

European Chain Hotels Market Review - June 2008

2008-07-29

Vienna kicks average rate skywards

The UEFA EURO 2008 football championships caused a massive surge in profit for Vienna's chain hotels, according to the latest European HotStats survey from TRI Hospitality Consulting.

Income before fixed charges (IBFC) - also known as gross operating profit - increased by 80.5 per cent to a daily figure of \128.82 per available room. Increased profit was driven by an extraordinary 61.4 per cent rise in achieved average room rate to \270.16, the highest in the survey

'Vienna's chain hoteliers played a winning tactical game in June, eschewing volume for revenue growth. By making the most of strong corporate demand for UEFA EURO 2008 and kicking their rates skywards, the effect on profit growth was outstanding,' said Jonathan Langston, managing director, TRI Hospitality Consulting.

Some business was deterred by the high rates and average occupancy in the Austrian capital fell by

9.5 percentage points to 72.4 per cent, the lowest in the survey. The surge in extra revenue, however, meant that payroll represented just 28.2 per cent of total revenue in June, compared to

40.1 per cent during the six months to June. The football had other positive effects on Vienna's half year figures. In the six months to June, IBFC PAR increased by 22.7 per cent, compared to a rise of just 2.1 per cent in the five months to May.

Paris tops profit league while Hamburg hits bottom

Paris was the most profitable city in the survey despite unfavourable comparison with last June when performance was boosted by the biennial Paris Air Show. Daily IBFC fell by 17.8 per cent to \131.93 per available room. After Vienna in second place, London was the third most profitable city market, reporting a 3.3 per cent increase in IBFC to \123.61 per available room.

Hamburg moved to the bottom of the profit table in June, with a 15.3 per cent drop in IBFC to \45.23 per available room. Although average occupancy only dipped by 1.5 percentage points to

74.5 per cent, achieved average room rate dropped by 4.6 per cent to \110.17.

'A combination of recent openings and refurbishments plus widespread discounting is putting pressure on rates in Hamburg. Given the city's significant reliance on leisure demand, achieving rate growth in July and August is likely to remain a challenge,' said Langston.

Demand slows but profit grows in most of Europe

Focussing on the half-year figures, overall demand decreased in eight of the ten cities surveyed. The overall drops in demand were minimal in most cases. In Amsterdam, however, average occupancy fell by 4.6 percentage points, the furthest year-on-year drop. Some hoteliers reported fewer leisure guests from the US and the UK. Achieved average room rate still rose by 6.1 per cent, but lower demand impacted profitability, with IBFC increasing by just 1.6 per cent, below the 4 per cent rate of eurozone annual inflation.

In two cities - Munich and Prague -lower demand resulted in a decline in achieved average room rate. Profit growth was negative in three cities - Munich, Prague and Warsaw -but failed to keep pace with eurozone inflation in a further three cities- Amsterdam, Hamburg and London.

'Last year represented a high watermark for international travel and Europe enjoyed the lion's share of arrivals. The drops in average occupancy need to be seen in this context. The prevailing economic outlook remains one of uncertainty, but in the first half of 2008, European hotel performance was reasonable, with both rooms revenue and profit continuing to grow in most city markets,' said Langston.

HOTSTATS BRIEFING DATA

European Chain Hotels - Performance report

The month of June 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
797	167.85	149.74	29.3	92.23
739	156.16	115.46	30.2	71.17
730	128.87	94.08	27.3	53.08
745	110.17	82.02	30.8	45.23
868	192.04	166.75	22.5	123.61
801	128.22	101.72	29.3	60.49
839	250.10	209.86	32.8	131.93
740	142.30	105.31	23.5	72.92
724	270.16	195.62	29.2	128.82
760	124.97	94.90	21.4	72.69

The six months to June 2008

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
77.2	176.01	125.89	30.1	79.50
65.1	154.81	100.79	32.5	55.93
56.9	114.27	75.44	30.9	38.56
69.5	111.70	77.59	31.7	41.27
81.3	176.43	143.35	25.9	97.71
70.1	119.93	84.12	32.7	42.27
79.9	216.72	173.07	38.4	90.74
67.4	125.95	84.91	27.3	52.79
67.3	172.43	116.03	40.1	54.98
68.6	110.73	81.49	25.5	57.12

The month of May 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
86.3	180.29	155.74	27.1	99.43
78.5	145.15	113.87	29.7	69.35
78.5	123.34	96.80	29.3	54.66
73.9	115.52	87.71	29.3	53.41
88.9	182.82	161.54	22.5	119.69
78.9	121.78	96.14	32.3	51.02
88.9	272.67	242.48	30.0	160.58
72.9	173.10	126.11	18.6	104.13
81.9	167.59	137.13	35.5	71.37
78.1	124.00	96.88	23.7	72.81

The six months to June 2007

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
81.8	165.95	125.72	30.1	78.23
68.5	141.87	97.18	31.9	50.91
65.9	109.86	72.34	34.0	31.70
69.7	110.41	76.91	31.5	40.15
82.3	167.54	137.84	25.4	95.75
73.6	120.87	88.96	31.4	46.74
79.4	205.83	163.44	37.9	86.23
68.9	141.88	97.73	22.4	71.92
70.3	151.45	106.43	42.9	44.81
72.0	116.51	83.87	25.4	60.27

Movement for the month of June

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-6.6	4.1%	-3.9%	1.2	-7.2%
-4.5	7.6%	1.4%	1.4	2.6%
-5.5	4.5%	-2.8%	-1.0	-2.9%
-1.5	-4.6%	-6.5%	2.4	-15.3%
-3.1	5.0%	2.6%	-0.1	3.3%
1.3	5.3%	6.8%	-3.9	18.6%
-5.0	-8.3%	-13.5%	2.8	-17.8%
1.2	-17.8%	-16.5%	4.9	-30.0%
-9.5	51.4%	42.7%	-8.3	80.5%
-2.1	0.8%	-2.0%	-2.3	0.2%

Movement for the 06 months to June

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
-4.6	6.1%	0.1%	0.0	1.6%
3.4	9.1%	3.7%	0.8	9.9%
1.1	4.0%	5.7%	-3.1	21.6%
-0.2	1.2%	0.5%	0.2	2.8%
-1.0	5.3%	4.0%	0.5	2.1%
-3.5	-0.8%	-5.4%	1.3	9.6%
0.5	5.3%	5.9%	0.4	5.2%
-1.5	-11.2%	-13.1%	4.9	-26.6%
-3.0	13.9%	9.0%	-2.7	22.7%
-3.3	1.9%	-2.8%	0.2	5.2%

For more information contact:

Jonathan Langston, managing director 020 7486 5191

jonathan.langston@trihc.com

This article comes from Hotel News Resource

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