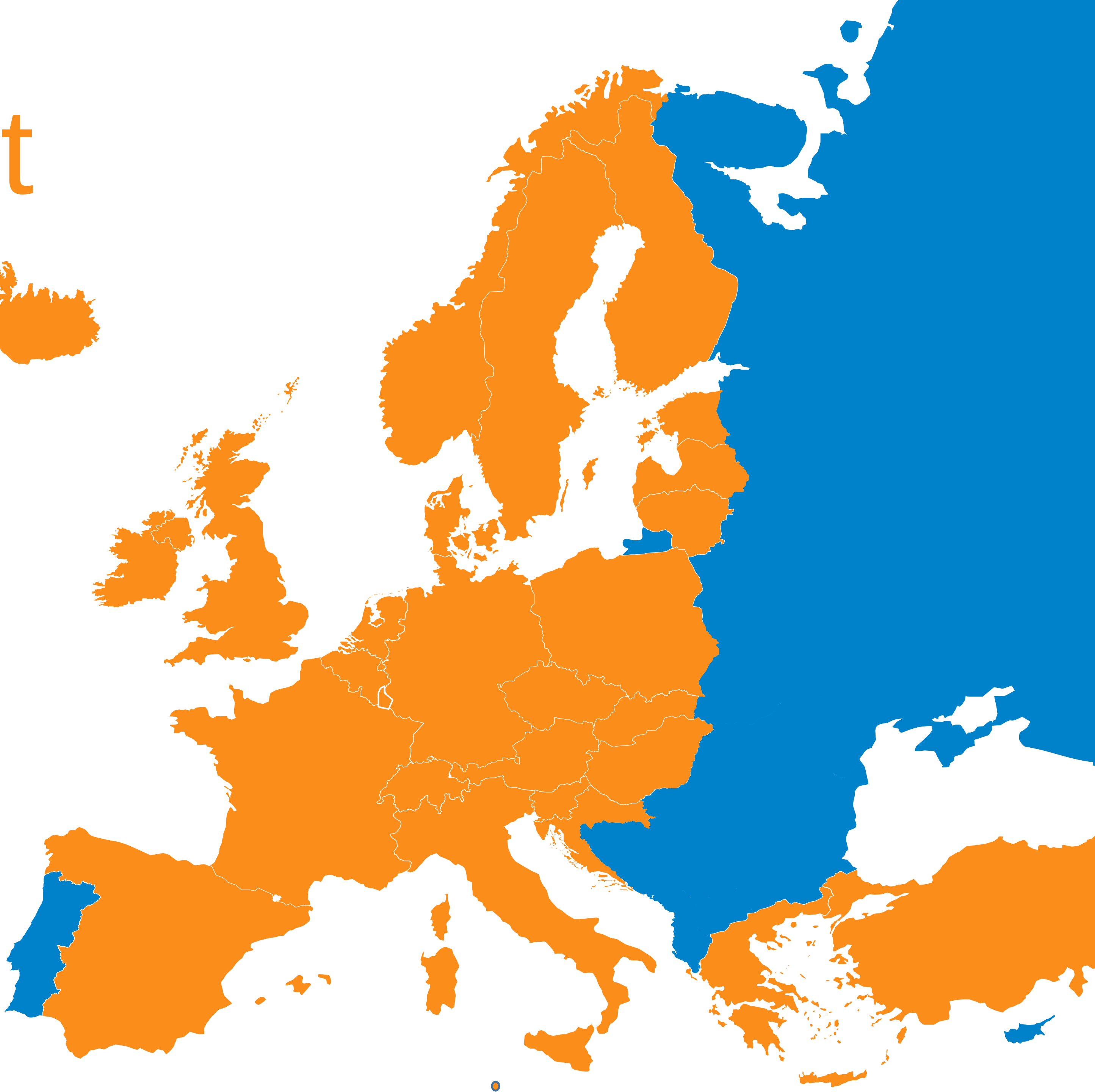
HEU Report

Europe



AUGUST 2017

ANALYSIS OF HOTEL RESULTS – AUGUST 2017

European hospitality is soaring

After a vibrant month of July, August has confirmed that the hospitality sector is sailing on particularly strong winds in Europe. Results have risen in all segments compared to last year, and some countries even reach impressive heights. But not all are lifted by the same currents.
The good results observed during the months of August are very telling regarding the good performances of chain hotels in Europe, and this in every country. They all, without exception, recorded RevPAR growths by +3%.

Globally, the RevPAR has increased by 8.5% compared to last year, which carried the progression for the first eight months of 2017 to +5.7%. After a more balanced year 2016 for hotels, 2017 is definitely showing the signs of a robust and sound recovery.

All segments have seen their performances evolve during the month of August, with results relatively similar across all ranges (between +7 and +10.5 average evolution of RevPAR). The 5* hotels has recorded the best growth, a sign of the recovery of demand in a context of relative meager development of the supply in recent years.

As for individual countries, even though everyone is flying high, some trends must be noted. This month's champions are Belgium and Hungary, two countries with RevPAR growths of respectively +18.2% and +18.7%, while recording +12% growth YTD. But these two countries have significantly different revenues: while Belgium has kept stable rates (+1.3%) and largely improved over a poor occupancy rate results in August 2016 (+9.9%, which is still not enough to return to 2015's level), Hungary has known a very strong increase in ADR (due to the organization of sport and musical events, such as the Sziget), while observing a decrease in occupancy rate (-1.5 pts).

These two exceptional cases must not hide the swarm of positive results emanating from other European countries. The leaders, Greece, Netherlands, Luxembourg and France (on a lesser scale), recorded RevPAR increases of about +10%. For the Netherlands, France and Luxembourg, occupancy rate recovery explains this RevPAR growth, whereas Greece can attribute the good health of its performances to a strong increase in its ADR.

Portugal continues its momentum from July, which sees it realize one of the main breakthroughs (+17.0% of RevPAR in YTD!), most notably with a jump in ADR (+10.9% this month and +13.1% in YTD) which doesn't significantly impact occupancy (-0.9 in August, and a positive YTD). Another good pupil is Poland, which, thanks to the cumulative effects of an increasing ADR and OR, experienced a very good month of August (+7.3%). This makes up for relatively average growth since the beginning of the year (+3.3% of RevPAR YTD), but that compares to a year 2016 relatively rich in exceptional events (Wroclaw European Culture Capital, JMJ in Krakow).

Some countries cruise at lower altitudes. While there are no losers in August 2017, there are some poor results, like Austria, UK or Latvia, which mainly show that August is the month of leisure tourism and holidays. Italy and Spain, with respective increases in their RevPAR by 5.4% and 6.5%, have banked on successful seasons but it must be noted that Spain records one of its first decreases of occupancy in August (-0.8%) in years, in a context where the growth in ADRs remains very firm (+7.6%). Finally, in 2017 Germany improved its year with a 5.9% increase in its RevPAR, which has improved YTD results that are lower than the European standards (+2.8%).

On the whole, a significant improvement has benefited hoteliers in every European country. An increase in occupancy rate is not a universal rule, but where it wasn't the case, the growth of the ADR has been enough to stimulate performances for a truly successful month of August.

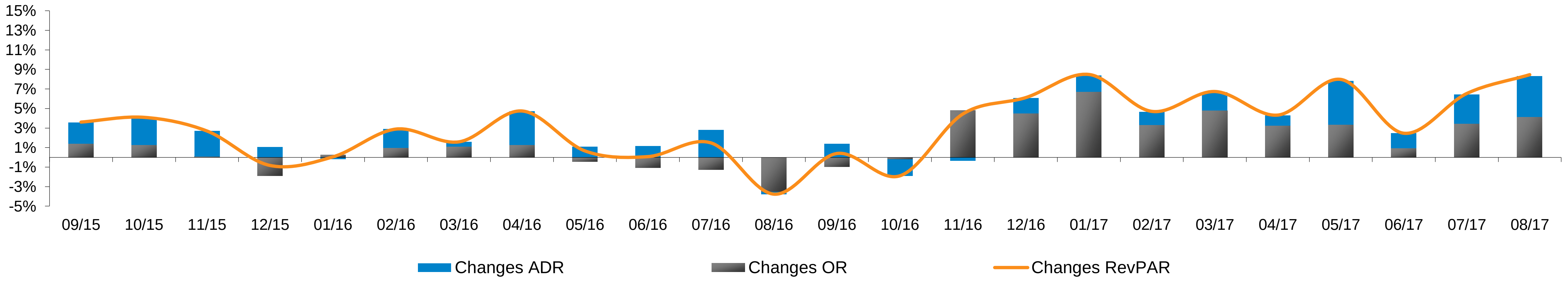
HOTEL RESULTS BY SEGMENT IN EUROPE – AUGUST 2017

MONTHLY RESULTS			
	Occupancy Rate (pts)	Average Daily Rate (€ VAT excL) (%)	RevPAR (€ VAT excl) (%)
2*	2,5	3,7%	7,2%
3*	3,1	4,0%	8,4%
4*	2,9	4,2%	8,3%
5*	4,8	3,6%	10,5%
Global	**3,0**	**4,2%**	**8,5%**

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

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

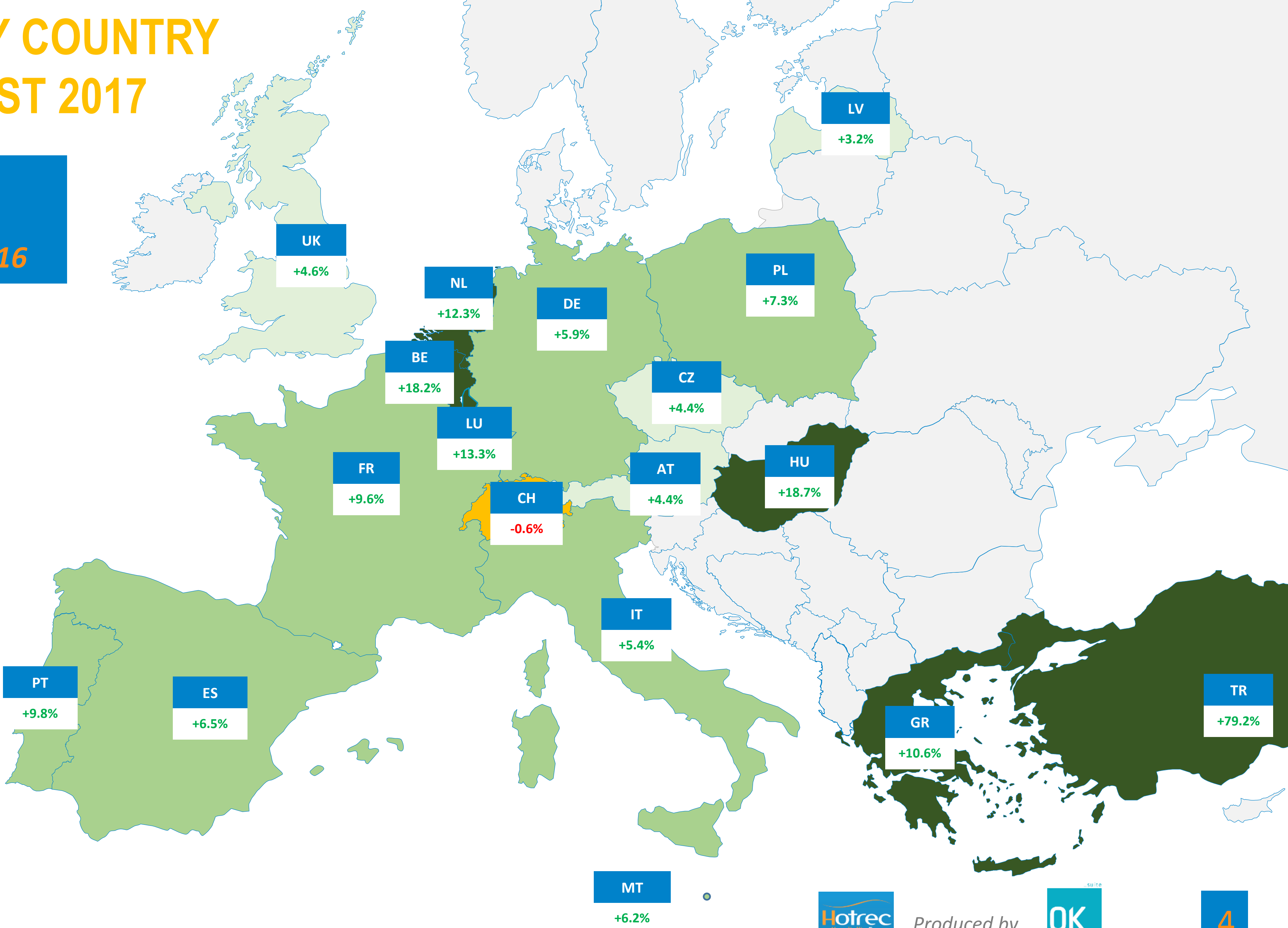
OR, ADR and RevPAR change - Last 24 months



HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2017

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

European average
+8.5%

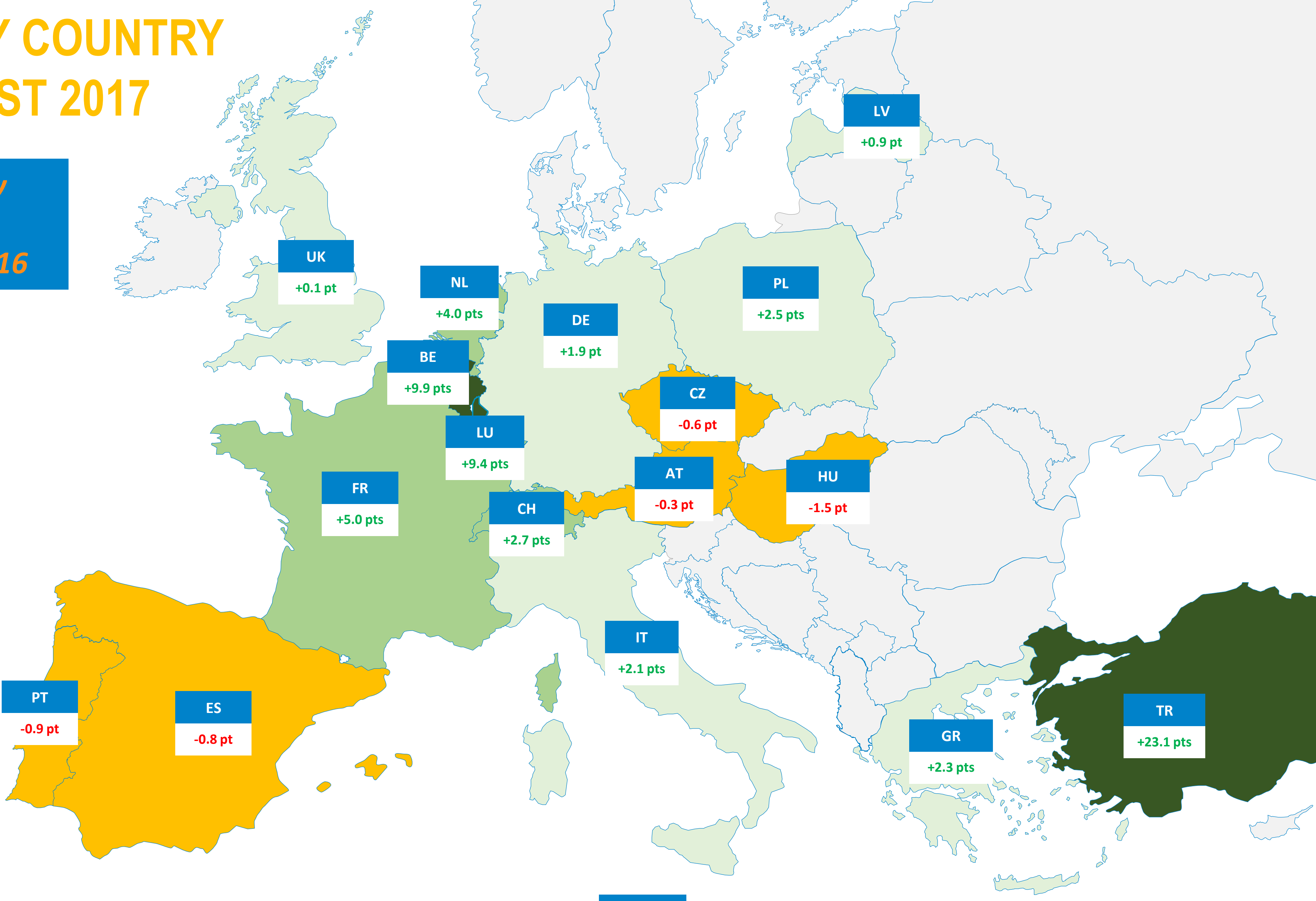


- Sup. to 10%
- Between 5% and 10%
- Between 0% and 5%
- Inf. to 0%

HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2017

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

European average
+3.0 pts

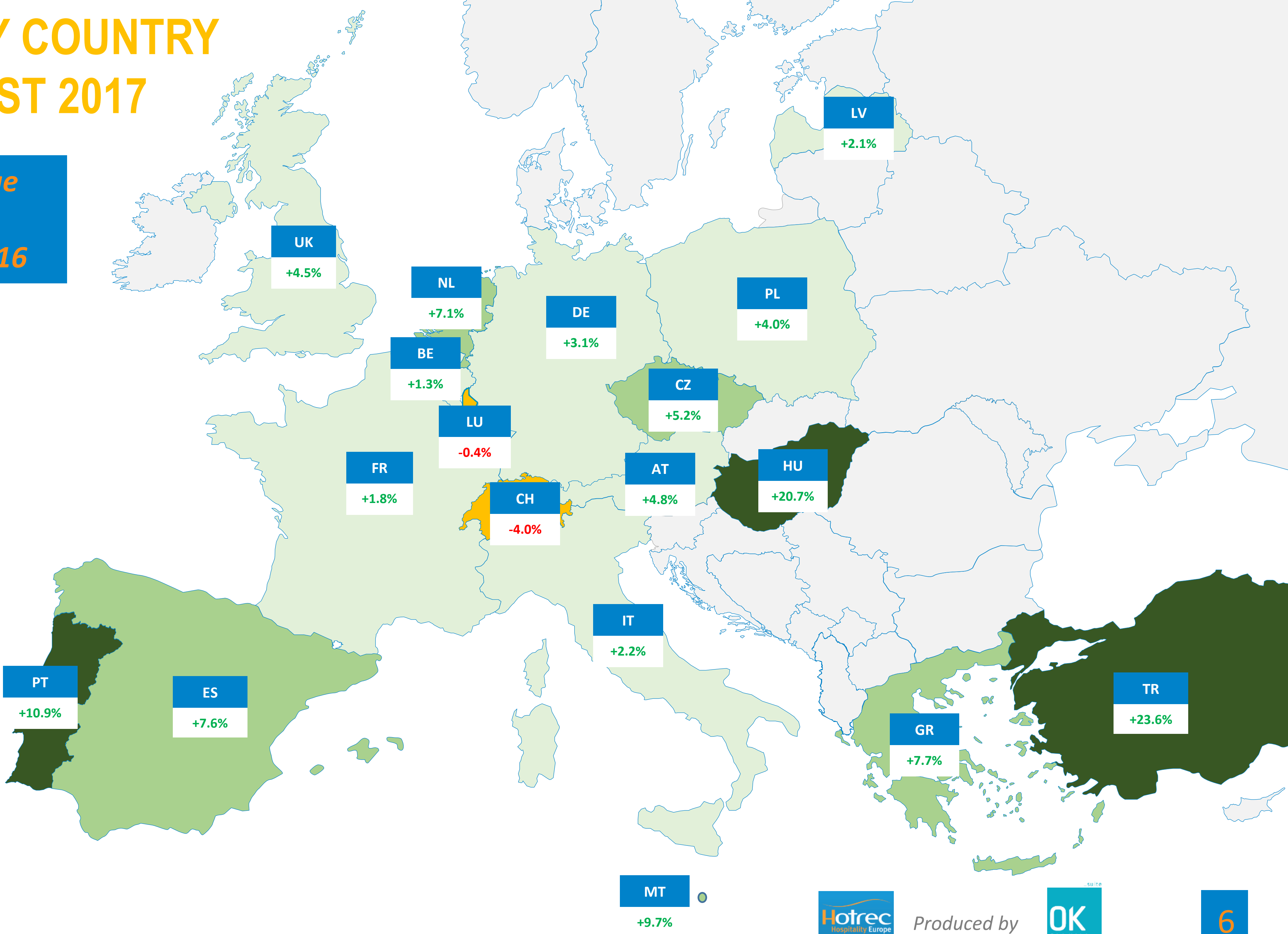


- Sup. to 5 pts
- Between 2,5 and 5 pts
- Between 0 and 2,5 pts
- Inf. to 0 pt

HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2017

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

European average
+4.2%



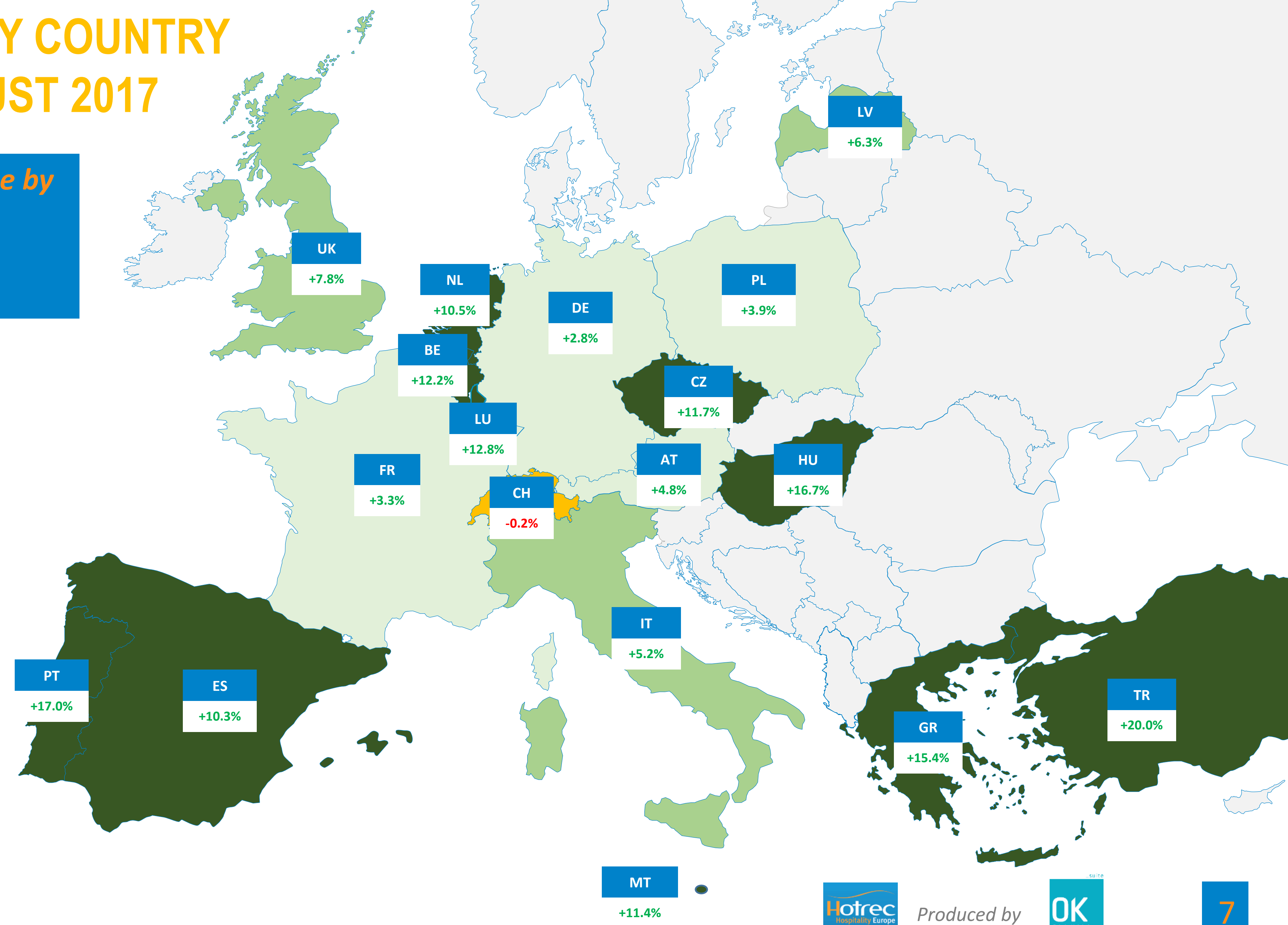
- Sup. to 10%
- Between 5% and 10%
- Between 0% and 5%
- Inf. to 0%

Hotrec Hospitality Europe Produced by OK OLA KALA

HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2017

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

European average
+5.7%

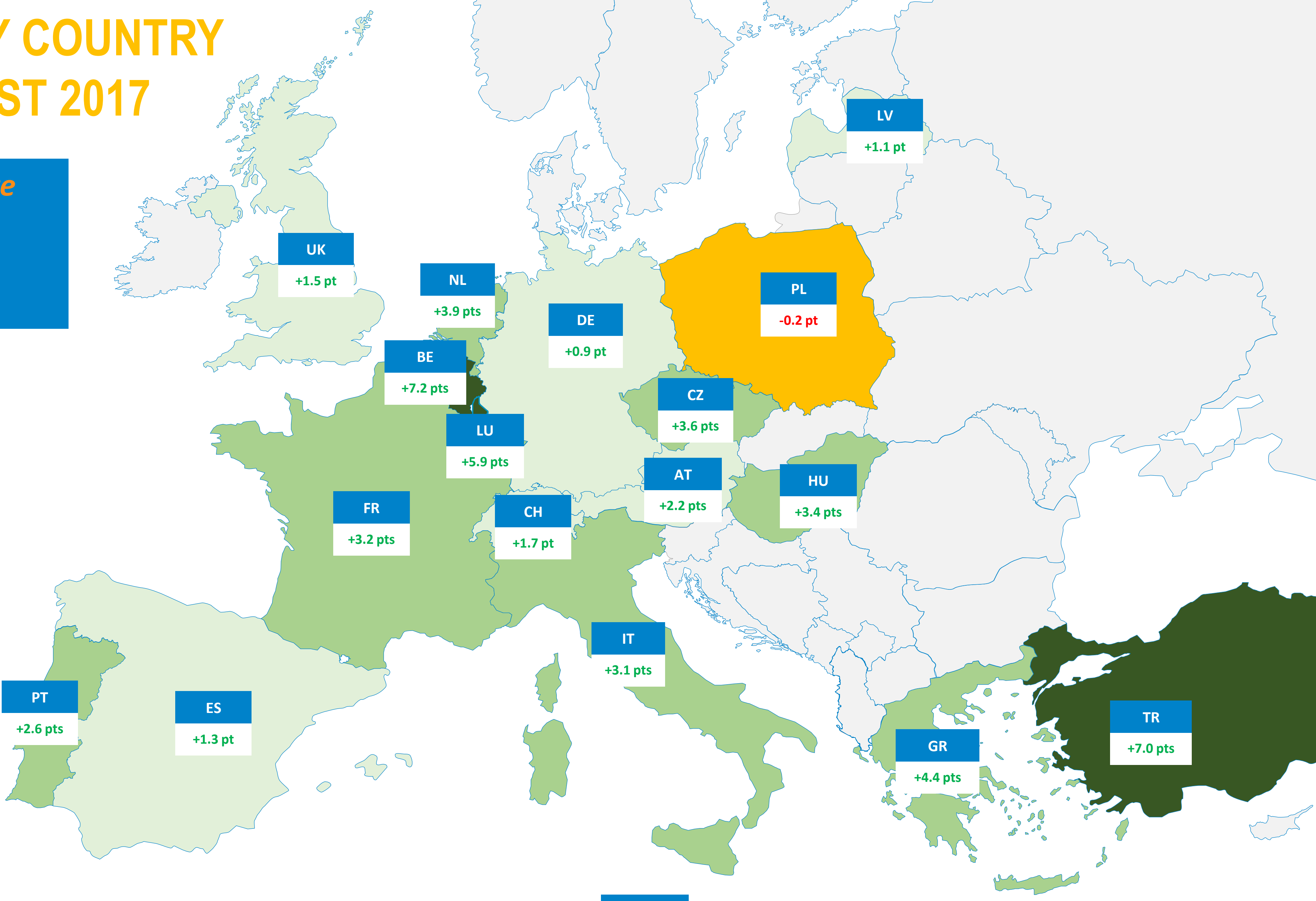


Sup. to 10%
Between 5% and 10%
Between 0% and 5%
Inf. to 0%

HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2017

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

European average
+2.4 pts

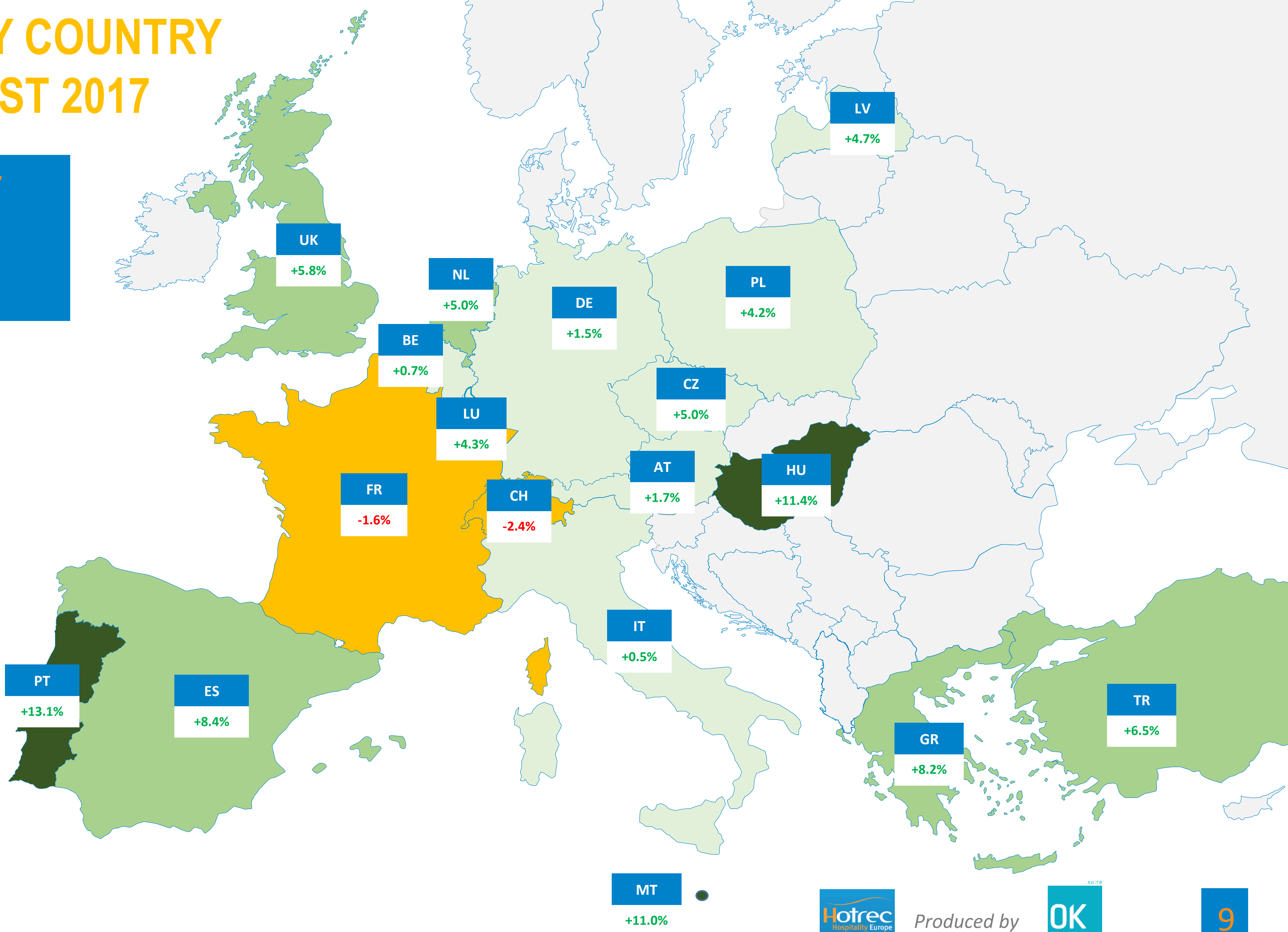


- Sup. to 5 pts
- Between 2,5 and 5 pts
- Between 0 and 2,5 pts
- Inf. to 0 pt

HOTEL RESULTS BY COUNTRY IN EUROPE – AUGUST 2017

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

European average
+2.2%



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.)