

## The Hospitality Industry and its Future in the US and Europe - By Jerry Cedicci & Robin Trehan

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According to the International Society of Hospitality Consultants, the top 10 issues of the industry for 2007 were labor and skills shortage, construction costs, technology, changing demographics, future of hotel profits, branding, distribution concerns, travel restrictions, emerging markets and capital availability.

Based on actual performance most of 2007, there appears to be continued growth in international tourism, especially in the emerging market and developing economies, which overall posted a 5% increase, the fourth consecutive year it has yielded such a performance. Approximately 610 million tourists have been recorded for the period of January to August 2007 while a further 32 million are already booked through to the end of the year. There seems to have relatively minimal impact of the turbulent financial markets, security and health issues, increased taxes on air transport or the increase in oil prices, although the latter situation is projected to have a more significant impact as the price approaches US\$100 a barrel. The impact on consumer confidence could prove to tip the scales on the demand for international travel once this point is reached.

In the UK, strong growth was posted in the hospitality industry for the last quarter of 2007 even as the economic situation worsens. According to a Deloitte survey, the UK room revenue per available room (revPAR) increased by almost 7%, some UK cities including London (10.4%), Aberdeen (18.6% - the highest in the UK) and Glasgow (13.1%) posted double digit increases. Scotland posted the best performance in hotel occupancy for the UK overall. London, with occupancy levels of 82.7%, costs more per night at £126, an increase of £12 per night from 2006, which contributed to the revPAR rating of the city.

France also posted strong performance as of September, although it was weaker in Paris compared to regional areas of the country. Occupancy rates in Parisian hotels are experiencing a downturn although revPAR is still high, mainly because of higher daily rates making up for lower actual occupancy.

For futures in the US hospitality industry, research projects that in the event of an economic recession the industry could be looking at more than 6% decline in revPAR, although an economic recession is not anticipated to happen anytime soon. Based on the actual economic situation, a compound annual revPAR growth of 2% to 5.5% is projected for the next three years until 2010.

In the real world, big spenders continue to come from Germany, the US and the UK, recording an average of 5% overall up to the third quarter of 2007. Italy and Spain posted the fastest growth in tourist spending at more than 9% for 2007.

Among the emerging and developing markets, Brazil tops the spender's list at a growth of 33% with Argentina (24%) and Republic of Korea (18%) bringing up the second and third spots, the Russian Federation not far behind at 16% growth.

Overall, despite the myriad of economic and security issues that plague the industry, the urge to travel has yet to be significantly discouraged in the global traveler. This is especially noted for emerging countries whose new-found economic prosperity has led to impressive growth in tourist spending, good news for those in the hospitality industry in general, and those in the US and Europe in particular.

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