European Chain Hotels Market Review - August 2008

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Profit and occupancy fall across Europe

European chain hoteliers reported a dismal August with substantial falls in demand and profit, according to the latest HotStats survey from TRI Hospitality Consulting. Average occupancy dropped in 9 and profit fell in 8 of the 10 city markets surveyed.

’It’s the first time this year we have seen such large declines in occupancy. Key leisure destinations such as Prague, Vienna and Amsterdam felt the full impact of fewer overnight guests in August,’ said David Bailey, deputy managing director, TRI Hospitality Consulting.

The sample of branded international hotels in Prague reported the most extreme decline in profitability. Daily income before fixed charges (IBFC) - also known as gross operating profit - halved from \65.10 per available room per day last August to \33.06 this August. A major contributor to Prague’s plummeting profit was the 22.6 per cent drop in achieved average room rate to \84.01.

Leisure demand drops in Vienna

Average occupancy fell the furthest in Vienna, down 12.4 percentage points to 71.6 per cent. The Austrian capital, where leisure demand accounts for the majority of overnights, reported weaker domestic demand and North American and Japanese overnights down by 20 and 12 per cent respectively. In the last 12 months some flight services between Japan and Vienna have been cut.

’In 2003 Vienna’s tourism officials set themselves the goal of achieving 10 million annual overnights by the year 2010. Extra efforts to promote the city and a booming global economy attracted investment, with 9 new hotels opening since last August. Given our current position in the cycle, this new supply is likely to dilute occupancy levels in the short-term,’ said Bailey.

Thanks to the EURO 2008 football championships in June, however, Vienna remains on track to surpass 10 million overnights this year.

Cardiologists help Munich profit and rate soar

Munich bucked the negative profit trend with an impressive 32.0 per cent rise in daily IBFC to \45.10 per available room. Increased profit was driven by a 33.4 per cent rise in achieved average room rate to \131.42.

Despite a 10 percentage point fall in average occupancy to 71.4 per cent, hoteliers pushed rates upwards thanks to the European Society of Cardiology Congress, one of the largest medical meetings in Europe with more than 25,000 participants each year.

The congress ran from 30 August to 3 September and filled Munich’s hotels at the end of the month. Rate growth was also influenced by leisure demand from wealthy Middle Eastern guests.

Elsewhere, performance remained steady in London, the most profitable hotel market in the survey with daily IBFC of \79.03 per available room, and the highest average occupancy at 84.6 per cent. Paris reported the highest achieved average room rate, up 5.8 per cent year-on-year to \222.39.

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