

HotStats™

Europe Chain Hotels Market Review – December 2007

Moscow – the most profitable hotel market in Europe

Chain hotels in Moscow were the most profitable in Europe in 2007, despite having the lowest occupancy, according to the full-year figures from TRI Hospitality Consulting's European HotStats service.

Each room in the Moscow hotels in the sample generated, on average, Eu140.01 of profit per day during 2007. This was significantly more than the Eu117.77 per room in London, the second most profitable city in the survey.

However Moscow's room sales performance only put it in fourth place with average daily revenue per available room of Eu137.86.

“Moscow makes by far the most money for hoteliers and yet, on sales alone, it appears to be doing worse than Paris, London and Amsterdam. Relying on room revpar figures alone means hoteliers, investors and developers would have only a partial – and distorted – picture of true performance,” said David Bailey, deputy managing director, TRI Hospitality Consulting.

The revpar figures are also misleading when it comes to the relative merits of Paris and London. Paris put in the best room sales performance in 2007 with average daily revpar of Eu174.88 compared to London in second place with Eu166.26. But profitability in Paris was lower, at Eu96.09 compared to the Eu117.77 achieved in London.

Moscow and Budapest have the emptiest hotels

Moscow had the lowest average occupancy of the year at 67.7 per cent, while Budapest filled second lowest place with occupancy of just under 70 per cent. London was in top place with occupancy of 84 per cent.

“The distinct lack of leisure guests in the Russian capital means that we don't expect average occupancy to exceed 70 per cent in 2008 either. But hoteliers will continue to push rates upwards because of the extremely strong corporate demand for a limited number of branded hotels. Travel procedures and costs would need to become more tourist-friendly to attract a higher volume of leisure guests,” said Bailey.

In December the extraordinary 309.1 per cent increase in Budapest's profit performance was caused by some hotels in the sample being closed for refurbishment during the same month a year earlier. But this freak increase had no effect on the full-year figures which showed Budapest had the lowest profit in the survey with IBFC at Eu36.50 per available room.

Paris has highest profit growth in 2007

Paris hoteliers increased their profits more than any other city in the survey. At 27.6 per cent, profit growth in the French capital was far ahead of Moscow in second place with IBFC PAR up by 16.8 per cent and Vienna in third place with an increase of 16 per cent.

Yet this strong growth was hampered by relatively high staffing expenses, putting Paris's actual profit performance in third place behind Moscow and London.

Although Paris's hoteliers also managed to push down payroll costs by the largest margin in the survey - 2.8 percentage points – they still had the second highest overall payroll percentage at 36.2 per cent of total revenue. In contrast, Moscow had the lowest wage costs in 2007 with payroll accounting for 20.3 per cent of total revenue.

“Wage costs are a crucial factor in the overall profitability of a service-intensive industry such as hotels. Keeping costs to a minimum at the same time as motivating staff is the tricky balancing act that successful managers must perform,” said Bailey.

For more information contact:

David Bailey, deputy managing director

020 7486 5191

david.bailey@trihc.com

Ben Walker, research manager

020 7892 2240

ben.walker@trihc.com

Claire King, marketing manager

020 7892 2237

claire.king@trihc.com

HOTSTATS BRIEFING DATA

European Chain Hotels - Performance report

The month of December 2007

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
70.50	156.26	110.17	33.46	58.00
59.69	138.18	82.48	33.17	37.41
54.56	88.65	48.37	35.69	16.61
58.49	107.01	62.59	30.96	34.31
74.89	197.62	148.00	26.25	108.97
60.54	198.65	120.25	26.54	125.62
70.19	110.05	77.24	32.33	43.61
75.75	198.26	150.19	39.60	75.39
73.22	92.21	67.52	26.28	45.25
80.02	161.28	129.05	32.46	80.14

Amsterdam
Berlin
Budapest
Hamburg
London
Moscow
Munich
Paris
Prague
Vienna

The 12 months to December 2007

Occ %	ARR	RevPAR	Payroll %	IBFC PAR
82.90	168.91	140.03	29.19	83.01
71.38	141.37	100.91	30.65	55.33
69.80	106.18	74.11	31.27	36.50
70.38	106.97	75.28	30.61	41.36
84.04	197.83	166.26	24.63	117.77
67.69	203.68	137.86	20.25	140.01
77.12	122.93	94.81	29.82	54.27
81.23	215.30	174.88	36.15	96.09
73.88	123.14	90.97	22.80	65.48
75.89	153.62	116.58	39.42	55.70

The month of December 2006

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
68.43	145.67	99.68	36.02	48.77
62.26	128.77	80.18	31.70	31.53
49.20	86.60	42.61	38.25	4.06
61.50	106.14	65.28	30.30	37.60
75.12	180.96	135.93	27.09	100.97
63.93	157.59	100.76	18.74	128.14
67.62	103.01	69.66	31.54	36.00
71.12	184.69	131.35	47.01	44.24
68.61	104.04	71.38	21.69	49.10
82.19	155.03	127.41	33.79	79.93

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The 12 month to December 2006

Occ%	ARR	RevPAR	Payroll %	IBFC PAR
82.60	158.87	131.22	30.69	75.01
69.87	141.81	99.09	30.61	53.70
69.22	106.42	73.67	27.51	42.97
72.56	109.33	79.33	30.29	44.40
83.93	179.45	150.62	25.85	102.91
67.48	159.83	107.86	18.44	119.83
73.49	118.01	86.72	28.92	47.19
76.40	198.93	151.98	38.91	75.29
75.54	127.48	96.30	21.38	70.22
75.87	139.62	105.93	40.87	48.00

Movement for the month of December

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
2.1	7.3%	10.5%	-2.6	18.9%
-2.6	7.3%	2.9%	1.5	18.6%
5.4	2.4%	13.5%	-2.6	309.1%
-3.0	0.8%	-4.1%	0.7	-8.8%
-0.2	9.2%	8.9%	-0.8	7.9%
-3.4	26.1%	19.3%	7.8	-2.0%
2.6	6.8%	10.9%	0.8	21.1%
4.6	7.3%	14.3%	-7.4	70.4%
4.6	-11.4%	-5.4%	4.6	-7.8%
-2.2	4.0%	1.3%	-1.3	0.3%

Amsterdam
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Movement for the 12 month to December

Occ Change	ARR Change	RevPAR Change	Payroll Change	IBFC PAR Change
0.3	6.3%	6.7%	-1.5	10.7%
1.5	-0.3%	1.8%	0.0	3.0%
0.6	-0.2%	0.6%	3.8	-15.1%
-2.2	-2.2%	-5.1%	0.3	-6.8%
0.1	10.2%	10.4%	-1.2	14.4%
0.2	27.4%	27.8%	1.8	16.8%
3.6	4.2%	9.3%	0.9	15.0%
4.8	8.2%	15.1%	-2.8	27.6%
-1.7	-3.4%	-5.5%	1.4	-6.8%
0.0	10.0%	10.1%	-1.5	16.0%

EDITORS NOTES:

The European Chain Hotels currency within this report is shown in Euros

Hotels contained within these samples operate primarily in the three, four and five star sectors.

TRI Hospitality Consulting provides a wide range of services to clients in the hotels, tourism and leisure sectors. It has offices in London and Dubai.

Definitions:

Occupancy is that proportion of the bedrooms available during the period which are occupied during the period.

Room rate is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

Room Revpar is the total bedroom revenue for the period divided by the total available rooms during the period

Payroll % is the payroll for all hotels in the sample as a percentage of total revenue.

IBFC PAR is the Income Before Fixed Charges shown per available room.