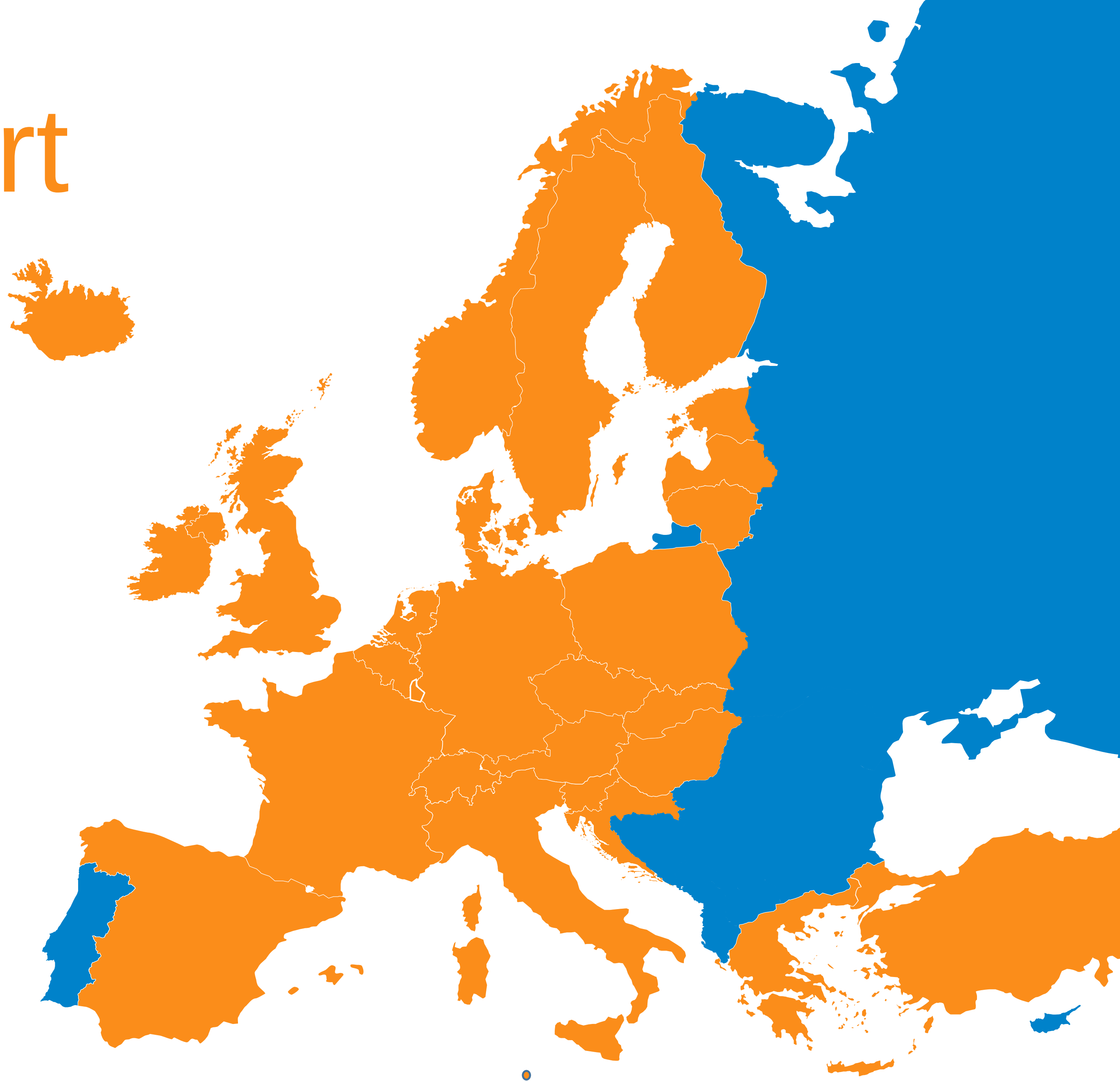
HEU Report

Europe

Hotrec
Hospitality Europe



JUNE 2017

ANALYSIS OF HOTEL RESULTS – JUNE 2017

The gap widens between European hoteliers

Following a strong growth trend in May, European hoteliers record lower performances in June 2017. However, this month's figures feature wide gaps with some countries experiencing drops - such as France and Germany - while others display double-digit growth rates at the beginning of the summer season - spearheaded by Greece, Spain and Portugal.

European hospitality records a slight rise in the month of June 2017, with a RevPAR (revenue per available room) up 2.5% compared to the same period last year. These results can be explained by the relatively slow change in occupancy rate (+0.7 point) and in average daily rates (+1.5%). Nevertheless, this trend conceals major gaps, particularly between the different ranges considered: whereas the 2* was stable (-0.3%), the 4* range rises by 3.0%. The result is that the average growth in RevPAR is just above the previous year's average performance thanks to the success of the 5* hotels which experienced 5.5% growth since the beginning of the year.

Range discrepancies are compounded by geographical gaps in the European hospitality industry in June: some countries experience double-digit growth while others decline. On the positive side, Hungary records the strongest growth, with a RevPAR reaching €70.1 (excluding tax) for an increase by 21.3%. The Eastern European country is followed by three destinations that are among holidaymakers' favorites: Portugal (+19.3%), Greece (+17.7%) and Spain (+16.8%) all benefit from the first weeks of the summer season to increase their prices - in Portugal, average daily rates rose by 18.4% - although their occupancy rates remain steady compared to 2016.

However, the weakest European country in terms of hospitality in June is Germany, which records a RevPAR down by 8.9%. This is mainly due to the fact that important trade fairs and exhibitions held once every two years or more, were not held in 2017; this is the case of the Berlin Air Show, Automatica Munich and Drupa Düsseldorf, which generally provide strong support for their the host cities' hotel industry. Nearby, France features the other decrease recorded in June 2017: its RevPAR dropped by 4.4%. However, these figures are far from tragic, since they are mostly caused by the poor performance of provincial cities, which received support last year from the Euro 2016 football competition. In Paris, the hotel industry experienced good performance (RevPAR: +5.7%), driven by the success of the French Open as well as the 2017 Paris Air Show, held once every two years in the capital city.

Between these extreme cases, lie other destinations with good results: the RevPAR in Czech Republic soars by 10.1%, as it organized the 2017 EuroBasket Championships from June 16 to 25, with an audience estimated at about 60,000. Maintaining the momentum initiated last month, the United Kingdom maintained steady occupancy despite recent terrorist threats (+0.2 point), but thanks to rapid inflation, its RevPAR experiences an increase by 5.5%. Finally, Belgium also records good RevPAR performance (+13%) with a +10.2% growth since the beginning of the year.

As the continent prepares itself for the high season of leisure tourism, European hospitality reveals major discrepancies in June 2017 that are masked by modest overall results. Nonetheless, some countries anticipated their transition into the summer season and are already fruitful, as in Greece and the Iberian Peninsula. These globally-positive figures offset the poor performances of France and Germany which experienced the slowest growth on a year-to-date basis, with their RevPARs rising by 2% and 1.7% respectively since the beginning of the year.

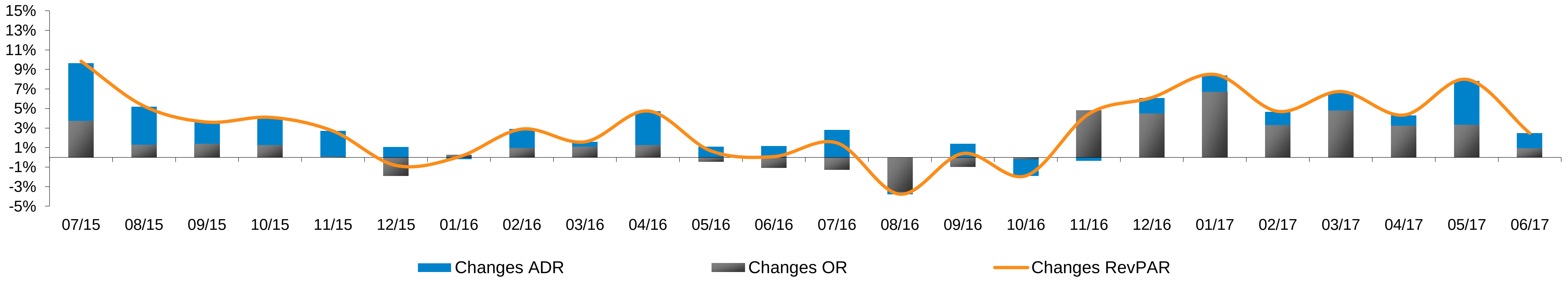
HOTEL RESULTS BY SEGMENT IN EUROPE – JUNE 2017

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

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

Note : The indicators are compared to the same period of previous year, i.e. JUNE 2017 vs JUNE 2016

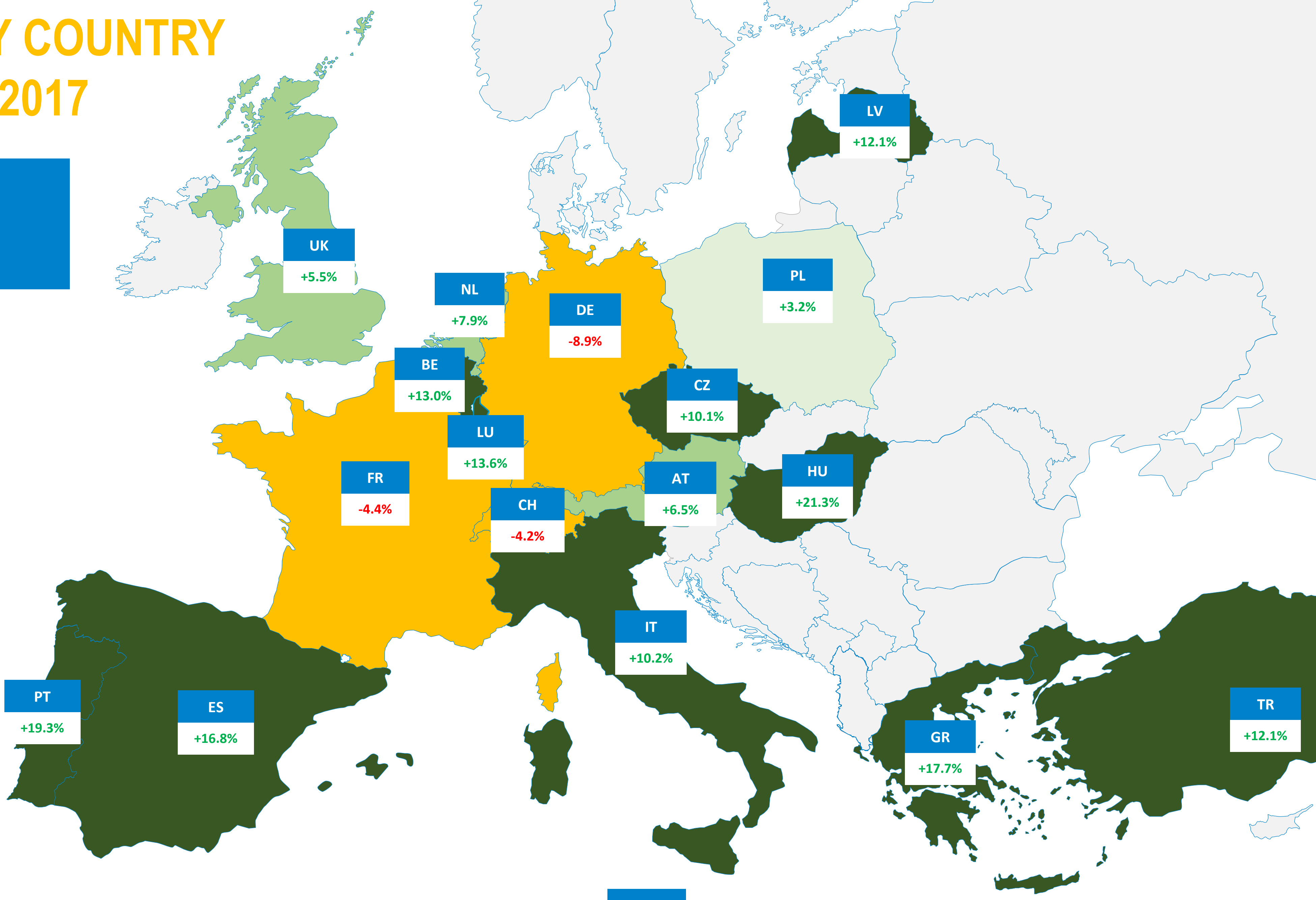
OR, ADR and RevPAR change - Last 24 months



HOTEL RESULTS BY COUNTRY IN EUROPE – JUNE 2017

Monthly Results - RevPAR change by country
JUNE 2017 vs JUNE 2016

European average
+2.5%

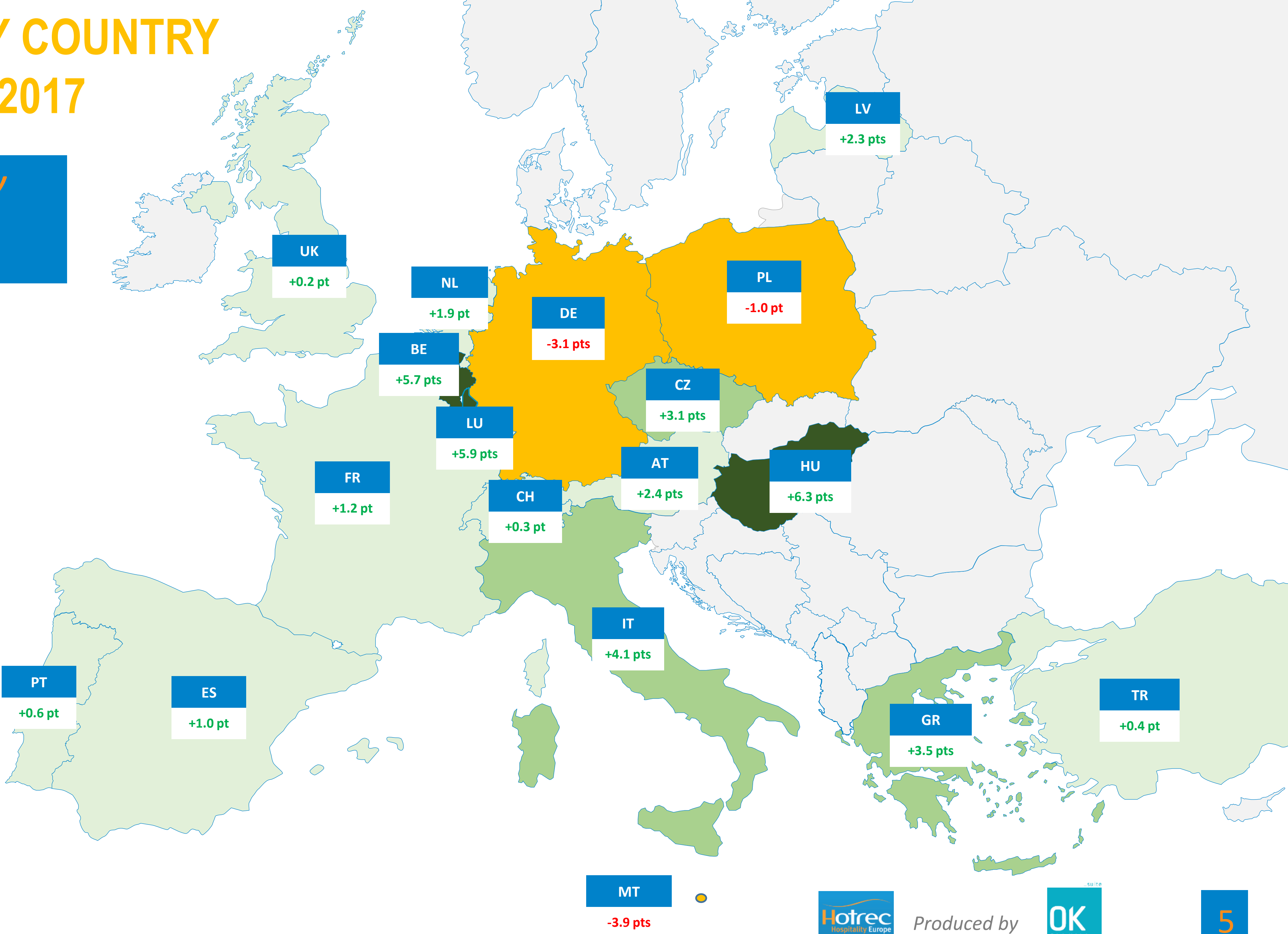


- Sup. to 10%
- Between 5% and 10%
- Between 0% and 5%
- Inf. to 0%

HOTEL RESULTS BY COUNTRY IN EUROPE – JUNE 2017

Monthly Results – Occupancy Rate change by country JUNE 2017 vs JUNE 2016

European average
+0.7 pt

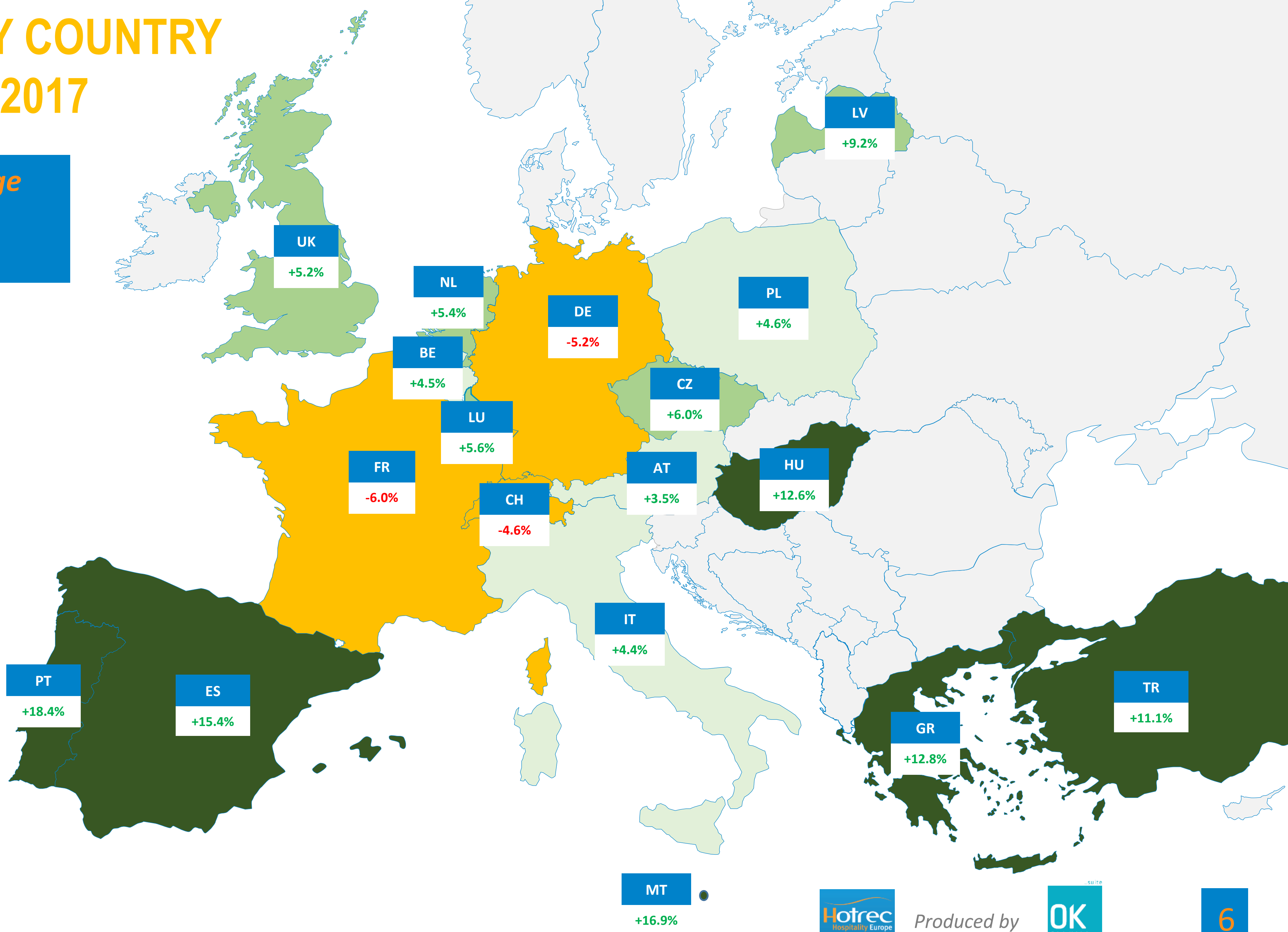


- Sup. to 5 pts
- Between 2,5 and 5 pts
- Between 0 and 2,5 pts
- Inf. to 0 pt

HOTEL RESULTS BY COUNTRY IN EUROPE – JUNE 2017

Monthly Results - ADR change by country
JUNE 2017 vs JUNE 2016

European average
+1.5%

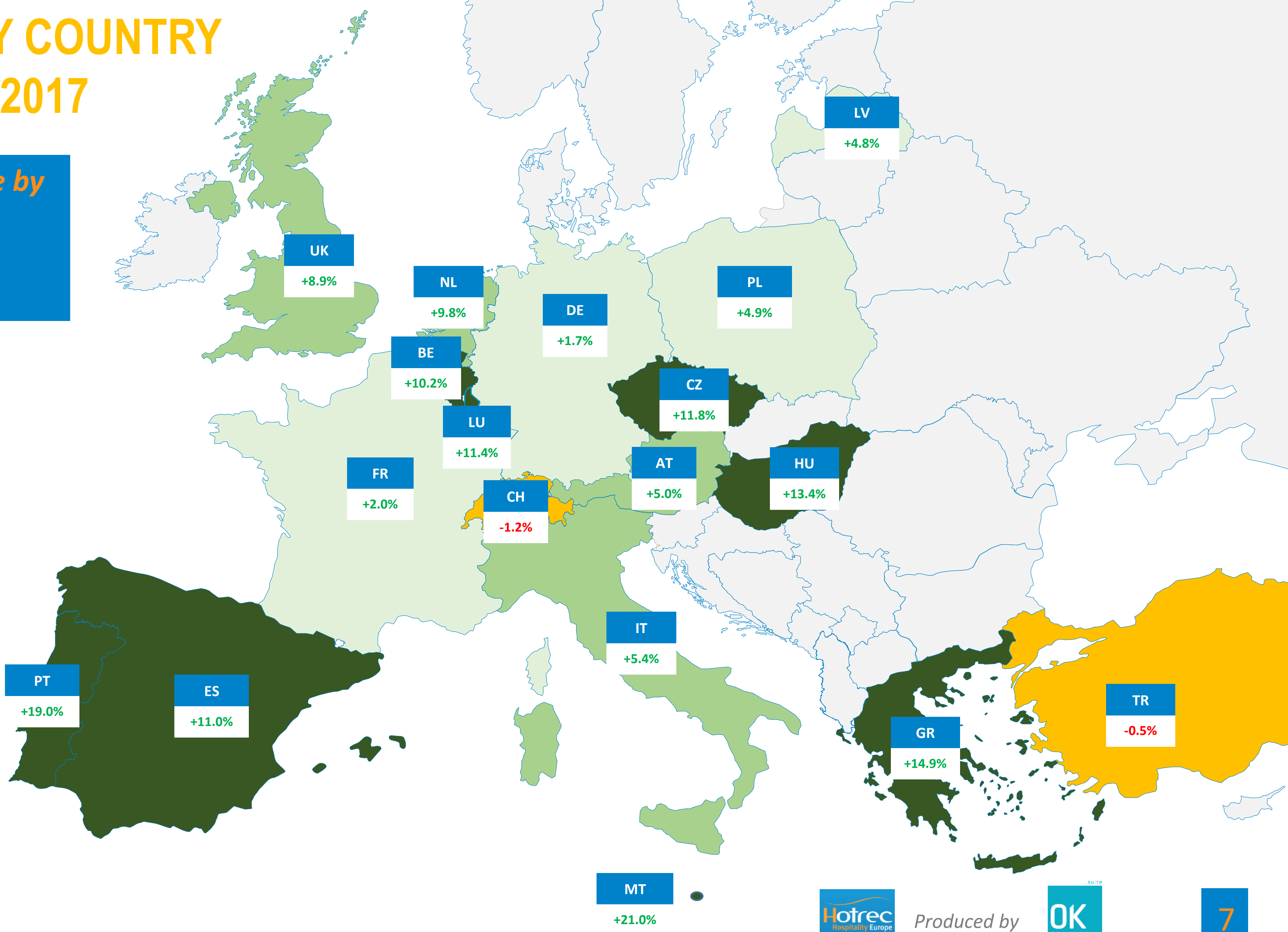


- Sup. to 10%
- Between 5% and 10%
- Between 0% and 5%
- Inf. to 0%

HOTEL RESULTS BY COUNTRY IN EUROPE – JUNE 2017

YTD Results - RevPAR change by country
YTD JUNE 2017 vs YTD JUNE 2016

European average
+5.3%



Sup. to 10%

Between 5% and 10%

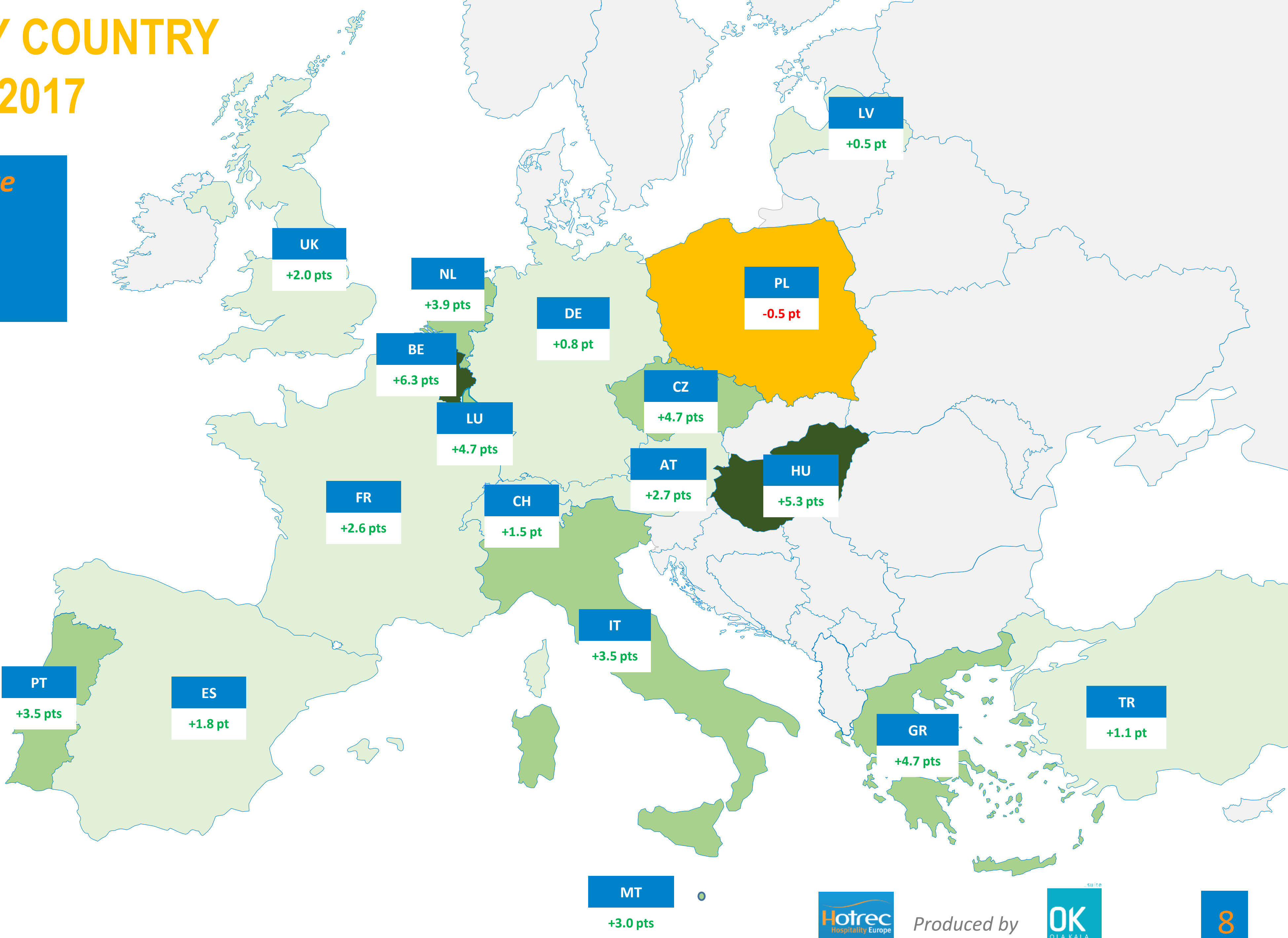
Between 0% and 5%

Inf. to 0%

HOTEL RESULTS BY COUNTRY IN EUROPE – JUNE 2017

YTD Results – Occupancy Rate change by country
YTD JUNE 2017 vs YTD JUNE 2016

European average
+2.3 pts

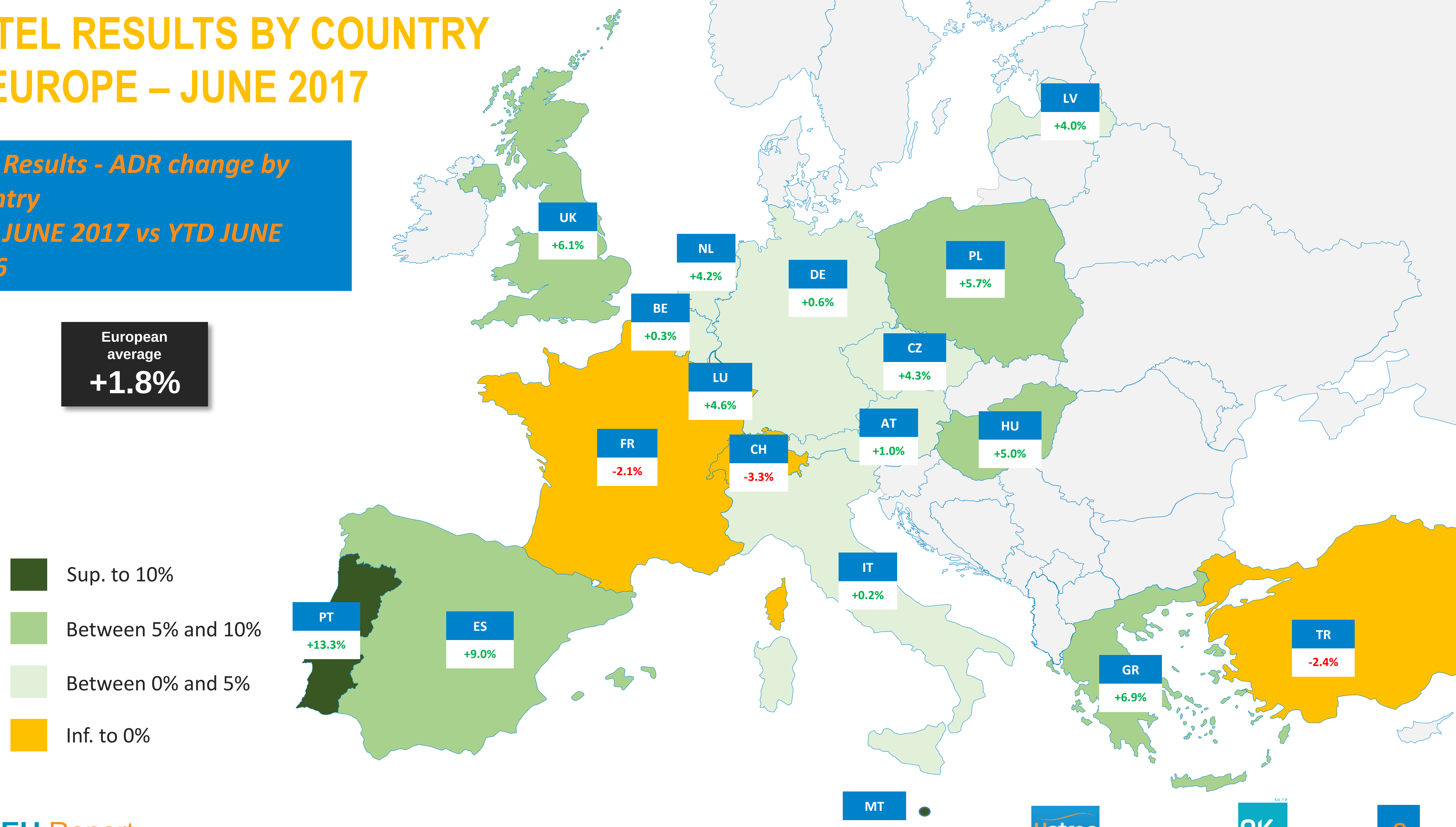


- Sup. to 5 pts
- Between 2,5 and 5 pts
- Between 0 and 2,5 pts
- Inf. to 0 pt

HOTEL RESULTS BY COUNTRY IN EUROPE – JUNE 2017

YTD Results - ADR change by country
YTD JUNE 2017 vs YTD JUNE 2016

European average
+1.8%



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.)