

2007 A Good Year For Hotel Performance Across Europe

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First year-end 2007 data from the HotelBenchmark Survey by Deloitte reveals another good year for European hoteliers despite the lack of sport and cultural events seen in 2006. Overall revenue per available room (revPAR) grew 6.6% to reach \85.

Hotels in Central and Eastern Europe saw the strongest performance with revPAR increasing 6.9%. Moscow boasted the highest average room rate across Europe at \267 followed by Geneva at \260 and London at \191 respectively. Meanwhile Warsaw reported an impressive 13.4% improvement in revPAR driven by good economic conditions and increased airline capacity which pushed up arrivals.

While Moscow and Warsaw saw improvements, Tallinn and Prague were two of the weakest performing markets with revPAR declines of 7.8% and 2.5% respectively. The political tension between Russia and a decline in visitors from Finland are blamed for the drop in performance in Tallinn. Hotel performance in Prague was hit by increased supply and the strength of the Czech Crown.

Northern Europe also had an exceptionally good year with revPAR up 6.4%. In particular Iceland's capital Reykjavik saw its fortunes change with revPAR increasing 11.3% following declines in 2006. Iceland Express, a privately-owned budget airline, has been making Iceland more accessible by offering competitive fares and regular flights to 13 airports across Europe since last summer. Strong promotional activity and a plentiful supply of new accommodation help boosted tourism further.

Helsinki also put in an impressive performance finishing the year with a 4.3% revPAR increase on top of the 7.1% seen in 2006. Demand from Russia as well as being the host city of the European Song Contest in May helped push up performance. Neighbouring Denmark and Sweden did not disappoint either with revPAR increasing 3.8% in Copenhagen and 12.3% in Stockholm.

It has been another good year for the UK hotel market with revPAR increasing 6.4% driven almost exclusively by average room rates. Strong gains were seen in many UK cities due to robust economic conditions despite some concerns in the last quarter. Although the pound has remained strong against a weak dollar which has seen the number of US visitors decrease, the strength of the Euro has helped attract more visitors from the continent.

Western Europe saw revPAR increase 6.3% boosted by markets such as Paris which saw revPAR increase 10.5% as the French capital hosted the Rugby World Cup and the biennial Paris Air Show attracting thousands of visitors. Germany's tourism scored highly in 2006 with the World Cup and few expected the country to maintain such a good performance. Year end results show that hotel occupancy grew 2.1% while average room rates dipped marginally to \90. Overall, revPAR improved by 1.2% to \59.

In Southern Europe and the Mediterranean performance was marginally behind at 6.2%. Istanbul enjoyed exceptional results with double-digit revPAR improvements of 11.6%. The East-meets-West charms of Istanbul and its promotion as a centre for art and culture assisted its growth. Tel Aviv and Jerusalem also enjoyed double-digit revPAR growth of 19.8% and 11.9% respectively. However, the strong shekel and continually high oil prices constrained growth from markets such as the USA.

Spain saw a small slowdown in revPAR growth to 7.5% last year due to a decline in German and Dutch visitors. However a number of cities across Spain, such as Barcelona remain popular for short breaks. Neighbouring Portugal, in particular Lisbon, has continued to perform well with revPAR up 17.1% in 2007. The city has hosted a number of conferences, including the biennial Alimentaria International Food Show in May which attracted 40,000 visitors. RevPAR growth has in the main been driven by average room rates which stand at \103.

Lorna Clarke, Executive Director of the HotelBenchmark(TM) Survey said: 'It's been another good year for European hoteliers, despite the lack of sports and cultural events compared to 2006. Business and leisure demand has remained solid, buoyed up by relatively robust economic conditions globally. A number of key cities, including London and Paris have been able to capitalize on stronger economic conditions and high profile events such as the Tour de France Grand Depart in London, the biennial Paris Air Show and the Rugby World Cup in France. Whilst the outlook for 2008 currently looks good, hotel performance is expected to be held back as the pace of world-wide economic growth slows'.

Europe hotel performance 2007

	Occupancy		Average room rate		RevPAR	
	(%)	% change	(€)	% change	(€)	% change
All Europe	70.1	1.2	121	5.3	85	6.6
Berlin	71.4	5.2	90	-3.5	64	1.5
Helsinki	70.0	2.9	118	1.3	82	4.3
Lisbon	67.0	5.0	103	11.5	69	17.1
Paris	77.7	3.8	211	6.5	164	10.5
Copenhagen	71.6	-3.2	111	7.1	80	3.8
Geneva	67.0	4.0	260	4.8	175	9.0
Istanbul	73.8	2.5	147	8.9	109	11.6
Jerusalem	68.1	10.2	119	1.6	81	11.9
London	83.1	0.6	191	9.5	159	10.2
Malta	72.0	3.9	80	7.5	57	11.7
Moscow	73.1	0.9	267	14.9	195	15.9
Prague	71.3	-1.7	107	-0.8	76	-2.5
Reykjavik	67.4	0.9	117	10.3	79	11.3
Stockholm	73.0	1.0	120	11.2	88	12.3
Tallinn	61.5	-5.9	78	-2.0	48	-7.8
Tel Aviv	76.0	13.2	130	5.8	99	19.8
Warsaw	67.2	4.1	91	8.9	61	13.4

Source: HotelBenchmark™ Survey by Deloitte

Note: All analysis in €.

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