

'Home team' strengthens German hotel performance

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Football fans kick-started a surge in German tourism last year and research has shown that the feel good factor lasted long after the final whistle.

In the first eight months of 2007, overnight stays in German hotels were actually up by 3% on the same period in 2006 to 247m, showing that the country's many attractions are proving as magnetic as the beautiful game.

However, data from the HotelBenchmark(TM) Survey by Deloitte shows that despite more demand for hotel rooms, overall hotel performance year-to-September has fallen marginally with average room rates dropping 1.6% which pushed revenue per available room (revPAR) down 0.4%.

This slight drop in hotel performance is not surprising given the absence of the World Cup and VAT increases at the beginning of the year - which has hampered hoteliers' willingness to push up room rates. Many may have expected losses in 2007 to have been greater, however, overall performance has held us well, buoyed by strong economic growth forecast to reach 2.7% this year.

No penalties

Germany's successful hosting of the FIFA World Cup in 2006 lifted the country's tourism business and gave hoteliers, restaurant and bar owners the opportunity to extend a warm welcome to millions of football fans. Those that visited were impressed with high standards and good value for money, and hotel owners were anxious to see whether the fans would return to their home nations as advocates for Germany.

They were no doubt delighted to find that during the first six months of 2007, across the country, more than 150m people had booked in for the night. This included an increase of 2% in overseas visitors and 4% in 'home-grown' travellers. The number of people booked into hotels overnight was up 3% overall to 97.1m.

Interestingly, more people were booked into a hotel, or a tourist campsite, in June this year than the one before - the busiest month for the FIFA World Cup in terms of the numbers of matches. In June 2007, while the number of foreign overnight stays fell by 14% to 5m, the number of Germans staying in tourist accommodation increased by 5% to reach 31m, and the larger the city, the higher the increase in visitor numbers.

The total number of overnight stays in June was up 2%, year-on-year, to 35.9m, boosted by an increase in domestic visitors, who made up 86% of the total. The inference seems to be, that even without the world-class sport, visitor numbers keep rising due to increased business demand from the improved economic environment and the fact that taking a break in Germany is still a popular option - particularly for the 'locals'.

No room for rate growth

This year, it seems that culture and politics are making more of an impact on hotel performance than football. With Kassel, Rostock and Munich among only a handful of German cities that have managed to increase revPAR over the first nine months of the year - despite the overall increase in the number of tourists looking for a bed.

Kassel benefited hugely from the world's most important exhibition of modern and contemporary art, staged in the city every five years. Documenta 12, which ran from June to September, attracted thousands of visitors, enabling Kassel's hoteliers to increase average room rates by 12.5% year-to-September 2007, and drive up revPAR by more than 27%.

Meanwhile, Rostock, close to the site of the G8 Summit in June, saw hotel occupancy rates go up by 20% during June. This has helped the city enjoy an excellent performance year-to-September 2007, with revPAR up by more than 16.4%.

Munich, which is one of the country's most popular destinations and second only to Berlin in terms of overnight stays. Almost half the people staying in Munich tend to be international visitors, making this capital of the state of Bavaria less reliant on the price sensitivity of its own population. Munich enjoyed a 6.1% increase in revPAR in the year-to-September, with a 3.7% rise in occupancy and a 2.3% lift in room rates. Hotels around Munich airport had revPAR rises of 12.7%, driven mostly by a 9.9% increase in average room rates.

Two major events within the building and construction industry were mostly responsible for this excellent performance. First, the renowned BAU construction industry trade fair which is held every two years and focuses on the future of building. The event brought in thousands of exhibitors and visitors - statistics for 2007 reveal there were more than 2,000 exhibitors from 44 countries and more than 209,000 visitors from 146 countries.

Then, in April, more than half a million visitors attended BAUMA, an international event and the world's largest and most important trade show for the building industry. This fair is held every three years, and the 2007 event broke all records, with half a million visitors - 20% up on 2004 - and more than 3,000 exhibitors, an increase of 8%.

Another reason Munich continues to do well is the fact that, despite its attractiveness as a hotel market, the supply of rooms has only increased moderately over the last few years. The Courtyard by Marriott opened in the city during the last year and in 2007 the most prominent move will be the opening of Rocco Forte's The Charles Hotel.

Unfortunately not all markets have fared so well. As can be seen from the table below World Cup host cities - such as Nurnberg, Stuttgart and Dortmund, have struggled this year to achieve the performance of last. Essen has seen the largest decline in revPAR year-to-September of 13.7%. Last year, Essen benefited particularly from its close proximity to the host city of Gelsenkirchen, and by being only 38km away from Dortmund. Given their business mix, other hosts such as Berlin and Munich have held up better both seeing positive growth.

Hotel performance for selected German cities - year-to-September 2007

	Occupancy		Average Room Rate		RevPAR	
	%	% Change	€	% Change	€	% Change
All Germany hotels	63.6	1.2	83	-1.6	53	-0.4
Berlin	70.9	5.3	85	-4.6	60	0.5
Dortmund	63.4	0.3	57	-7.4	36	-7.1
Dusseldorf	61.0	1.0	88	-3.0	54	-2.1
Essen	57.0	-4.2	82	-9.9	47	-13.7
Frankfurt am Main	60.6	-1.9	107	-2.6	65	-4.5
Hamburg	75.3	-1.1	95	-1.7	72	-2.8
Kassel	68.0	13.1	53	12.5	36	27.3
Koln	65.9	3.1	87	-6.7	57	-3.8
Munich	73.1	3.7	110	2.3	81	6.1
Munich - Airport	69.4	2.6	103	9.9	72	12.7
Nurnberg	61.3	-1.8	81	-7.1	50	-8.8
Rostock	64.6	10.4	87	5.4	56	16.4
Stuttgart	63.7	-3.4	88	-5.5	56	-8.8

Source: HotelBenchmark™ Survey by Deloitte

Consumer confidence

Germany is currently enjoying a strong economy, with latest projections indicating 2.7% growth in gross domestic product (GDP) for the year. The general government deficit is likely to move into surplus in 2008-09, thanks to strict management of the public purse and solid revenue growth. However GDP is expected to slow slightly to 2.1% in 2008 before rising back to 2.3% in 2009.

Business surveys suggest the long-term outlook is good, although the confidence that peaked in April-May fell slightly during July and August. Like other global economies, Germany has been affected by the US sub-prime mortgage business and the credit crunch. Two financial institutions, SachsenLB and IKB had to be rescued mid-summer, although economists expect further fall-outs to be limited.

Forecasters suggest that growth in employment and consumer confidence will enable Germany to shake off the impact of its VAT increase, while the meetings and conventions market will remain stable. Going into 2008, although the country's economic performance is expected to slow slightly, the fundamentals remain strong so without any other changes, revPAR should start to move into positive territory.

Note: All analysis in \

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