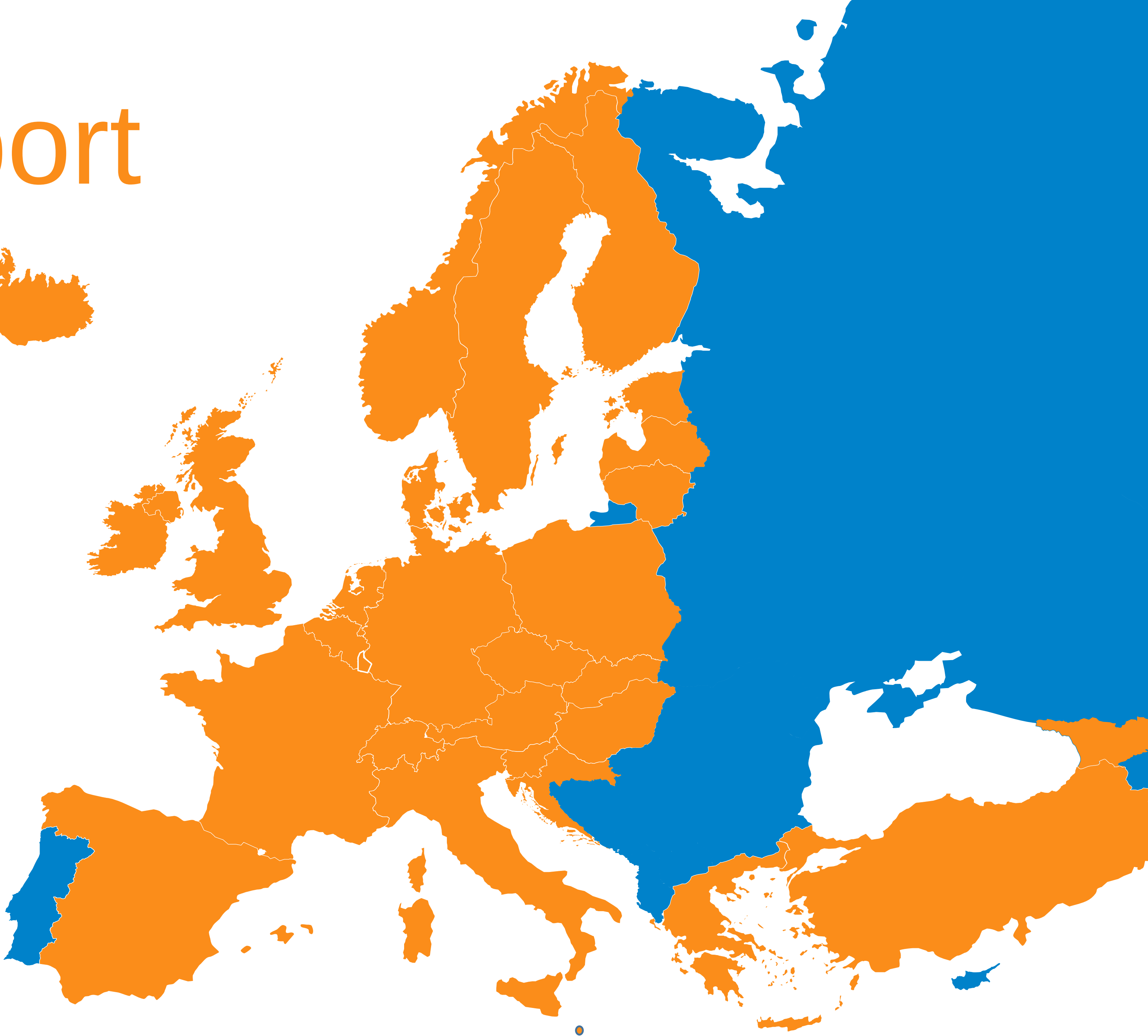
HEU Report

Europe

Hotrec
Hospitality Europe



DECEMBER 2018

ANALYSIS OF HOTEL RESULTS – DECEMBER 2018

A month to celebrate for European hoteliers

The year 2018 was generally positive for European hoteliers despite a slump in May, and it ended well. Across all segments, the RevPAR is up +5.8%, driven by slight growth in occupancy rate by +0.7 pt as well as average daily rates up +4.5% compared to December 2017. In terms of occupancy rate, it is the 3* hotels that are performing best in Europe with +1.1 point growth, followed by the 4* with +1.0 point growth. The 2* hotels closed the month with +0.5 point compared to December 2017. European hoteliers maintained the increase in their average daily rates, with the strongest increase for 4* hotels at +5% to reach €124.3 excluding tax, followed by the 5* hotels at +4.7% (€200 excluding tax), the 3* hotels at +4.1% (€78.6 excluding tax) and the 2* hotels at +2.7% of the average daily rate.
The strongest growth in RevPAR was seen in the 4* hotels, where growth was +6.6%, followed by the 3* hotels, where growth was +5.9%, and the 5* hotels, where growth was +5.3%. Not surprisingly, the RevPAR of the 2* hotels offer rose by 3.5%, driven down by a slightly lower occupancy rate. The 2018 year-to-date balance sheet is also positive, with an occupancy rate up 0.9 points, an average daily rate up 2.8% to €106.2 excluding tax and a RevPAR of +4.1% (€77.1 excluding VAT).

The overall champion across all categories (out of the three KPIs) remains Austria, which, after a slowdown in the spring, has shown an insolent increase in its performance indicators since June. The RevPAR rose by +21.1% to reach €95 excluding tax, driven by occupancy rates of +6.3 points and an average rate that logically rose by +11.8% to reach €115.7 excluding tax. The destination remains well ahead of its challenger Hungary, which also posted a double-digit increase in RevPAR +14% to reach €50.90 excluding tax. OR increased by +2.1 points and average prices by +7.6% to €63.20 excluding tax.
Poland closed the podium with a RevPAR that increased +7.7% driven by growth in average daily rates up +7.6% while occupancy rates stagnated at +0.1 point. Krakow is driving growth with a RevPAR of +25.8% (225.3 Zlotys excluding tax/approximately €52 excluding tax), while Warsaw is performing at half mast with a RevPAR that fell -7.2%; the same is true for Gdansk -7.9%.

The Czech Republic and Italy are neck and neck on the heels of the third-ranking country. With a +6.7% increase in RevPAR, the Czech Republic is taking advantage of a stable occupancy rate of +1.4 points to maintain its average price increase at +4.6%. Italy, on the other hand, increased its occupancy rate by +1.7 points and posted an average price of +3.3% to reach €97.6 excluding tax. Milan posted the best growth with a RevPAR up +14.7% (€70.1 excluding VAT), Turin, Rome and Venice also posted improved performances, unlike Bologna, Florence and Naples. Spanish hoteliers also saw their RevPAR increase by +6.5% (€52 excluding tax) thanks to an occupancy rate that increased by +2.2 points and an ADR up +2.6%. Spanish destinations are performing well, with the exception to Palma de Majorca.

The United Kingdom posted more dynamic growth than in November 2018, with a RevPAR increasing by +6.3% to £66.2 excluding tax, driven by an occupancy rate up +2.2 points and average daily rates maintained at +3.1% growth. The British capital grew +10.1% in terms of RevPAR (£99.8 excluding tax) well ahead of the kingdom's other major destinations, which are all showing growth except Cardiff and Leeds-Bradford.
In the middle of the chart, Belgium and Luxembourg increased by +4.8% in Revenue per available room. The region grew +4.8% (€71.1 excluding tax) thanks to an increase in ADR by +1.5 points and a +2.4% increase in OR. Brussels and Ghent are doing well, while Antwerp and Liège are underperforming. The Duchy, on the other hand, maintained an increase in average daily rates at +7% (€127.8 excluding tax) despite a -1.5 point decrease in OR.
Germany, which maintains its occupancy rate with +0.9 points, posted a +2.8% increase in ADR to reach a RevPAR of €57.3 excluding taxes (+4.2%). Although Berlin is in excellent shape (+16.8% for its RevPar to €65.5 excluding tax) Frankfurt, Hamburg, Stuttgart and Essen are driving national performances down.
France had regained a growth track, but marked a pause with Paris losing 3.6 points in its OR, with the budget and upscale segments hit the hardest.

Latvia maintains its RevPAR at +2.6 % (36.6€ excl. taxes) with slight growth in average daily rates by +2.5% despite a totally stable occupancy rate. The Netherlands post a RevPAR up by +1.3 % (70€ excl. taxes) despite a slight drop in IR to -0.4 point, an increase in average daily rate by +1.9% helps it remain positive. Portugal stabilizes at +1% growth in its RevPAR (39.5€ excl. taxes) due to an OR up +0.8 points which has not prevented hoteliers from decreasing their average daily rates by -0.4%. While Lisbon just barely continues to grow, (0.8%), Porto lose 3.7% of its RevPAR. In a downturn phase since September, Greece's RevPAR is down for the first time since April 2018 by -0.4 % (to 49.4€ excl. taxes). Despite efforts to continue increasing the ADR by 4%, the drop in OR by -2.4 points had a strong impact on results. The year 2018 closes with an increase in the RevPAR for all European countries.

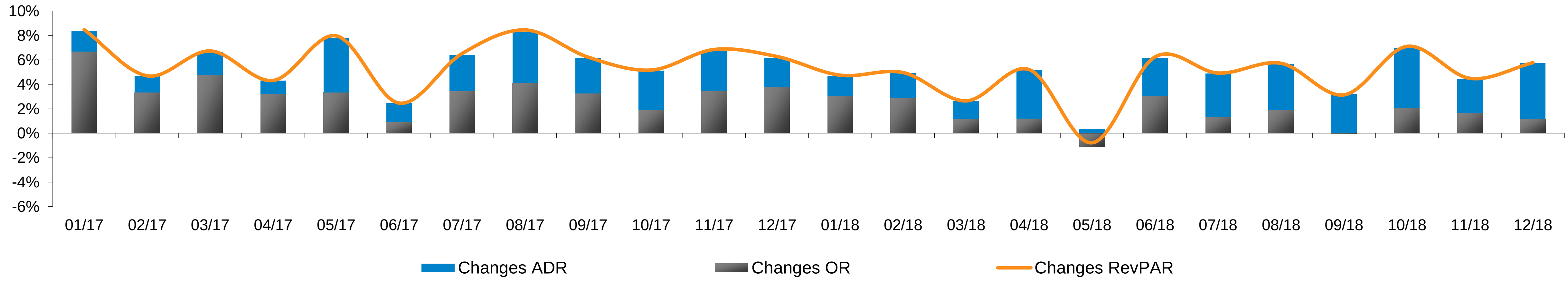
HOTEL RESULTS BY SEGMENT IN EUROPE – DECEMBER 2018

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

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

Note : The indicators are compared to the same period of previous year, i.e. DECEMBER 2018 vs DECEMBER 2017

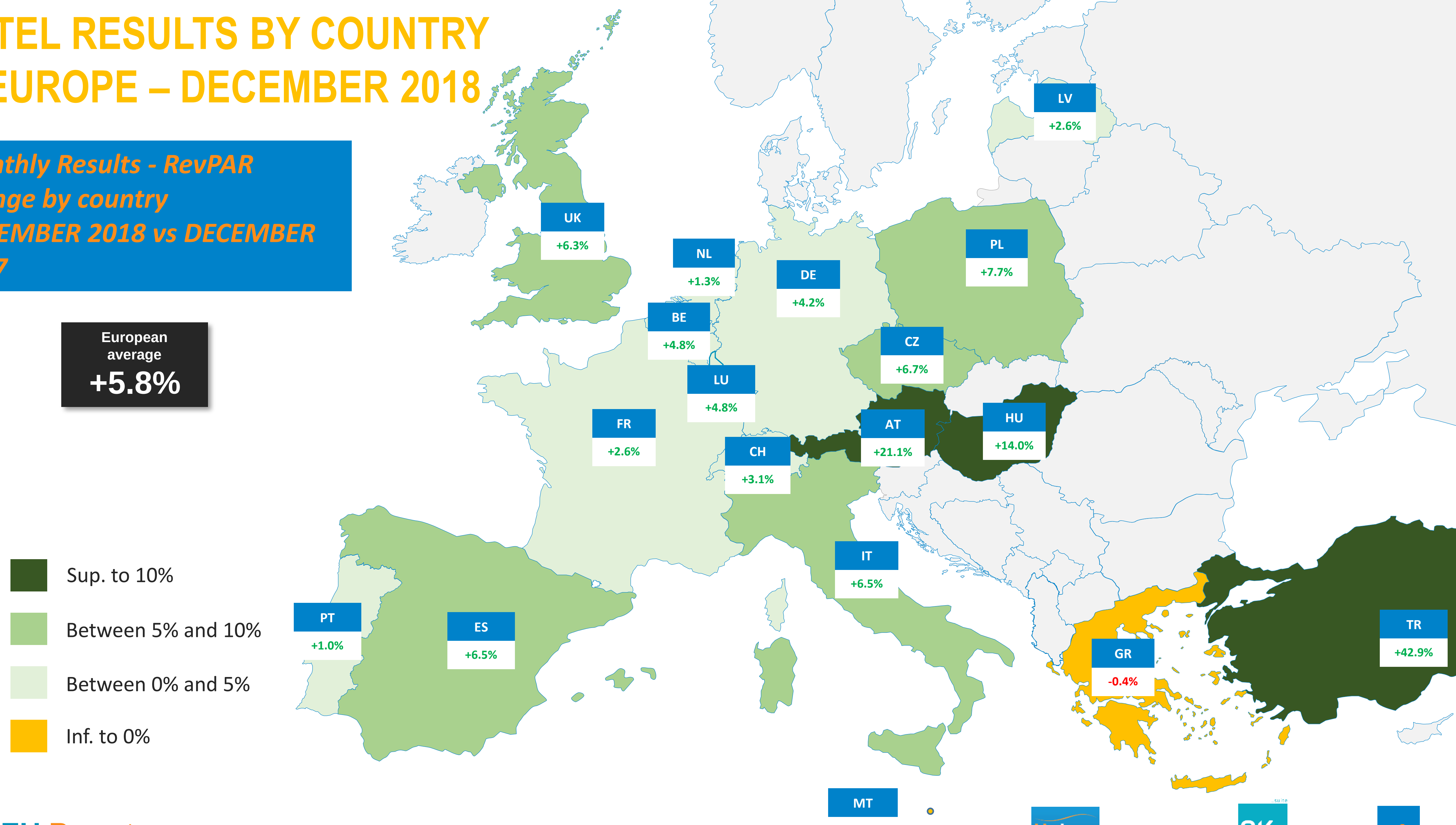
OR, ADR and RevPAR change - Last 24 months



HOTEL RESULTS BY COUNTRY IN EUROPE – DECEMBER 2018

Monthly Results - RevPAR change by country DECEMBER 2018 vs DECEMBER 2017

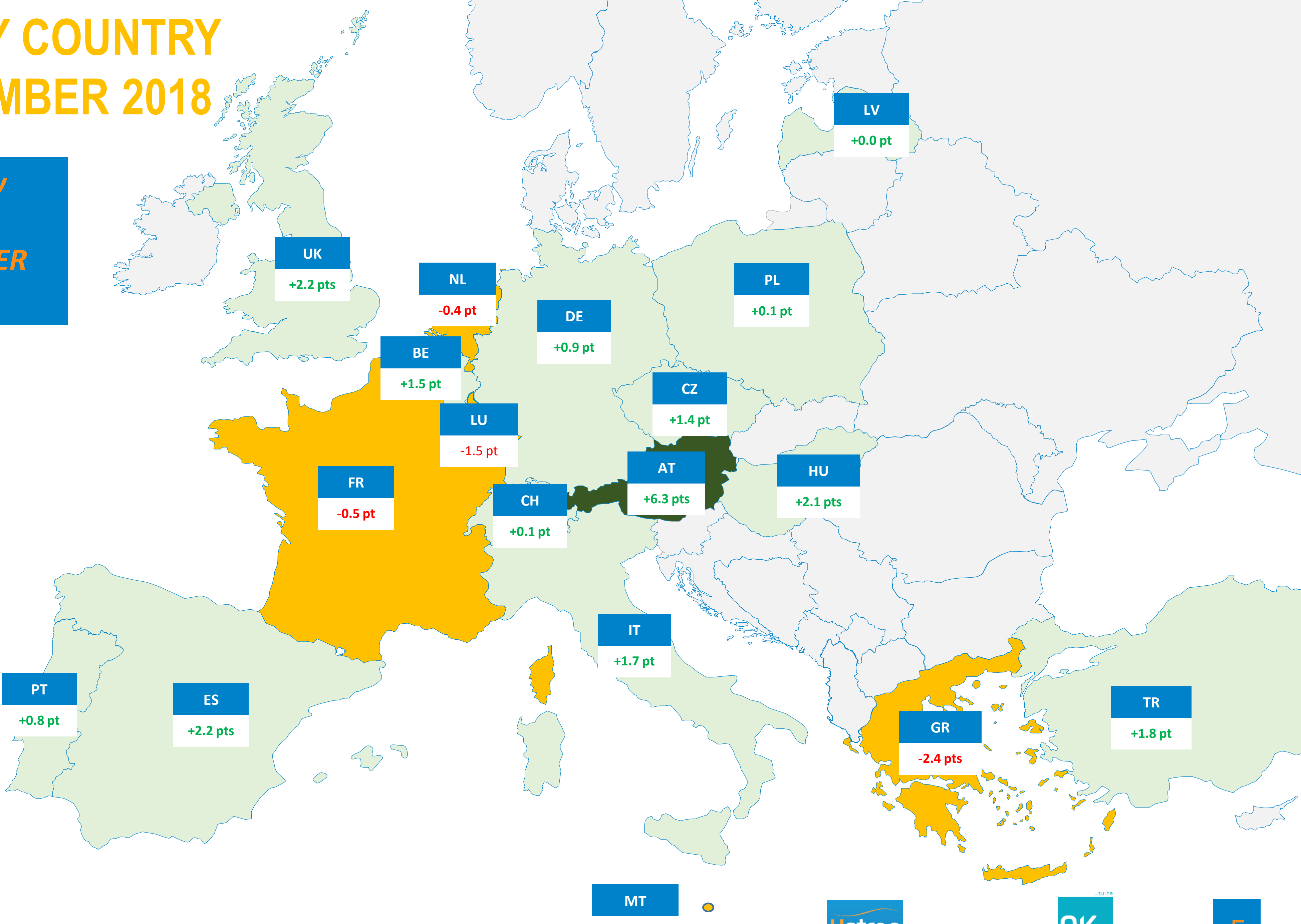
European average
+5.8%



HOTEL RESULTS BY COUNTRY IN EUROPE – DECEMBER 2018

Monthly Results – Occupancy Rate change by country DECEMBER 2018 vs DECEMBER 2017

European average
+0.7 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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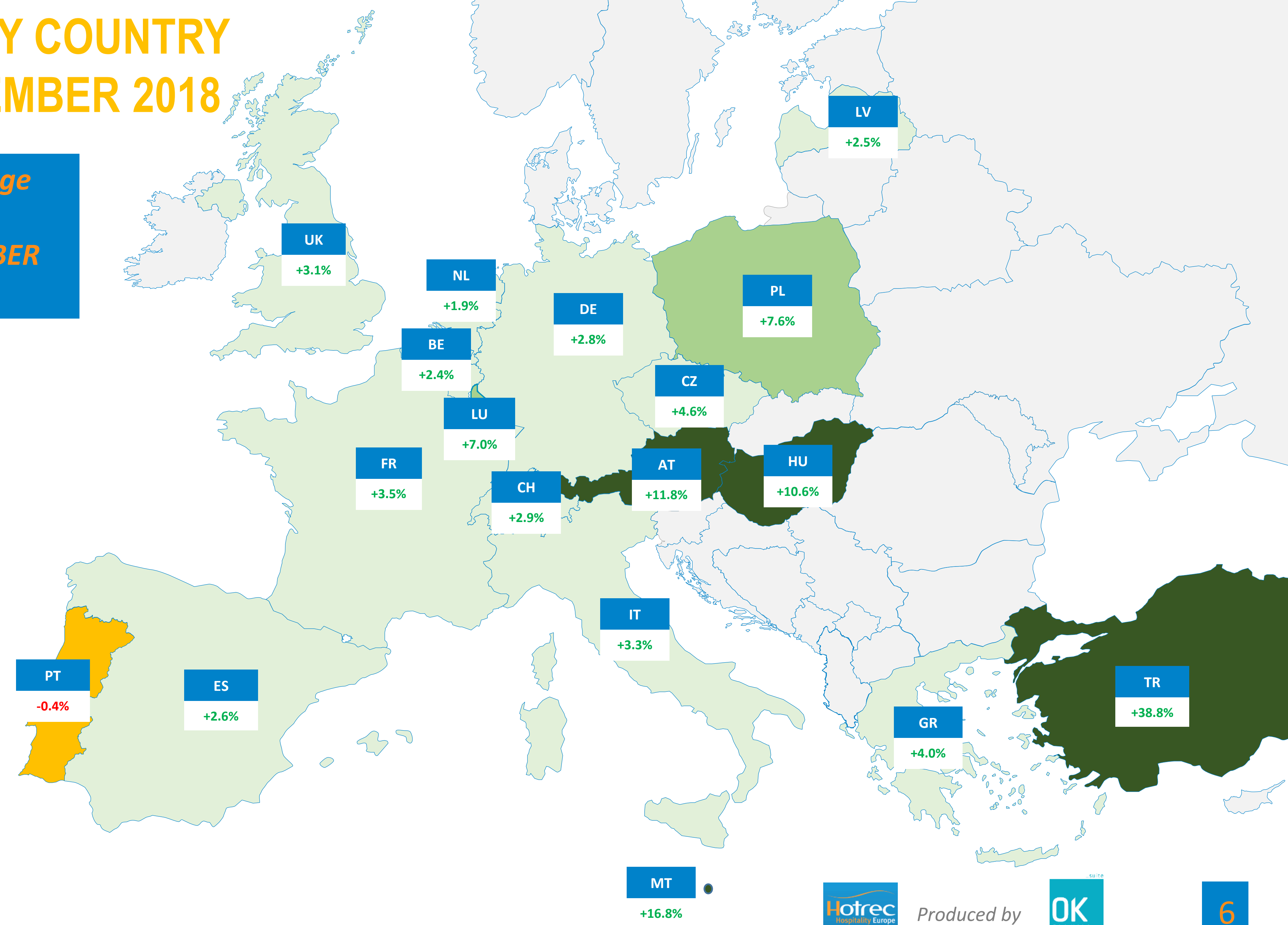
HOTEL RESULTS BY COUNTRY IN EUROPE – DECEMBER 2018

Monthly Results - ADR change by country
DECEMBER 2018 vs DECEMBER 2017

European average
+4.5%



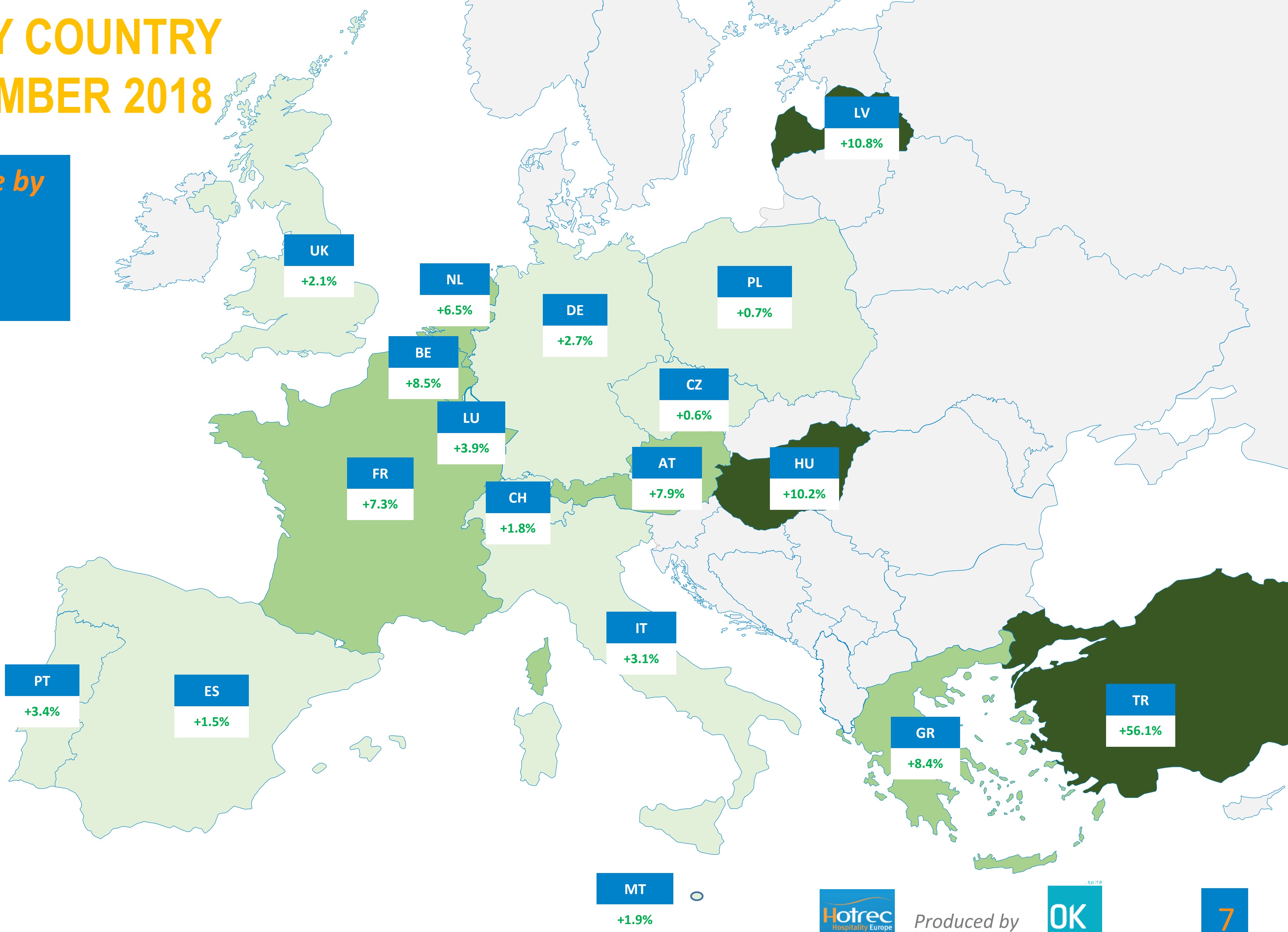
Sup. to 10%
Between 5% and 10%
Between 0% and 5%
Inf. to 0%

Produced by

HOTEL RESULTS BY COUNTRY IN EUROPE – DECEMBER 2018

YTD Results - RevPAR change by country
YTD DECEMBER 2018 vs YTD DECEMBER 2017

European average
+4.1%

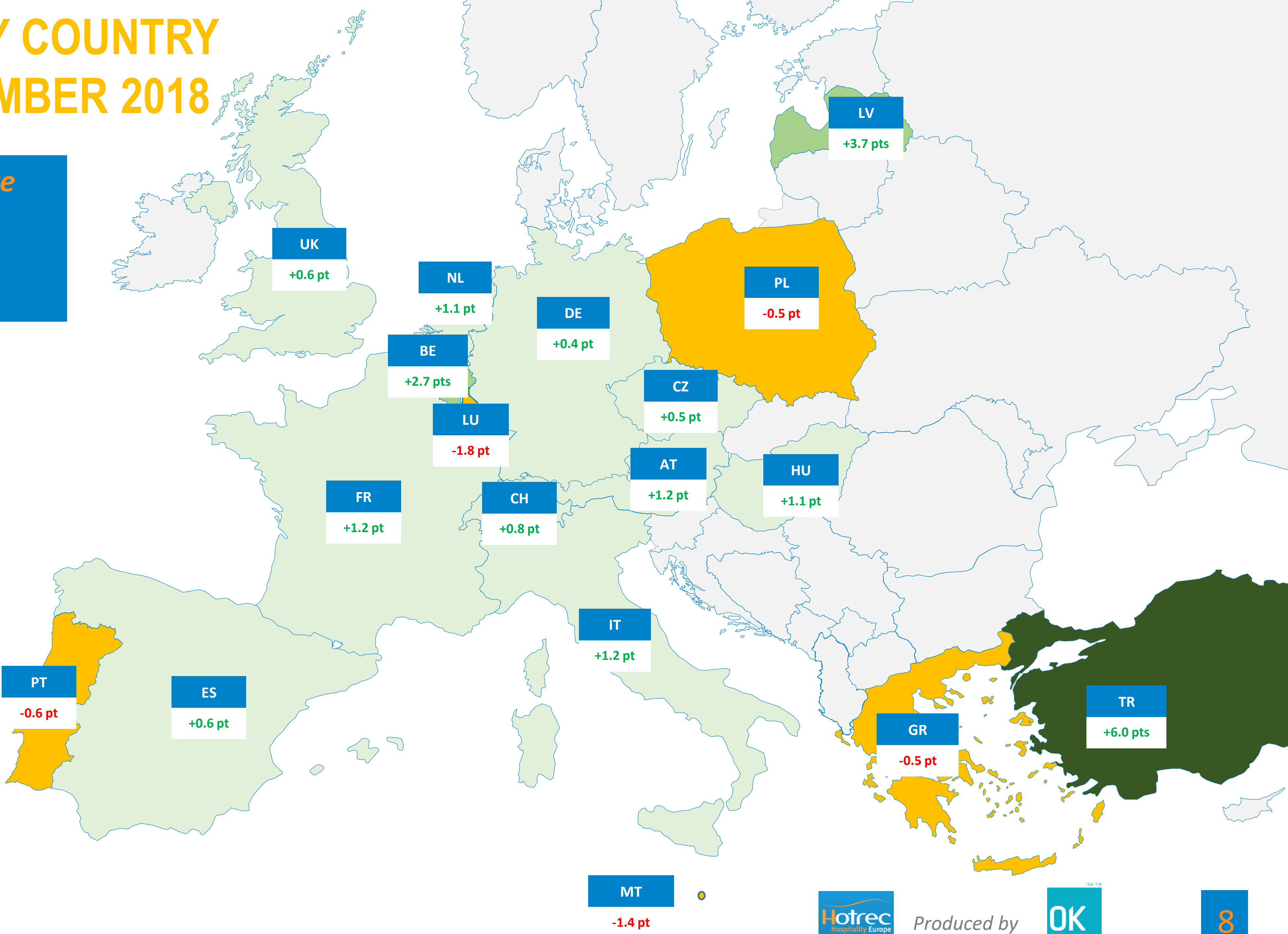


Sup. to 10%
Between 5% and 10%
Between 0% and 5%
Inf. to 0%

HOTEL RESULTS BY COUNTRY IN EUROPE – DECEMBER 2018

YTD Results – Occupancy Rate change by country
YTD DECEMBER 2018 vs YTD DECEMBER 2017

European average
+0.9 pt



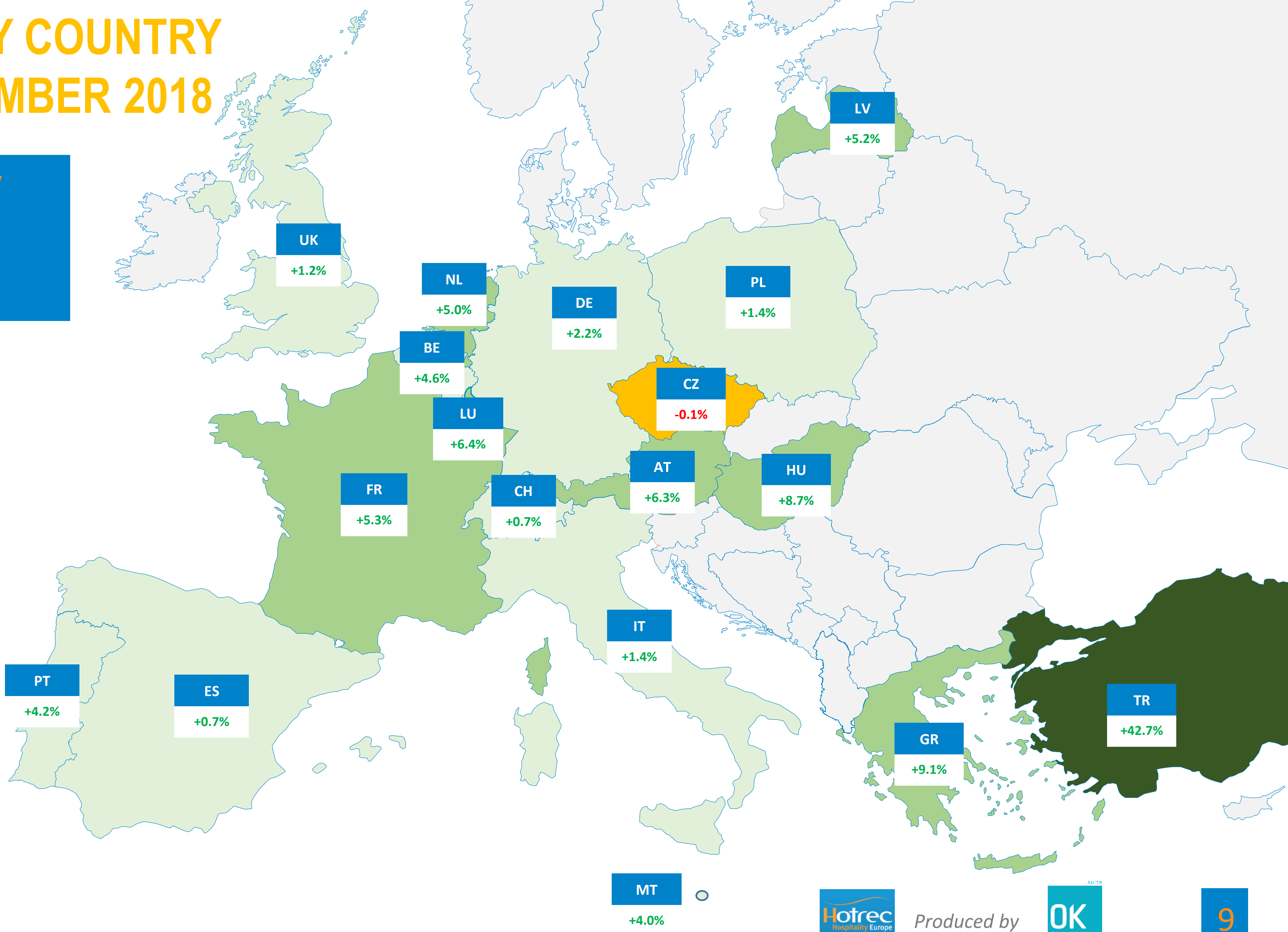
- Sup. to 5 pts
- Between 2,5 and 5 pts
- Between 0 and 2,5 pts
- Inf. to 0 pt

Produced by

HOTEL RESULTS BY COUNTRY IN EUROPE – DECEMBER 2018

YTD Results - ADR change by country
YTD DECEMBER 2018 vs YTD DECEMBER 2017

European average
+2.8%



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

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.)