HEU Report

Europe

Hotrec
Hospitality Europe

SEPTEMBER 2019

ANALYSIS OF HOTEL RESULTS – SEPTEMBER 2019

European hoteliers struggle to start the new school year

Most countries are struggling this month, with a few exceptions. Destinations are slowing down in this time darkened by several bankruptcies in the tourism industry (Thomas Cook, Aigle Azur, XL Airways, Adria Airways...). The evolution of the customer base is indeed stagnant, for an occupancy rate of 81.2%; the average daily rate (€114.20 excluding VAT) slightly compensates for this stagnation producing a RevPAR that evolves at the same speed: +2.1% for both indicators. The heart of Europe shines brightly in this back-to-school month. Belgium and Luxembourg had more in common than just the institutions of the European Union, since both countries have both been undeniably successful.

Flemish and French-speaking Belgium broke a triple record, namely the best increase in occupancy rate, by +1.5 points (OR 81.5%), the best average daily rate, i.e. +13.2% (ADR €118.70 excl-VAT), naturally leading to a double-digit revenue per available room, i.e. +15.4% (€96.70 excl-VAT) - the fastest increase in RevPAR. Brussels, which concentrates a large part of the Belgian hotel supply, usually performs best in September each year. Indeed, leisure tourists and MICE activity are combined to raise the temperature of Brussels hotels up +21.4% of RevPAR (€111.40 excl-VAT), thanks to an increase in the ADR (+17.7%) and the OR (+2.5 pts) which reaches 82.1% in this inter-season period. Luxembourg, RevPAR's third best performing country, also performed well, for the same reasons as its European counterpart: business activity is very strong and traditionally focuses on the off-season following the summer period, due to the still mild temperatures it offers. The small state thus increased its RevPAR by +6.5% to €120.00 excluding VAT - Europe's first RevPAR in absolute terms. Its occupancy only changed significantly, from 80.3% to 80.8% (+0.5 pt), so that its increase is mainly due to an increase in the average daily rate (+5.8%) to €148.50 excluding VAT, which is also the best absolute result of the entire panel.

Despite the crisis in the Spanish hotel sector caused by the bankruptcy of Thomas Cook on 23 September, the country managed to close the podium by climbing to third place. With a slight increase in occupancy (+1.1 pt) and a slight increase in rates (+7.6%), the Iberian kingdom increased its RevPAR by +9.0%, the second-best growth on the continent, to reach €92.20 excluding VAT. Spain's good health is due to the fact that the market is mainly driven by urban tourism. The metropolitan areas have been particularly successful, notably Madrid and Barcelona, which have increased their occupancy rate by +2.1 pts (85.0%) and +3.5 pts (89.7%) respectively, and even by +17.8% (€107.40 excl-VAT) and +27.0% (€138.30 excl-VAT) in terms of RevPAR. Italy follows in Spain's footsteps with the fourth best growth in RevPAR, +4.5% (€111.70 excluding VAT). The European Republic combines an increase in ADR (+2.5%) and OR (+1.6 pt) to support this growth. However, it is not the fruit of a very tourist destination such as Venice, since the latter, which has implemented an entry tax to limit and compensate for its tourist attendance, has lost -0.8 pt of occupancy, for an OR of 87.7% - which remains the second best result in absolute terms behind Florence (90.4%), itself a city very popular with tourists, but which has not increased this month (+0.0%). Four countries experienced a more or less similar situation, with stagnation or even a slight decline in their occupancy rates, while RevPAR grew by approximately 3-4%, driven by an ADR increase. In order of growth in revenue per room: Portugal (+4.4%), Poland (+4.4%), the United Kingdom (+3.3%) and France (+3.1%). The British realm has raised its ADR (+3.8%) to compensate for the fluctuation of the pound sterling, a decline accompanied by a loss of tourists (-0.4 pt OR) in the face of the new Prime Minister's inability to be reassuring about the exit from the EU, initially scheduled for 31 October 2019, making the Brexit "no deal" scenario more and more likely. Portugal managed to recover after a month of August in decline (-1.3 pt) to stabilize at a very good occupancy rate - the best in the whole panel - namely 90.0% (+0.7). This increase comes along with a rise in ADR (+3.6% - €103.60 excl-VAT), proof that the destination is regaining confidence and popularity, boding well for a good winter season. Poland only compensates its losses (-0.1 pt) by increasing its ADR (+4.5%) to post a positive RevPAR balance at the end of the month, which goes from €56.00 to €58.50 excluding VAT. Krakow (-0.1 pt), Wroclaw (-3.1 pts) and the idyllic city of Poznan (-3.6 pts) are losing popularity. Only its capital, Warsaw (+0.7 pt) and its port city of Gdansk (+4.3 pts) manage to maintain their OR level. Hungary is the exception this month: it is the destination that loses the most market share (-2.7 pts) and yet manages to obtain a positive balance of its RevPAR (+1.6%), supported by the ADR which increases by +4.8% (to reach €94.10 excl-VAT). Finally, six states are on a negative slope this month in terms of RevPAR, mainly located in Central and Northern Europe (except for one Mediterranean country): the Netherlands (-0.2%), Greece (-0.3%), the Czech Republic (-0.6%), Latvia (-2.2%), Austria (-3.9%) and last, but not least, Germany (-5.8%).

The German Federal Republic had the most difficult start of the school year. Almost all major German cities have lost market share. Only three of them maintained their RevPAR upwards: Dresden (+0.4%), Leipzig (+3.0%), and Düsseldorf (+5.2%). Nationally, occupancy (-1.0 pt) and rates fell (-4.6%), with an average of €107.30 excluding VAT, the eighth highest average daily rate in absolute terms. As for Austria, its capital Vienna (-1.1 pt) and Mozart's birthplace (-0.6 pt) failed to attract tourists in September. It remains to be seen if the MICE season, which began in September, succeeded in improving the performance of the destination of Vienna that is ranked second in Europe in terms of the number of meetings of international associations, which is estimated at 404 in 2018, behind Brussels (763 meetings).

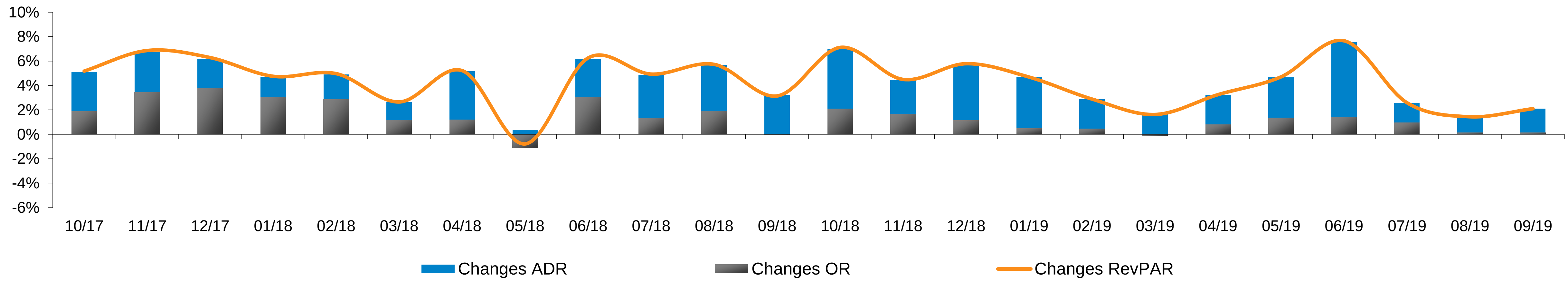
HOTEL RESULTS BY SEGMENT IN EUROPE – SEPTEMBER 2019

MONTHLY RESULTS			
	Occupancy Rate	Average Daily Rate (€ VAT excL)	RevPAR (€ VAT excl)
	(pts)	(%)	(%)
2*	-0,2	1,0%	0,8%
3*	0,3	2,0%	2,4%
4*	0,1	2,1%	2,3%
5*	0,5	1,7%	2,3%
Global	**0,1**	**1,9%**	**2,1%**

YTD RESULTS			
	Occupancy Rate	Average Daily Rate (€ VAT excL)	RevPAR (€ VAT excl)
	(pts)	(%)	(%)
2*	0,4	1,8%	2,3%
3*	0,6	3,0%	3,9%
4*	0,2	3,0%	3,3%
5*	-0,4	2,3%	1,7%
Global	**0,3**	**2,6%**	**3,1%**

Note : The indicators are compared to the same period of previous year, i.e. SEPTEMBER 2019 vs SEPTEMBER 2018

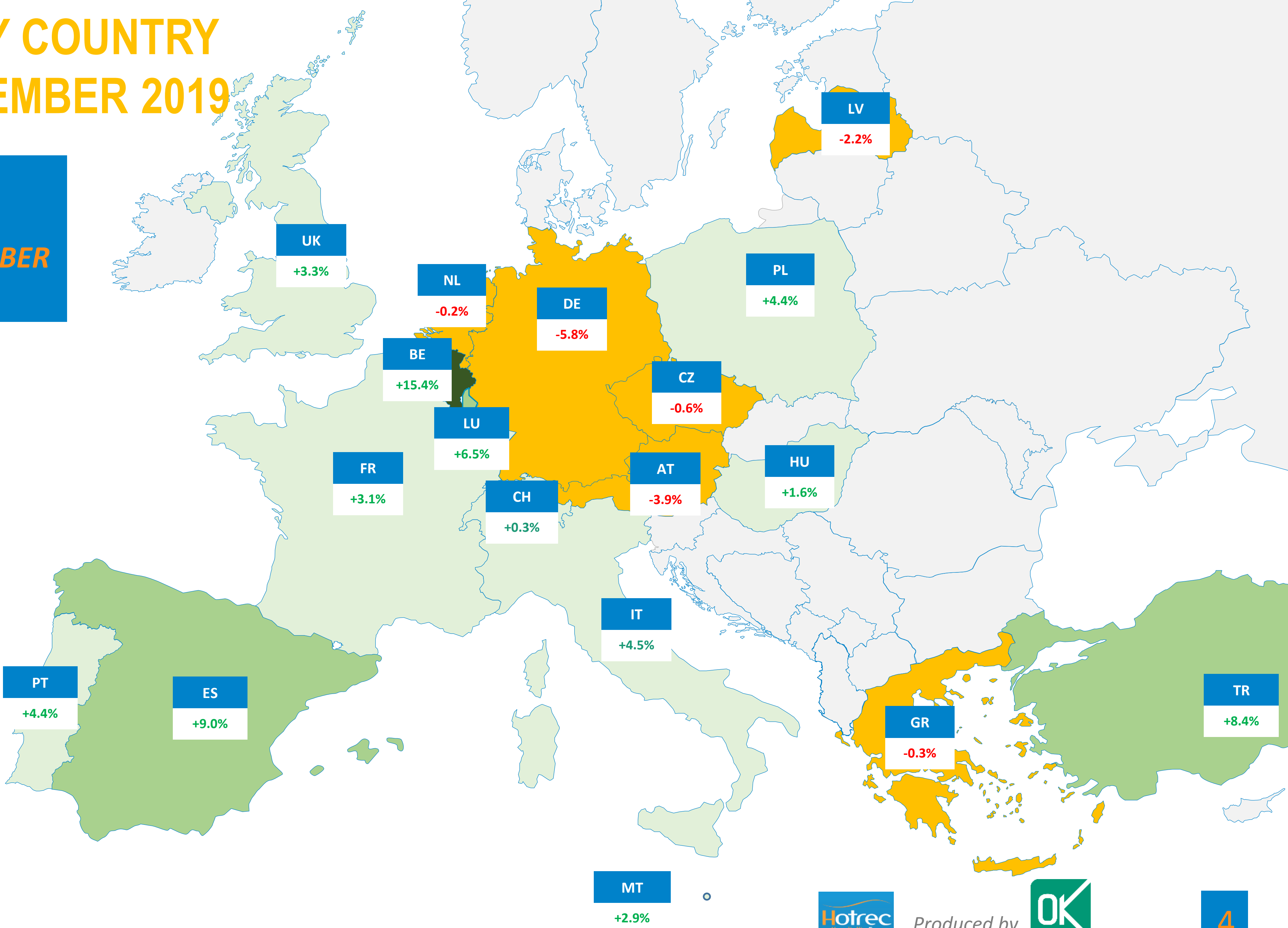
OR, ADR and RevPAR change - Last 24 months



HOTEL RESULTS BY COUNTRY IN EUROPE – SEPTEMBER 2019

Monthly Results - RevPAR change by country SEPTEMBER 2019 vs SEPTEMBER 2018

European average
+2.1%



Sup. to 10%

Between 5% and 10%

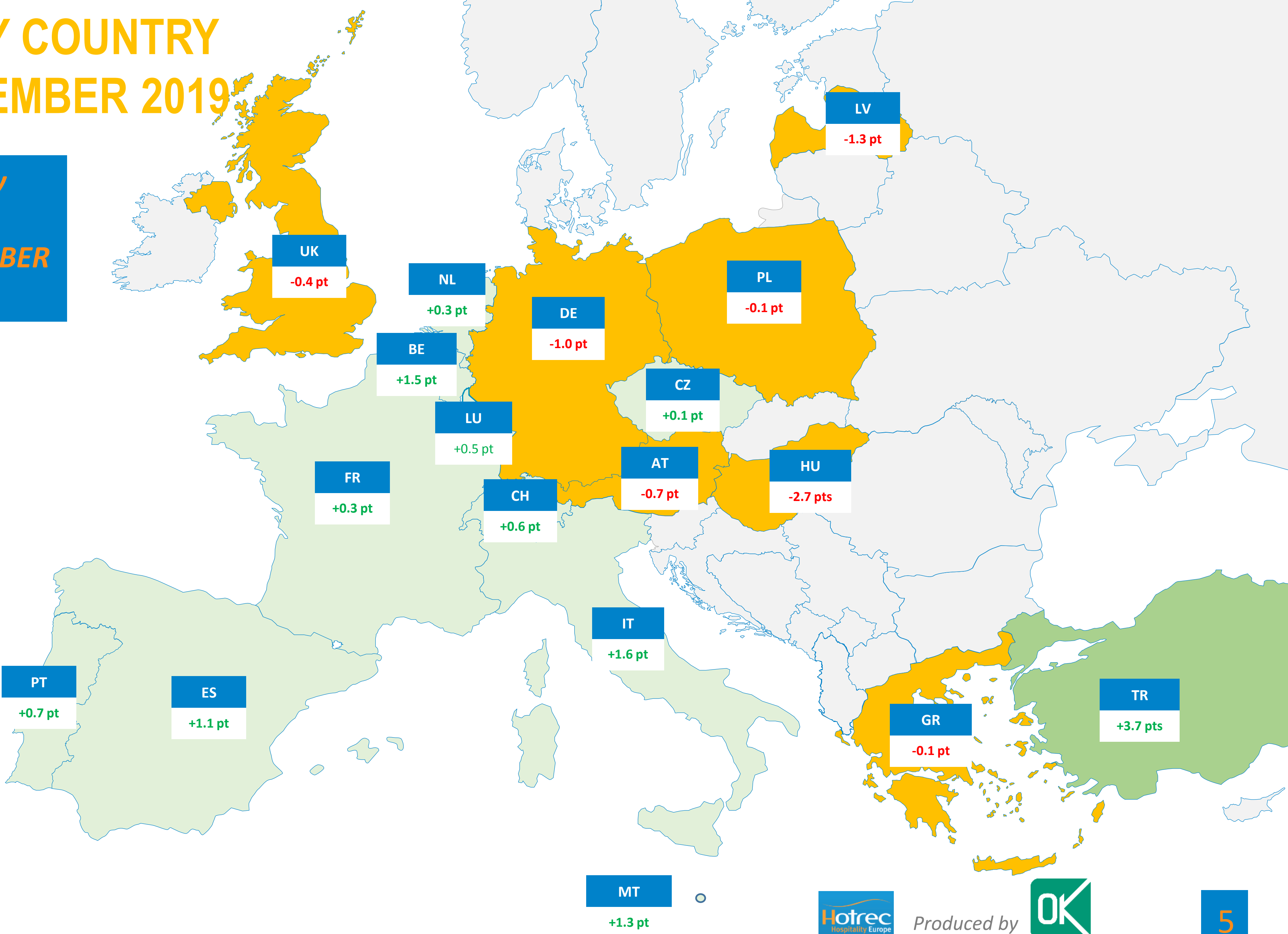
Between 0% and 5%

Inf. to 0%

HOTEL RESULTS BY COUNTRY IN EUROPE – SEPTEMBER 2019

Monthly Results – Occupancy Rate change by country SEPTEMBER 2019 vs SEPTEMBER 2018

European average
+0.1 pt



- Sup. to 5 pts
- Between 2,5 and 5 pts
- Between 0 and 2,5 pts
- Inf. to 0 pt

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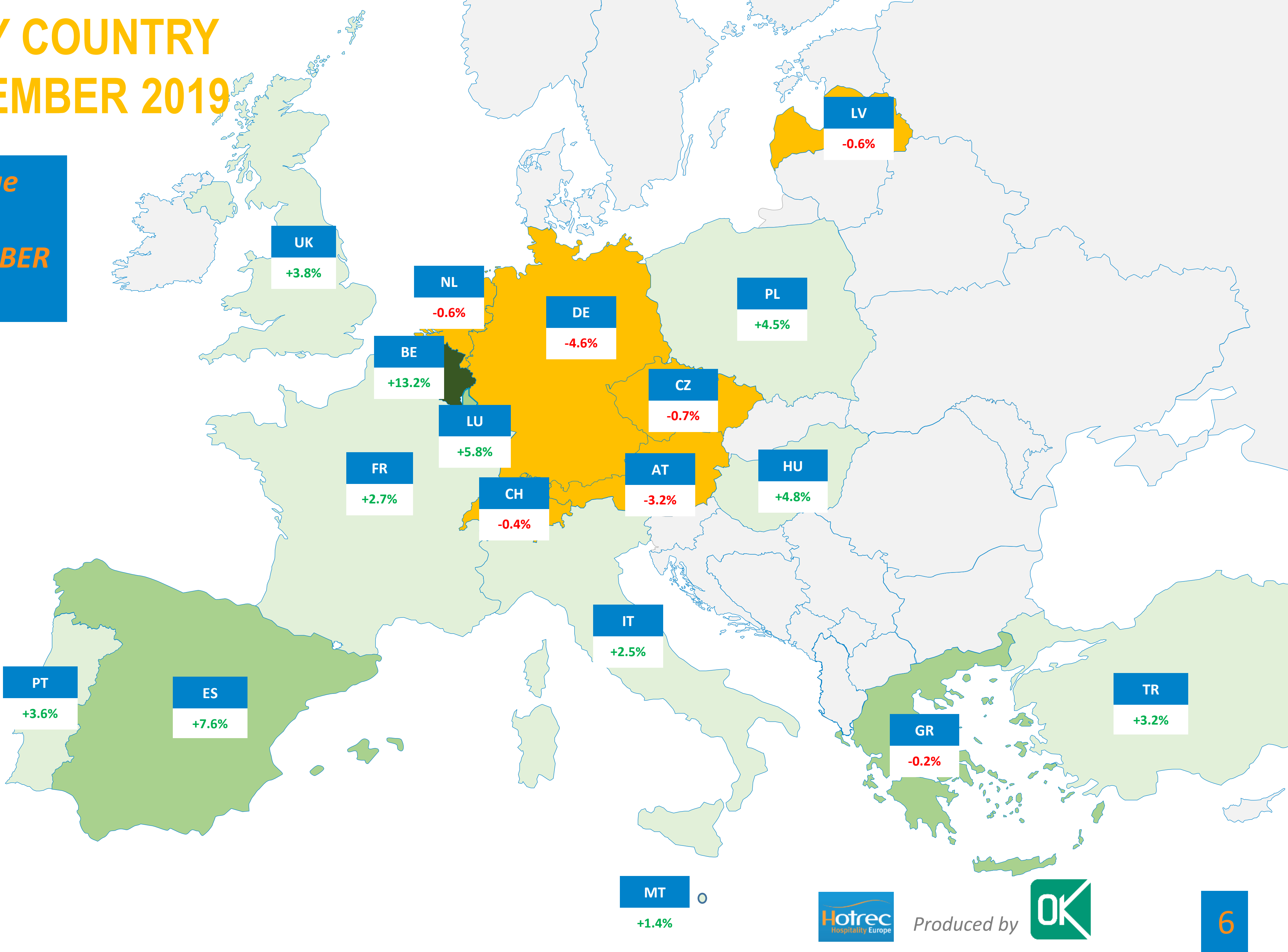
HOTEL RESULTS BY COUNTRY IN EUROPE – SEPTEMBER 2019

Monthly Results - ADR change by country
SEPTEMBER 2019 vs SEPTEMBER 2018

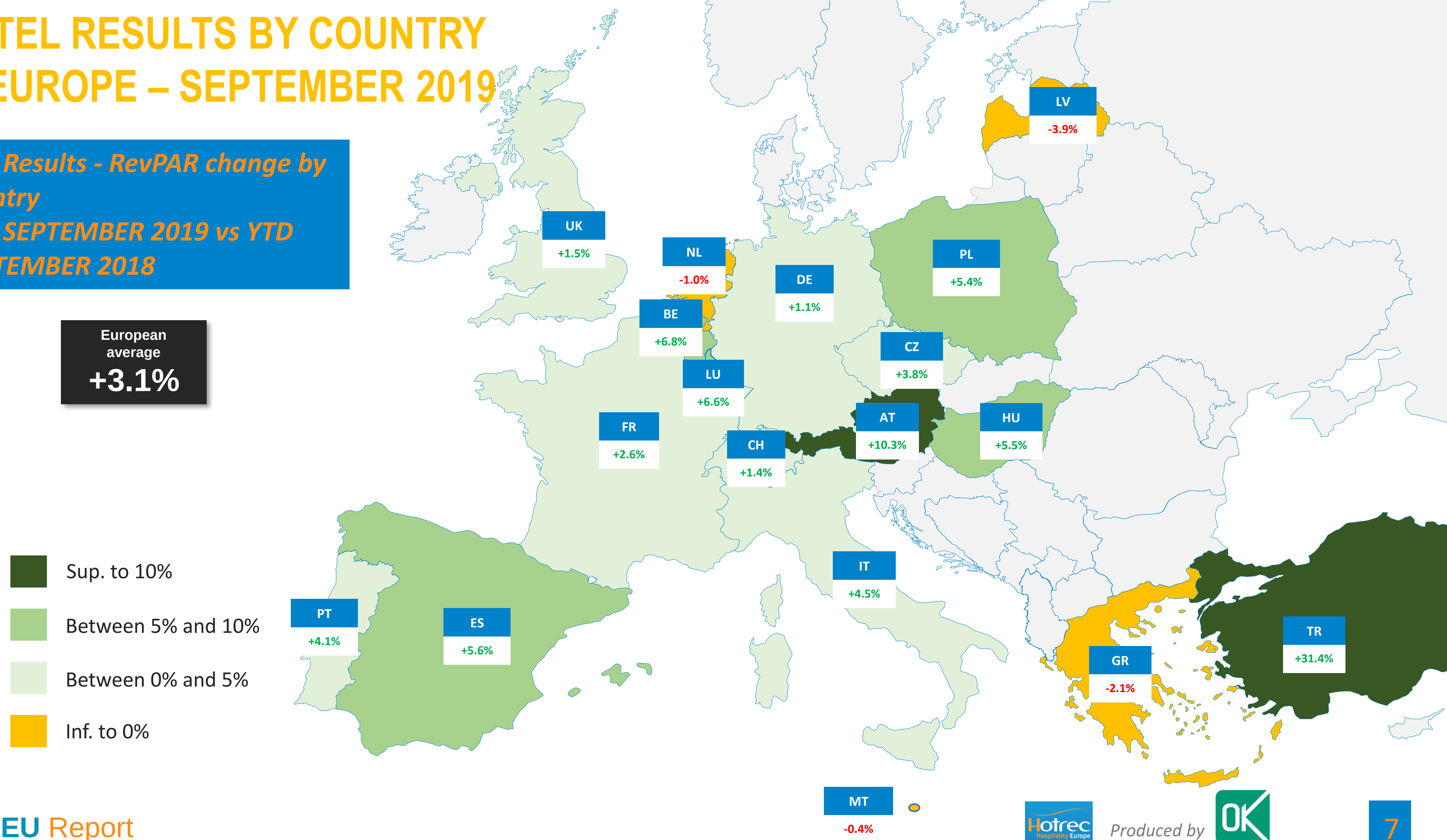
European average
+1.9%



HOTEL RESULTS BY COUNTRY IN EUROPE – SEPTEMBER 2019

YTD Results - RevPAR change by country
YTD SEPTEMBER 2019 vs YTD SEPTEMBER 2018

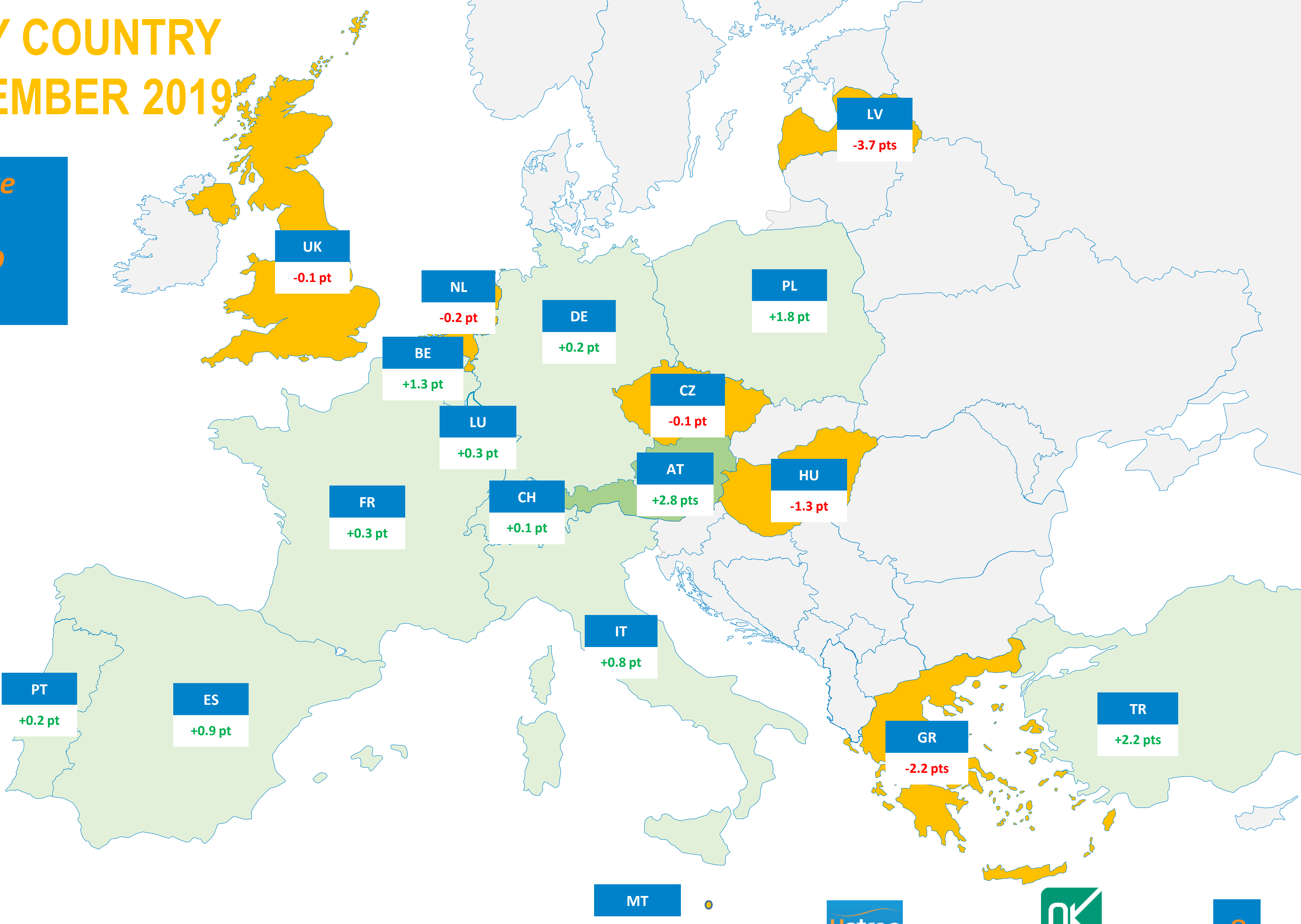
European average
+3.1%



HOTEL RESULTS BY COUNTRY IN EUROPE – SEPTEMBER 2019

YTD Results – Occupancy Rate change by country
YTD SEPTEMBER 2019 vs YTD SEPTEMBER 2018

European average
+0.3 pt



Sup. to 5 pts
Between 2,5 and 5 pts
Between 0 and 2,5 pts
Inf. to 0 pt

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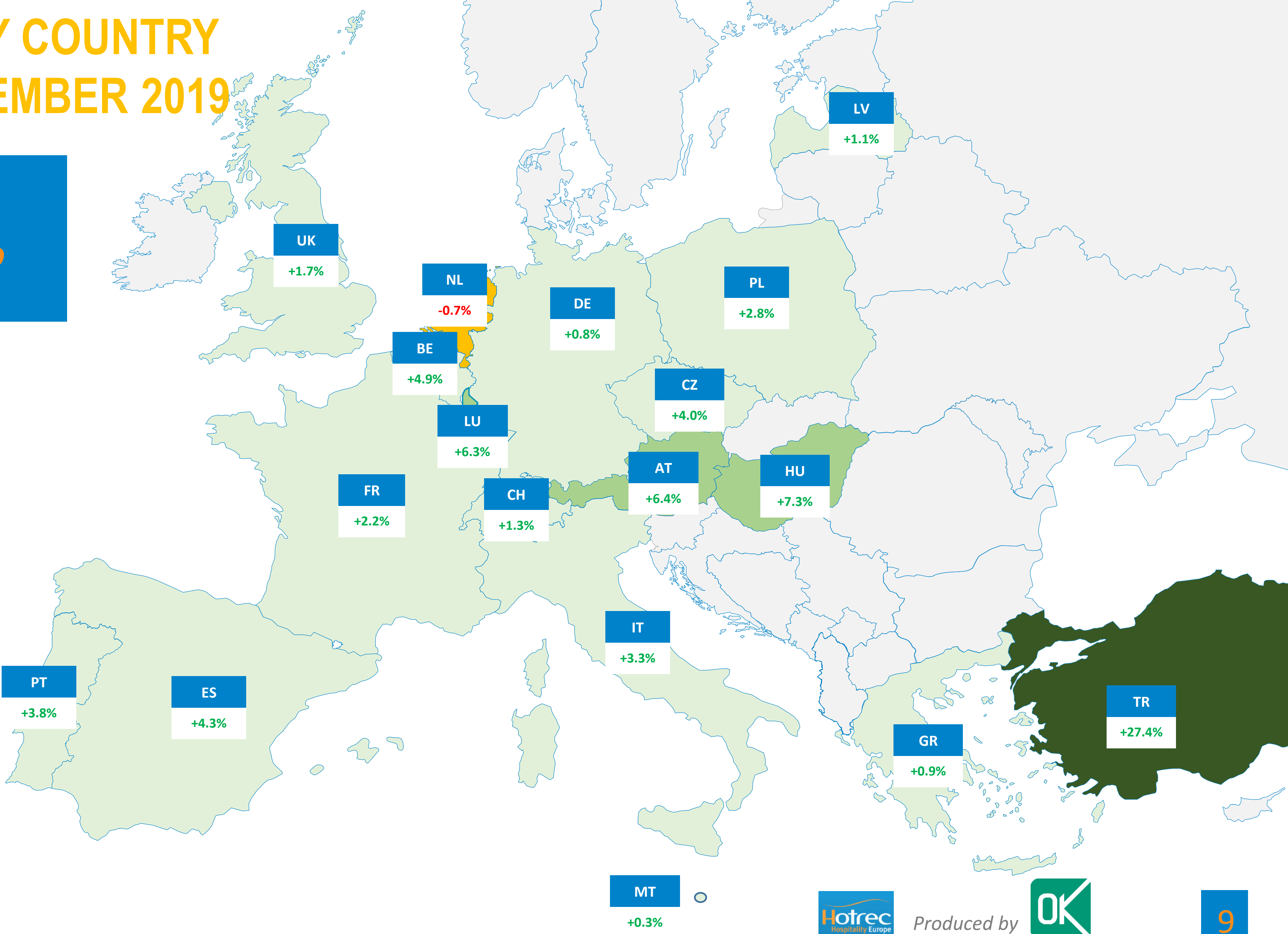
HOTEL RESULTS BY COUNTRY IN EUROPE – SEPTEMBER 2019

YTD Results - ADR change by country
YTD SEPTEMBER 2019 vs YTD SEPTEMBER 2018

European average
+2.6%



- Sup. to 10%
- Between 5% and 10%
- Between 0% and 5%
- Inf. to 0%

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METHODOLOGY

1 Conventions

The report presents the results of corporate brand hotels in Europe. The sample consists of a total of more than 6,500 hotels, representing more than 800,000 rooms. The breakdown by segment is as follows: 30% for Budget and Economic hotels, 30% for midscale hotels and 40% for upscale hotels.

Hotels are classified according to the hotel star system: from 1* to 5*. The category of corporate chain hotels are allocated individually according to MKG Hospitality’s market expertise and reflect the “marketing classification” in complement to the official rating system(s) of the country (if any). The category breakdowns for global supply are taken from MKG Hospitality’s database and from information provided by statistical and/or hotel industry institutions (e.g. associations, unions).

2 Glossary

- **Occupancy rate:** Number of sold rooms divided by number of available rooms
- **Average daily rate:** Room revenue divided by number of sold rooms
- **RevPAR:** Occupancy rate x average daily price or room revenue divided by available rooms
- **Available rooms:** Capacity x number of operating days (within a month)
- **Sold rooms:** Capacity x number of operating days x occupancy rate
- **Room revenue:** Room revenue expressed net of VAT (excluding other types of revenue such as food and beverage, etc.)