

Report - European Hotel Supply In 2007

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Total supply of hotel groups in the EU is over 1.2 million

œ The global growth of the hotel supply in the European union is more dynamic. The rhythm is increasing with 2.3% new rooms at the beginning of 2007. The total supply of the hotel groups present in the EU is over 1.2 million with a majority of the rooms in the upper categories.

œ Presented in detail during the recent Global Lodging Forum in Paris, the ranking of the hotel brands and groups confirms the leadership of the Accor Group, far ahead of its competitors. Further down the list, the alliances and the acquisitions have shuffled the positions. The Spanish groups have experienced a particularly moving year 2006.

œ With its strategy to develop a unique brand Best Western still keeps the top of the list in Europe. Hilton and Premier Travel Inn demonstrated also their dynamism in 2006 but not as much as Riu, the leisure hotel brand of TUI, which jumps up 14%.

Growth of the hotel chains supply in the European Union

Supply at January 1st 2007

	Hotels		Rooms		Change		
	2006	2007	2006	2007	Hotels	Rooms	% rooms
0*/1*	1 257	1 268	90 176	91 156	11	980	1.1%
2	2 579	2 710	201 093	205 788	131	4 695	2.3%
3	3 862	3 874	427 906	432 124	12	4 218	1.0%
4	2 812	2 920	514 417	535 191	108	20 774	4.0%
Total	10 510	10 772	1 235 598	1 264 259	262	28 661	2.3%

Source : MKG Consulting Database – March 2007

According to the figures collected by MKG Consulting, the boost received by Europe's chain supply followed through. The supply grows by 2.3%, for a positive balance of 262 hotels and 28,661 rooms. And the majority of the ten leaders of Europe's hotel industry continue to expand their network. The growth of the Top 10 continental groups brought the supply to 19,342 rooms, or up 2.8 % and representing more than half of the growth of all the groups present in Europe.

2007 European Hotel Groups Ranking

Supply at January 1st 2007

Rank 2007	Rank 2006	Groups	Hotels 2007	Hotels 2006	Rooms 2007	Rooms 2006	Evol. Ch.07/06
1	1	ACCOR	2,205	2,197	241,046	239,279	0.7%
2	2	BEST WESTERN	1,215	1,195	80,318	78,140	2.8%
3	3	ICH GROUP	505	498	77,721	76,794	1.2%
4	5	HILTON CORP.	257	243	56,675	53,600	5.7%
5	4	LOUVRE HOTELS	823	851	56,339	59,475	-5.3%
6	7	TUI	190	170	48,843	41,508	17.7%
7	6	SOL MELIA	198	208	41,771	45,652	-8.5%
8	12	NH HOTELES	270	217	38,466	30,553	25.9%
9	9	CARLSON / REZIDOR SAS	195	184	37,271	35,352	5.4%
10	10	STARWOOD HOTELS & RES.	153	144	35,064	33,819	3.7%
TOTAL 10 GROUPEES			6,011	5,907	713,514	694,172	2.8%

Source : MKG Consulting Database – March 2007

Accor is always solidly positioned in first place of this ranking. While two thirds of future rooms will be located in countries where the hotel industry is booming (China, India, Russia, Middle East), Accor is not ignoring a continent that is as strong as Europe in its development strategy.

2007 European Hotels Brands Ranking

Supply at January 1st 2007

Rank 2007	Rank 2006	Brands	Hotels		Rooms		Evolution Nb of rooms
			2007	2006	2007	2006	
1	1	Best Western	1,215	1,195	80,318	78,140	2.8%
2	2	Ibis	631	616	65,868	63,749	3.3%
3	3	Mercure	530	545	61,441	61,757	-0.5%
4	4	Novotel	268	274	42,768	43,270	-1.2%
5	5	Holiday Inn	272	280	42,566	43,195	-1.5%
6	6	Hilton	137	129	35,190	33,503	5.0%
7	7	NH Hoteles	226	217	31,286	30,553	2.4%
8	8	Premier Travel Inn	475	463	31,000	29,000	6.9%
9	9	Etap Hotel	343	326	27,829	26,320	5.7%
10	11	Riu Hotels (TUI)	87	78	25,459	22,350	13.9%
11	10	Radisson	115	109	24,725	23,815	3.8%

Source : MKG Consulting Database – March 2007

At Accor, throughout the continent, economy and hard-budget brands are the group's priority. Ibis, as dynamic as ever, thus progresses by 3.3%. Brand work - segmentation within Mercure with the creation of the luxury label Grand Mercure, and the new image of the Novotel brand - caused a slight drop for these two banners, whereas Etap Hotel, continues to see its portfolio grow (+ 5.7%).

After a period of rationalizing its supply, Best Western fully resumed growth with the affiliation of ten or so hotels in Germany, Italy and Sweden. Nonetheless it is in France and the United Kingdom that the greatest number of openings was recorded. The American group thus grew by 2.8% beginning 2007.

2006 will be a milestone year, marking Express by Holiday Inn's tenth years in Europe. This year the economy brand confirms its high growth potential (+5.3%). Its elder Holiday Inn is down (-1.5%), primarily due to the end of certain management contracts within the framework of its policy for selling hotel walls.

Starwood Capital's buyout of the number-two French group led to a period of repositioning at Louvre Hotels. The end of affiliations with the Concorde brand and the withdrawal of Kyriad explain the group's drop this year. These losses were not compensated for by the slight growth of the economy brands Première Classe (+0.8%) and Campanile (+ 0.4%). Consequently, Louvre Hotels is surpassed in the ranking by Hilton, which becomes the fourth European hotelier.

The Hilton brand saw its supply expand with eight upscale properties, including 2 in the United Kingdom. 2006 will have been Hilton's Italian year. American groups firmly established on the European continent continue to see their supply grow the way Starwood did (+ 3.7 %). The difficulties encountered by the group Choice Hotels Europe led to a global reorganization of the American franchiser's strategy in Europe. In the future, the group should be able to move ahead again and stem the drop in affiliations experienced by its leading brands Comfort (-3.0%) and Quality (-5.0%).

Spain also had a lively 2006. Spain's real estate market is recovering. Thus, like the other leaders on the sector, the Spanish group Sol Melia launched an asset disposal strategy. Spanish hoteliers show particularly dynamic development in 2006: Iberostar, Barcelo, Silken but also Riu Hotels (+13.9%), the brand belonging to TUI which is reinforcing its presence in the Iberian peninsula to become the number-ten brand in Europe. But what was decidedly most striking is their compatriot NH Hoteles. The group rose to eighth position. After Astron in Germany, then the Krasnapolski and Golden Tulip in the Netherlands, NH Hoteles pursues its external growth strategy and the development of a network in Italy. Its subsidiary NH Italia took control over Jolly Hotels and its forty hotels. This rise to the top was expected as NH already owned 20% of shares in Jolly.

Another group center stage in 2006 is Rezidor. As proof of its dynamism, the group completed an important stage in its history by entering the Stockholm stock exchange. The master franchiser of brands in the Carlson group officially became The Rezidor Hotel Group in the last quarter last year. Its ex-owner SAS put its 75% on the market. Carlson took advantage of this entry into the market to increase its holdings in Rezidor from 25% to 35%. Rezidor continues to actively develop the Radisson (+3.8%) and Park Inn (+6.7%) brands.

The British hotel industry is bubbling. The excellent results of the United Kingdom's hotel industry is breeding envy. The investment fund Dubai Investment Capital, an emanation of Dubai Holdings belonging to the Emirate's royal family, resumed operations of the chain Travelodge and its 290 properties in Permira. This acquisition surpassed one billion euros and Dubai Investment has ambitions for Travelodge (+6.0% in 2006). The investor plans to carry the latter up to the top step of economy hotels across the channel with the Olympic Games in London in 2012.

Travelodge will find itself up against a sizeable adversary in this race: Premier Travel Inn. When Travelodge was put up for sale it had attracted Premier Travel Inn's owner, the Whitbread group. But the high price and the fear of finding itself in a monopoly caused it to withdraw. Which did not prevent the economy brand and number-eight European brand from developing rapidly in 2006 (+ 6.9%). The growth perspectives of Premier Travel Inn continue to receive much attention, particularly from Starwood Capital.

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