

European Chain Hotels Market Review – January 2009

Profit continues to fall across Europe

The trend of falling occupancy, revenue and profit across key European hotel markets continued during January, according to the latest HotStats survey by TRI Hospitality Consulting.

In Vienna the sample of international branded hotels saw daily profit – expressed as income before fixed charges (IBFC) – decline by nearly two thirds to just €9.80 per available room. In Prague profit more than halved and in Amsterdam the decline was 45.2 per cent. The only city in the survey not to report a double-digit decline in profit was Hamburg.

“There has been considerable supply growth in both Vienna and Prague since January 2008. More than 2,000 extra graded bedrooms entered the Vienna market and at least 800 branded hotel rooms opened in Prague. Combined with the decline in overnights from these cities’ key source markets (Germany, the UK, and the US) all of which are now firmly in recession, the growing number of bedrooms is diluting performance,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

Vienna payroll exceeds 50 per cent

The factor which pushed Vienna’s profitability further into the red was its traditionally high labour costs. Payroll increased 8.3 percentage points to 55.5 per cent of total revenue. In Amsterdam, payroll rose from 37.4 to 43.9 per cent of total revenue.

“The fixed payroll component tends to take up a greater percentage of total revenue at the start of the year when sales are generally at their weakest. This January’s year-on-year falls in revenue have heightened this trend further, particularly in Austria which has strong labour laws and a high standard of living,” said Langston.

Although relatively high, payroll costs were at their most stable year-on-year in Germany. Berlin and Hamburg both reduced the payroll percentage despite falls in revenue and profit.

London drops room rates

Paris and London reported similar falls in occupancy and profit. Occupancy was down 3.3 percentage points to 70 per cent in London and in Paris down by 3.5 points to 69.3 per cent. Profit fell back by 20.6 per cent in Paris and 21.5 per cent in London.

There was greater discounting in the London market, however. Average room rate dropped by 8.4 per cent in the UK capital compared to -3.7 per cent in Paris. Relatively high reductions to rack,



corporate, conference and leisure rates meant that London slipped from its historical place as the most profitable city in the survey.

In absolute terms, Paris had the highest average room rate and the best room revenue performance making it number one for profit with daily IBFC of €55.13 per available room.

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HotStats Briefing Data

European Chain Hotels - Performance report

The month of January 2009

	Occ %	ARR	RevPAR	Payroll %	IBFC PAR
Amsterdam	51.7	150.00	77.50	43.9	26.16
Berlin	49.1	126.70	62.25	41.5	12.64
Budapest	42.0	90.59	38.08	42.4	8.17
Hamburg	54.7	107.96	59.10	37.8	20.83
London	70.0	135.41	94.75	31.2	51.59
Munich	56.7	113.91	64.62	40.4	22.19
Paris	69.3	195.15	135.13	44.1	55.13
Prague	42.4	107.98	45.75	36.1	17.38
Vienna	50.0	148.20	74.12	55.5	9.80
Warsaw	49.0	83.57	40.94	33.2	21.39

The month of January 2008

	Occ%	ARR	RevPAR	Payroll %	IBFC PAR
Amsterdam	65.5	164.65	107.79	37.4	47.74
Berlin	51.2	128.69	65.93	42.5	16.97
Budapest	52.7	87.17	45.94	39.1	13.10
Hamburg	54.8	111.40	61.03	37.9	21.64
London	73.2	147.85	108.25	29.1	65.72
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	112.96	65.60	30.8	36.28
Vienna	59.4	158.73	94.24	47.2	28.02
Warsaw	57.4	83.11	47.72	28.5	31.44

Movement for the month of January

	Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
Amsterdam	-13.8	-8.9%	-28.1%	6.5	-45.2%
Berlin	-2.1	-1.5%	-5.6%	-1.0	-25.5%
Budapest	-10.7	3.9%	-17.1%	3.3	-37.6%
Hamburg	0.0	-3.1%	-3.2%	-0.2	-3.7%
London	-3.3	-8.4%	-12.5%	2.1	-21.5%
Munich	-5.2	-1.0%	-9.2%	3.9	-25.1%
Paris	-3.5	-3.7%	-8.3%	3.3	-20.6%
Prague	-15.7	-4.4%	-30.3%	5.3	-52.1%
Vienna	-9.4	-6.6%	-21.3%	8.3	-65.0%
Warsaw	-8.4	0.6%	-14.2%	4.7	-32.0%

EDITORS NOTES:

The currency within this report is Euros (€)

Hotels contained in these samples operate primarily 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, Madrid 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.

