as service levels are maintained, our data shows how good wage cost management plays a crucial role in maximising profitability,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

### Amsterdam profit overtakes Paris

In absolute terms, Amsterdam was the second most profitable hotel market in the survey, taking over from Paris as London's chief rival. Our sample of Amsterdam hotels reported daily IBFC up by 9.5 per cent to €102.18 per available room, hot on the heels of London in first place with €103.28 per available room.

Amsterdam also enjoyed the second highest volume with average occupancy at 83.8 per cent, despite a year-on-year drop of 0.9 percentage points. Among four major events in the city, ISSA InterClean, the biennial trade fair for the cleaning industry, attracted some 24,000 visitors to the Amsterdam RAI Exhibition and Convention Centre, with organisers reporting an increase in the ratio of international visitors.

“Although some hoteliers reported a slight drop in leisure demand from UK and US visitors, reflected in the marginal year-on-year occupancy dip, Amsterdam hoteliers had a strong May thanks to buoyant corporate demand. With no dilution from new hotel openings in the rest of 2008, the overall outlook for the Amsterdam hotel market is positive,” said Langston.



## **Berlin has highest room sales growth**

The German capital performed well in May with our Berlin sample reporting the greatest increase in room sales, up by 10.8 per cent to €126.61. This helped make Berlin the fourth most profitable city in the survey. With occupancy holding steady, it was the 10.3 per cent increase in achieved average room rate that resulted in IBFC up by 24.4 per cent to €91.25 per available room.

Profitability in Munich took a hit from a 3.2 percentage point fall in occupancy to 73.9 per cent due to a comparative lull in the meetings calendar and fewer North American visitors. Despite strong rate growth, the Bavarian city reported a five per cent decrease in daily IBFC PAR to €43.87, making it the least profitable hotel market in the survey.

The reverse was the case in Hamburg, where occupancy increased but achieved average room rate declined. Discounting across all demand segments was prevalent due to recently opened hotels offering competitive room rates and attractive conference packages.

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# HOTSTATS BRIEFING DATA

European Chain Hotels - Performance report

## The month of May 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
83.8	189.63	158.97	26.4	102.18
76.8	164.83	126.61	27.2	91.25
77.9	120.97	94.23	25.1	62.54
79.5	116.07	92.26	27.6	56.48
84.1	176.98	148.87	25.4	103.28
73.9	120.49	89.01	33.0	43.87
83.3	217.63	181.20	38.1	98.70
77.1	144.45	111.35	22.2	79.69
81.0	166.07	134.57	37.5	70.38
74.9	108.70	81.45	25.4	56.79

Amsterdam  
Berlin  
Budapest  
Hamburg  
London  
Munich  
Paris  
Prague  
Vienna  
Warsaw

## The five months to May 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
76.7	173.58	133.15	30.6	76.99
63.4	154.50	97.90	33.2	52.92
65.7	103.87	68.22	31.8	33.29
68.5	112.03	76.72	31.9	40.49
80.1	173.69	139.13	26.7	92.79
68.2	118.00	80.44	33.8	38.66
79.1	209.72	165.81	39.8	82.60
66.1	116.00	76.70	28.5	45.90
66.3	151.30	100.28	43.9	40.37
67.2	107.33	72.11	26.4	49.43

## The month of May 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
84.7	179.10	151.77	27.2	93.28
76.5	149.44	114.29	27.5	73.37
77.4	114.52	88.65	28.8	46.49
75.0	118.82	89.06	29.0	52.36
83.6	172.98	144.56	22.9	104.62
77.1	110.40	85.13	31.8	46.17
81.5	207.68	169.17	38.5	88.43
82.1	164.07	134.68	17.1	113.12
84.0	172.17	144.54	36.0	81.65
76.0	111.36	84.59	24.1	64.12

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## The five months to May 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
80.9	162.89	131.74	30.8	74.02
66.5	141.10	93.87	32.6	47.24
63.3	99.81	63.19	35.5	25.34
68.4	109.28	74.76	32.2	37.51
80.9	164.79	133.32	26.1	91.22
72.5	120.68	87.53	31.3	45.89
77.6	191.09	148.24	40.3	71.92
68.1	127.92	87.10	23.6	61.61
68.0	147.63	100.33	44.4	39.53
70.8	105.07	74.35	25.7	52.85

## Movement for the month of May

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-0.9	5.9%	4.7%	-0.8	9.5%
0.3	10.3%	10.8%	-0.3	24.4%
0.5	5.6%	6.3%	-3.7	34.5%
4.5	-2.3%	3.6%	-1.4	7.9%
0.5	2.3%	3.0%	2.5	-1.3%
-3.2	9.1%	4.6%	1.2	-5.0%
1.8	4.8%	7.1%	-0.4	11.6%
-5.0	-12.0%	-17.3%	5.1	-29.6%
-2.9	-3.5%	-6.9%	1.4	-13.8%
-1.0	-2.4%	-3.7%	1.2	-11.4%

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## Movement for the 05 months to May

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-4.2	6.6%	1.1%	-0.3	4.0%
-3.2	9.5%	4.3%	0.6	12.0%
2.4	4.1%	8.0%	-3.7	31.4%
0.1	2.5%	2.6%	-0.3	7.9%
-0.8	5.4%	4.4%	0.6	1.7%
-4.4	-2.2%	-8.1%	2.5	-15.8%
1.5	9.7%	11.9%	-0.5	14.8%
-2.0	-9.3%	-11.9%	4.9	-25.5%
-1.7	2.5%	0.0%	-0.5	2.1%
-3.6	2.2%	-3.0%	0.7	-6.5%

### 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.