

H EU Report

Europe



AUGUST 2018



ANALYSIS OF HOTEL RESULTS – AUGUST 2018

Prosperous for Europe's hotels

Since the beginning of the year, the overall trend in Europe has remained stable. Some countries that are used to being in the lead are compensating for the decline in occupancy rates by increasing average daily rates, while less popular destinations are consolidating their leadership positions. The summer season nonetheless ends with good hotel performances.

The positive results observed in August confirm the good summer performance of the European hotel industry. European hotels posted a 1.5-point increase in occupancy rates to 76.6% and average daily rates rose +3.7% to 112.7 euros. RevPAR was up +5.7% (to 86.1 euros) compared to the previous year, bringing the increase for the first 8 months of 2018 to +3.8%.

All segments saw their performance evolve in the right direction, with substantially similar results. Despite a less impressive increase than observed at the beginning of the summer, the 5* hotels experienced the strongest growth (+9.4%) followed by the 4* hotels (+5.6%) and the 3* hotels (+4.8%).

This month's champions are Latvia and Hungary, which posted RevPAR growth of +18.3 (for 92.6% occupancy) and +15.9 (for 92.5% occupancy) respectively. It should be mentioned that Latvia's hotel industry recorded a +14.7% increase in RevPAR and gained 5.7 points in its occupancy rate since the beginning of the year. Other countries have substantially similar revenues: such as Belgium (+12.9% RevPAR) and Germany (+10.1% RevPAR) with increases in their average daily rates (+6.3% and +6.5% respectively).

The leading group remains the same as in July, with France (+7.5%), Greece (+6.4%), Austria (+5.5%) and the Netherlands (+5.4%) which recorded an increase in RevPAR by more than 5%. Occupancy rate explains the increase in this RevPAR for France and Austria, while Greece and the Netherlands rely on the increase in average daily rates.

Switzerland and England illustrate a significant growth, despite average daily rates above 100 euros that do not impact occupancy. Glasgow (+11.3%) and Edinburgh (+7.2%) oust the London capital with occupancy rates close to 95%. Luxembourg posted a good month of August, mainly due to the budget hotel sector (+9.3%), and compensated for less advantageous developments since the beginning of the year (occupancy rate down -2.2 points).

It should be mentioned that Spain has seen a drop in occupancy rates (-4.2%) in recent years, in a context where prices no longer have any impact (-3.8%) and the geopolitical climate in Barcelona (-21.2% of RevPAR) does not benefit hotel operators. Finally, the year 2018 is improving slightly for Italy thanks to Florence's efforts (RevPAR up +7.7%), which brings the country's RevPAR up +2.2% and improves a timid year-to-date (RevPAR up +2.7%).

Poland, which had an eventful 2016 and an increase in its RevPAR?? by 7.3% in August 2017, experienced a decrease in these indicators this year with a -1.2% decrease in RevPAR, due to a drop in the occupancy rate (-2.7 points). Malta follows a similar dynamic with a -1.0 % drop in its RevPAR due to a decrease in its occupancy rate (-0.7 points) and its average daily rate (-0.3%). Results over the first eight months of the year for Poland and Malta were slightly different, with changes in RevPAR by +0.7% and -0.4% respectively.

Overall, the increase in average daily rates is sufficient to boost results, particularly occupancy rates. After another month of growth, Europe's hotel industry is now in a position to maintain solid growth in its performance.

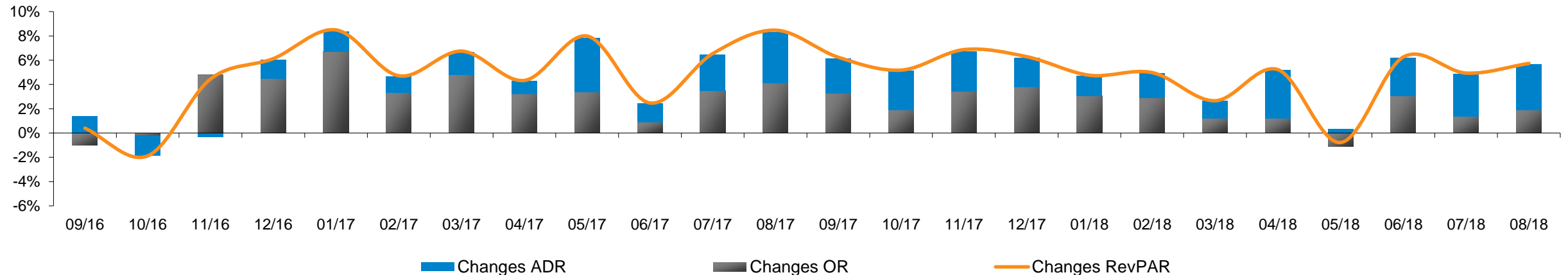
HOTEL RESULTS BY SEGMENT IN EUROPE – AUGUST 2018

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

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

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

OR, ADR and RevPAR change - Last 24 months

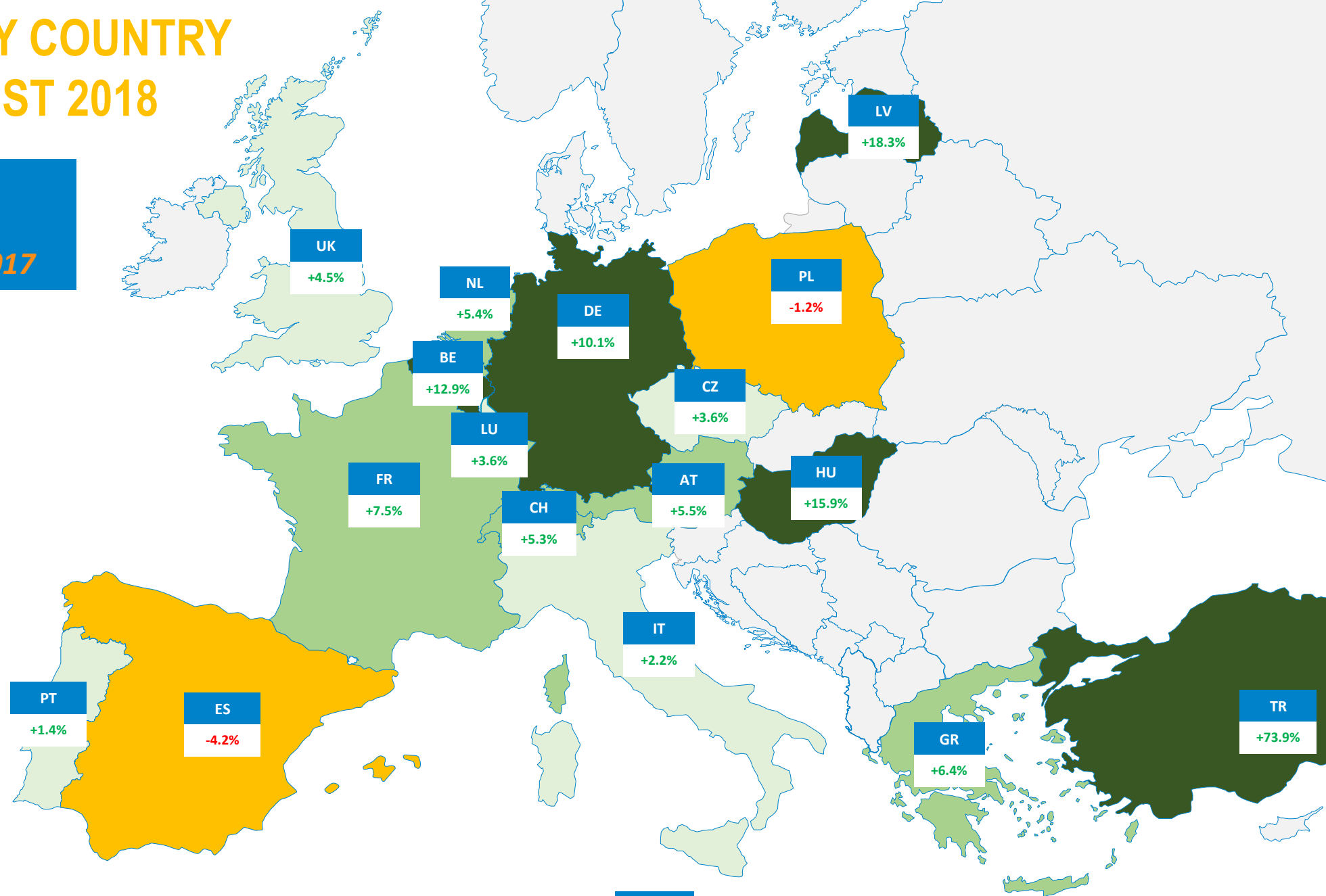


HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2018

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

European
average
+5.7%

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

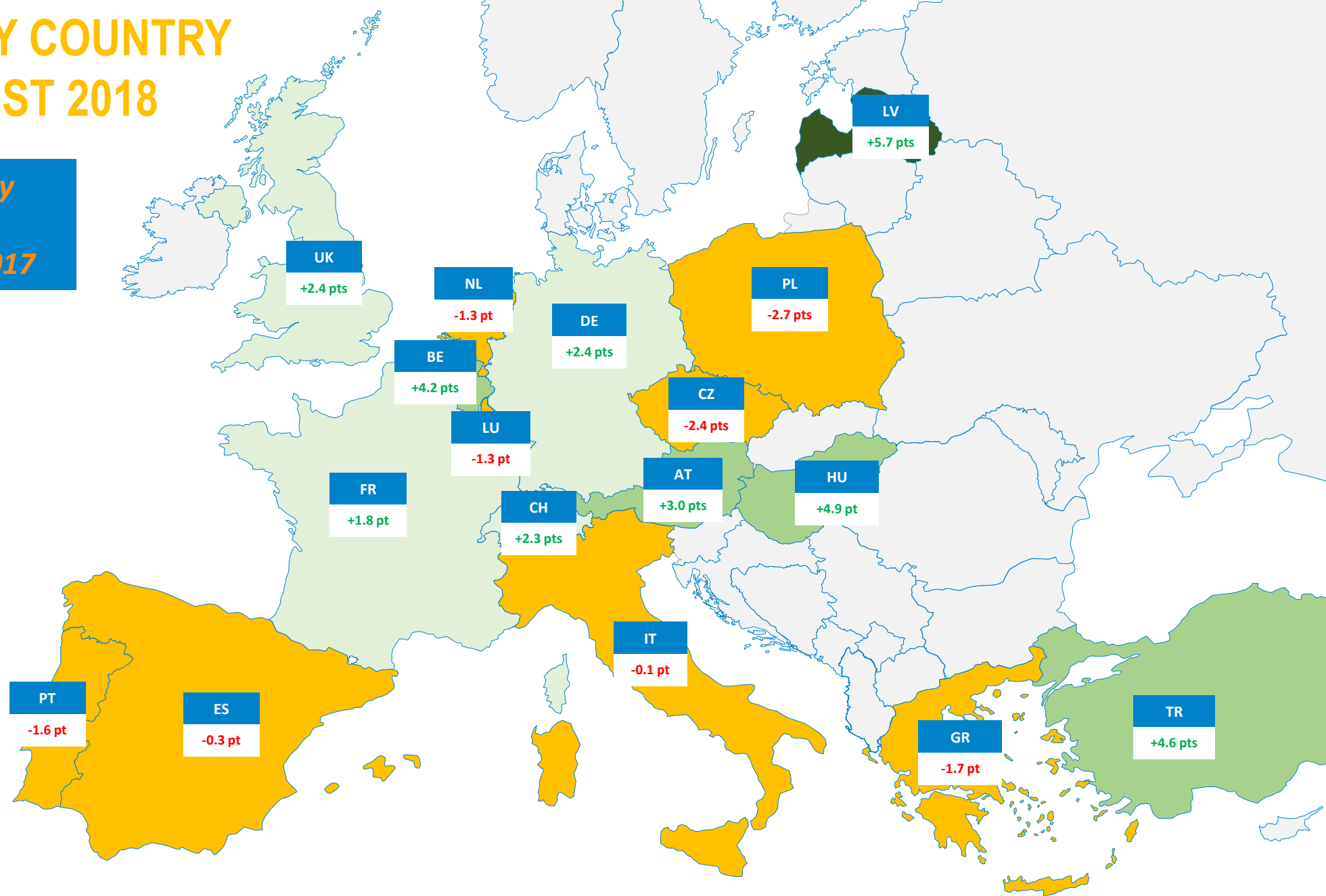


HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2018

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

European
average
+1.5 pt

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

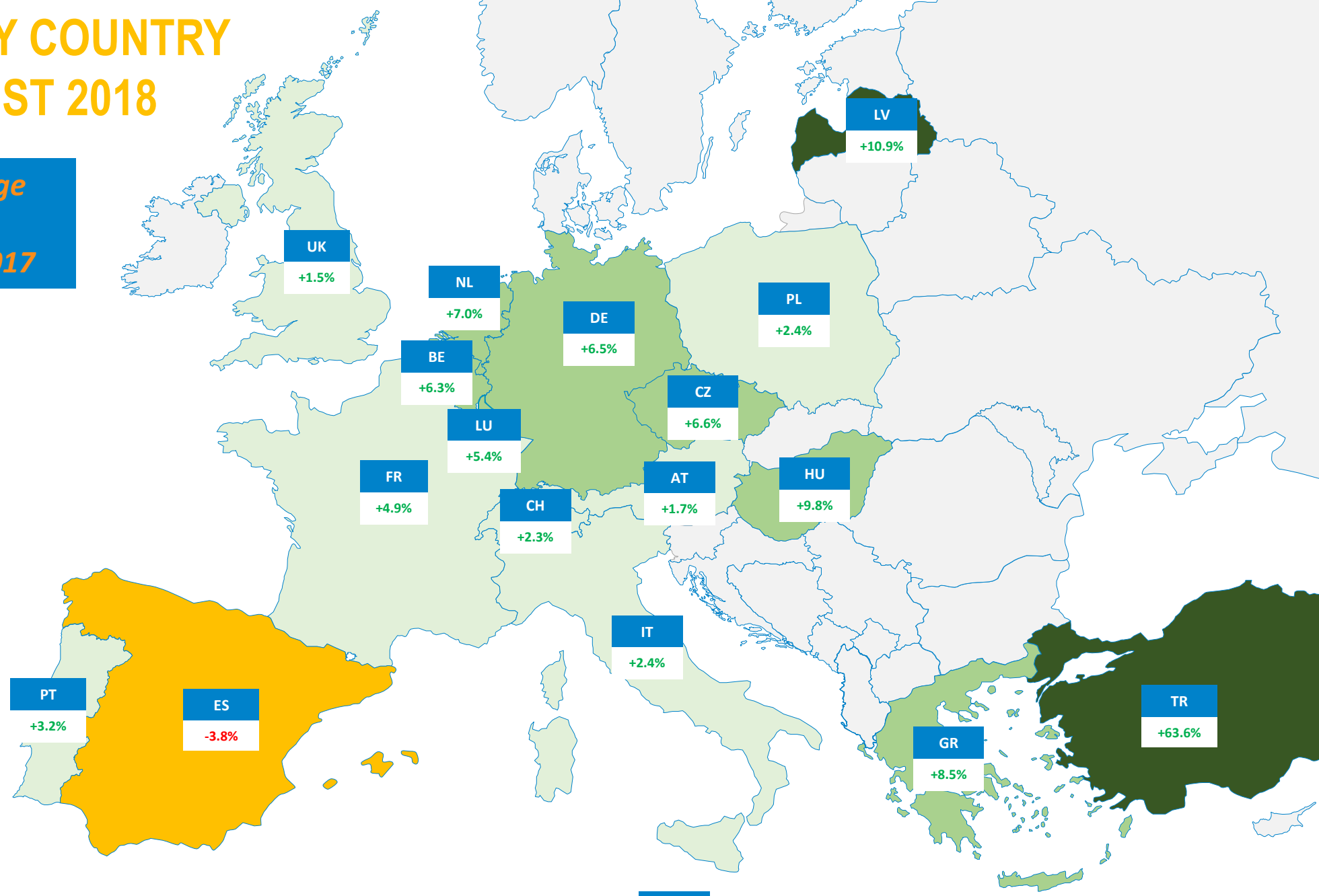


HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2018

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

European
average
+3.7%

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

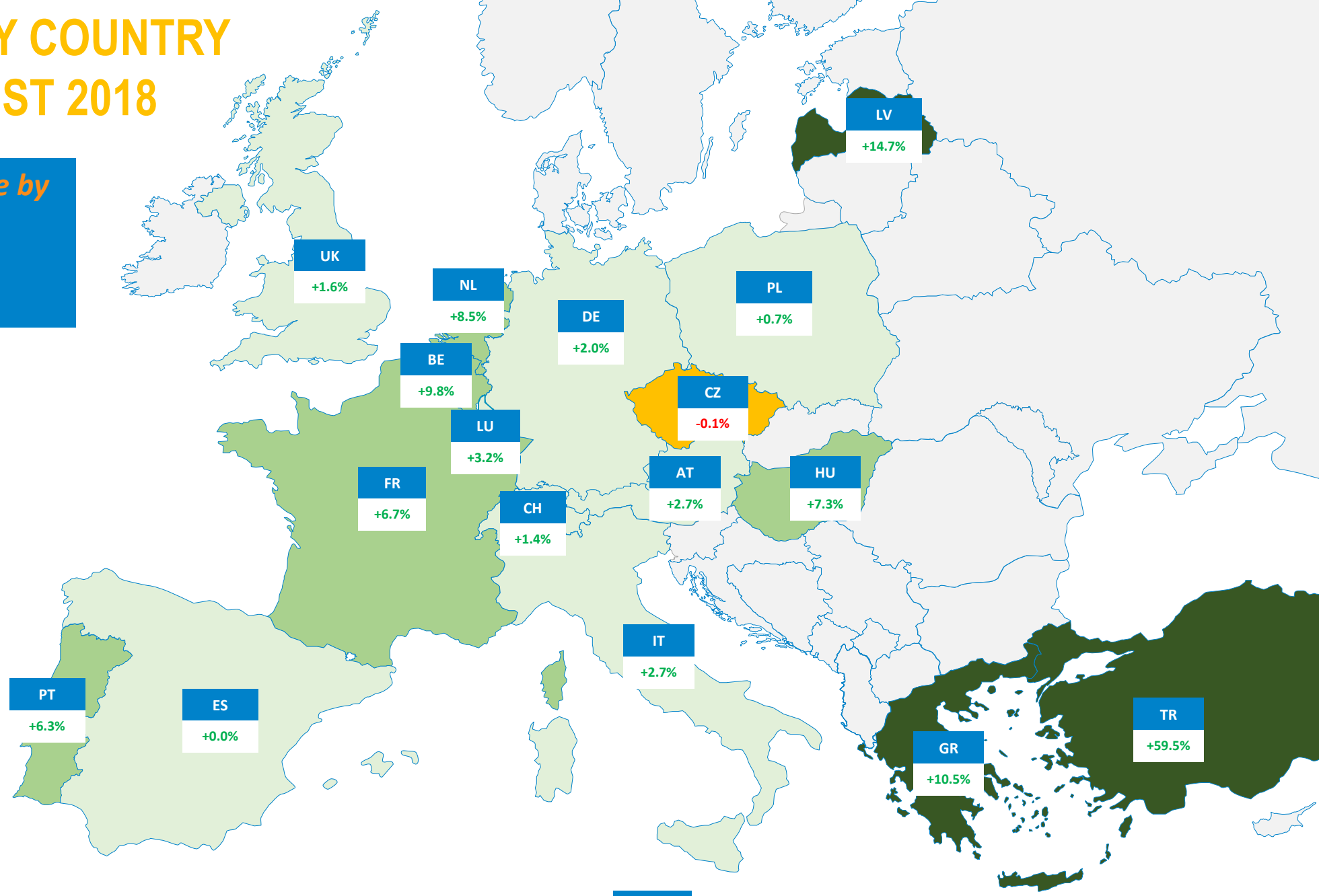


HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2018

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

European
average
+3.8%

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

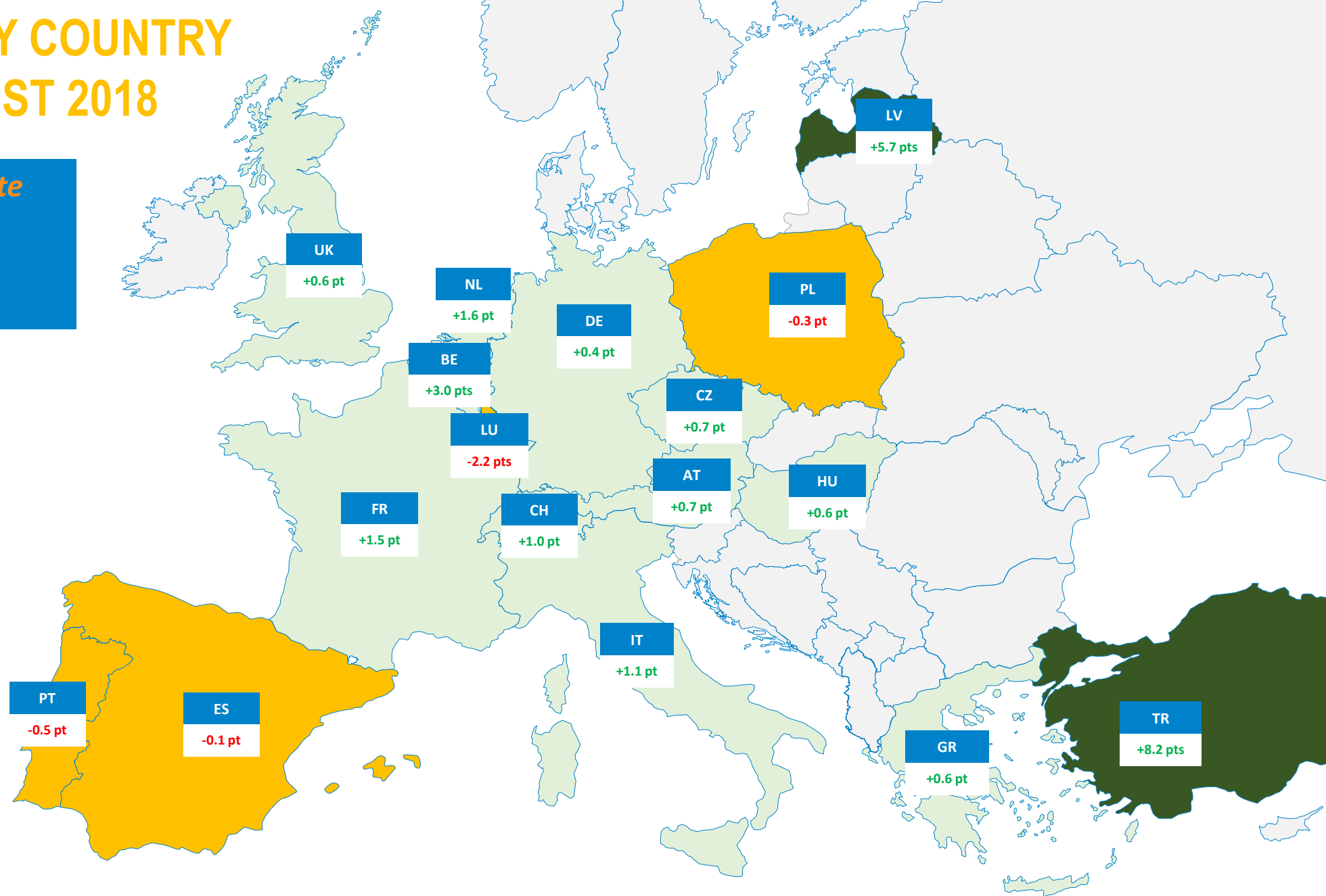


HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2018

**YTD Results – Occupancy Rate
change by country
YTD AUGUST 2018 vs YTD
AUGUST 2017**

European
average
+1.0 pt

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

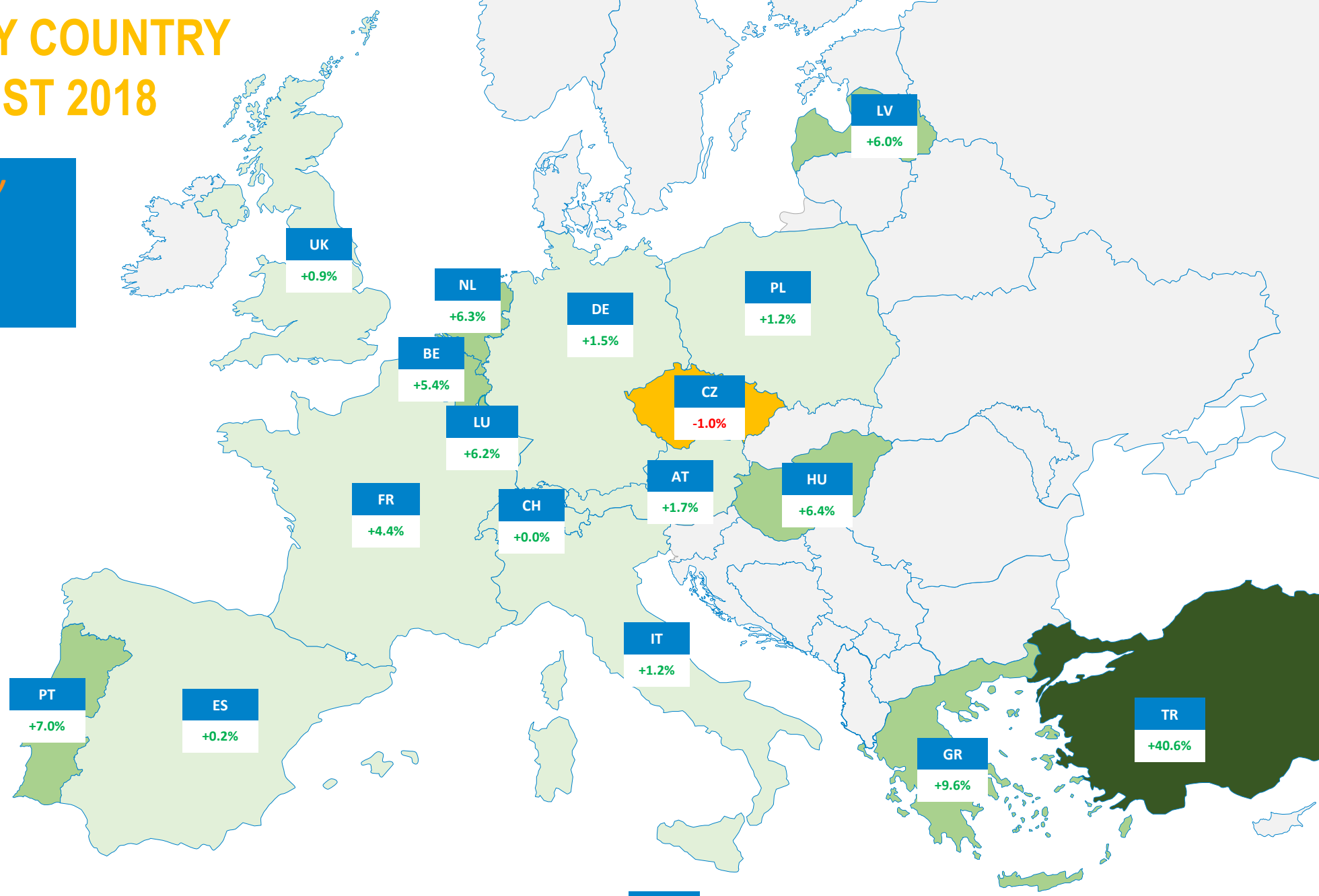


HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2018

*YTD Results - ADR change by
country
YTD AUGUST 2018 vs YTD
AUGUST 2017*

European
average
+2.3%

- 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.)

