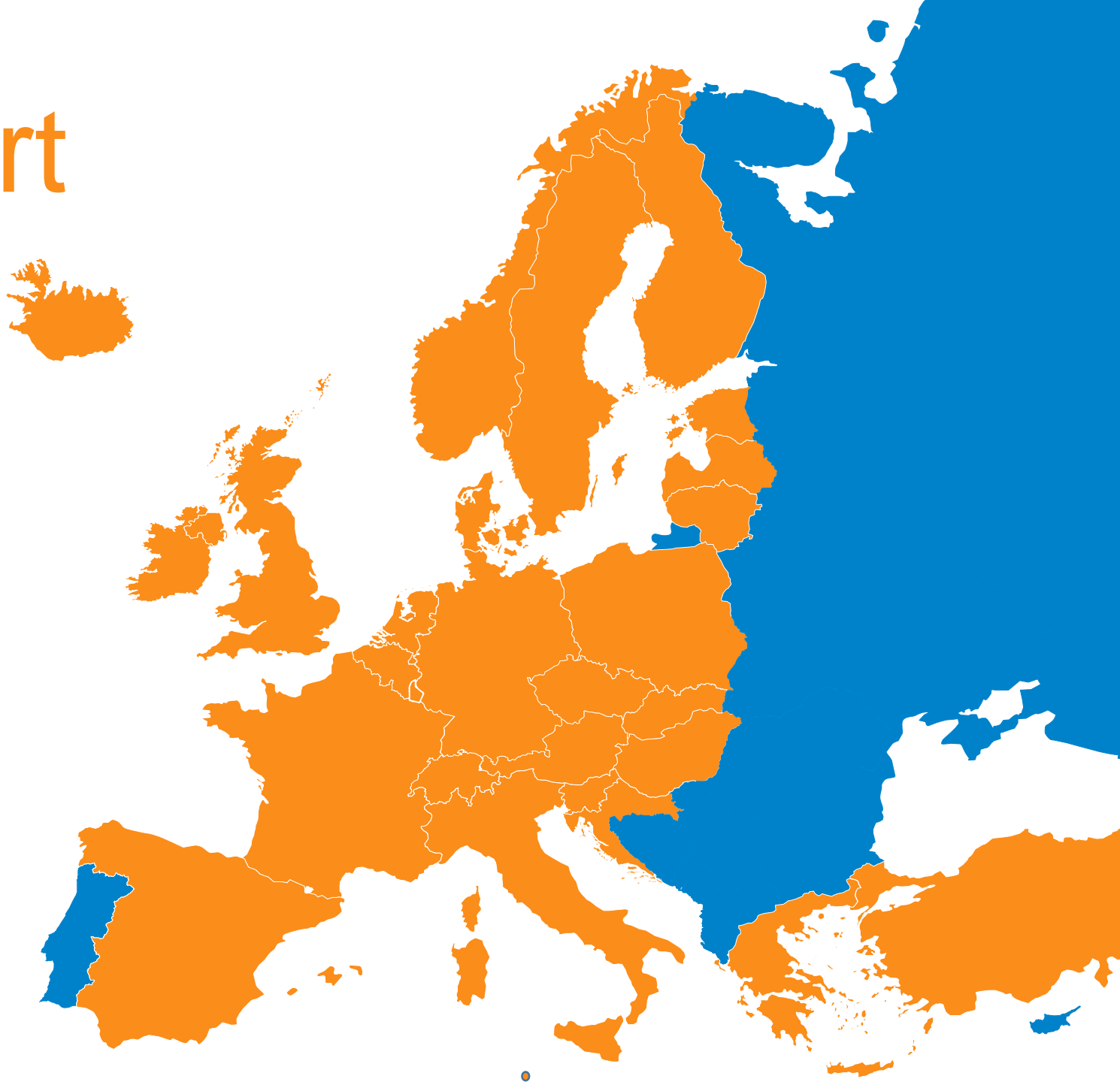


H EU Report

Europe



OCTOBER 2017



ANALYSIS OF HOTEL RESULTS – OCTOBER 2017

This fall Europe's hotel industry follows a slight downtrend

The good performance of the hotel business continued in October across all the leading European destinations, confirming the recovery observed since the beginning of the year. This may well make 2017 a record year for the continent.

October ended with a new 5.2% increase in RevPAR in Europe, after +6.2% in September and a marked improvement in performance month after month since the beginning of the year. The occupancy rate gained 1.4 percentage points, to reach an average of nearly 76% for all Continental destinations, while average daily rates rose by 3.2%.

In terms of occupancy, the dynamic is more favorable to 5* hotels (+1.9 points), which confirms the resurgence of demand on this segment that has been somewhat unsettled in recent years. 3* hotels registered also good results with +1.7 points. Regarding average price dynamics, the higher the range, the higher is the variation : from 2.5% in the 3* category to 4.0% in the 5* category, which benefited from its solid attendance.

The positive momentum remains widespread in all countries. Portugal is taking advantage of its improved economy and the appeal buoyed by European international customers to boost both its occupancy rates (+2 points to 83.7%) and its average daily rates, which experienced further growth by 20.7%, for a RevPAR up by almost 24%. Southern Europe recorded significant increases in RevPAR as in September. This is particularly evident in Italy (+9%) and Greece (+12.9%). In addition to the return of business customers with the improved economic situation, these destinations also benefit from leisure customers (to the Venice Biennale in particular). Spain, on the other hand, with its concern regarding the Catalan question, returned to the top of the list in October with a drop in occupancy. Barcelona, in particular, which had been very resilient even after last summer's attacks, suffered this time from the referendum's impact on the economy and tourism, causing some large companies to relocate their headquarters from the Catalan city; its RevPAR fell by 12.1% in October.

Meanwhile in the north, Belgium benefited from a comparative effect with respect to a deteriorated base following the attacks in 2016. In October, it ranked second in Europe behind Portugal. Occupancy rates hover around 80%, up 6.5 percentage points, and average prices rise by 6.4% for a 16% increase in RevPAR. The neighboring Netherlands is also buoyed by the business activity of this fall season. At a time when the capital city of Amsterdam has just been designated to host the European Medicines Agency, RevPAR is up by 8.5% and occupancy rates average 83.6% per month.

In October 2017, Germany and the United Kingdom recorded moderate growth. In the United Kingdom, RevPAR is still growing due to higher average prices, but occupancy levels have reached a ceiling. The positive effects of improved price-competitiveness, linked to the weakness of the pound sterling, were less pronounced in these months of strong business activity than during the summer period, which was conducive to leisure travel. Germany also experienced a mixed October with a decline in occupancy rates, confirming the slowdown forecast for the year-to-date results, when the increase by 0.7 points for the occupancy rate and a 1.2% rise in the average daily rate led to a 2.1% increase in RevPAR. These results, barely in line with the country's economic growth, could signal the early signs of a maturing hotel development cycle characterized in recent years by strong parallel growth in supply and demand.

In the end, October confirmed the general recovery of the hotel business in Europe. RevPAR year-to-date at the end of October rose by 5.6%, reflecting a return to activity after the air gap recorded in 2016. Above all, the overall occupancy rate reached nearly 73% at the end of October and appeared to be on its way to surpassing the 70% mark on an annual average for the European Union as a whole. This would be the highest level since the early 2000s. This is already testament to the current solidity of the sector's fundamentals after the crises of the past few years.

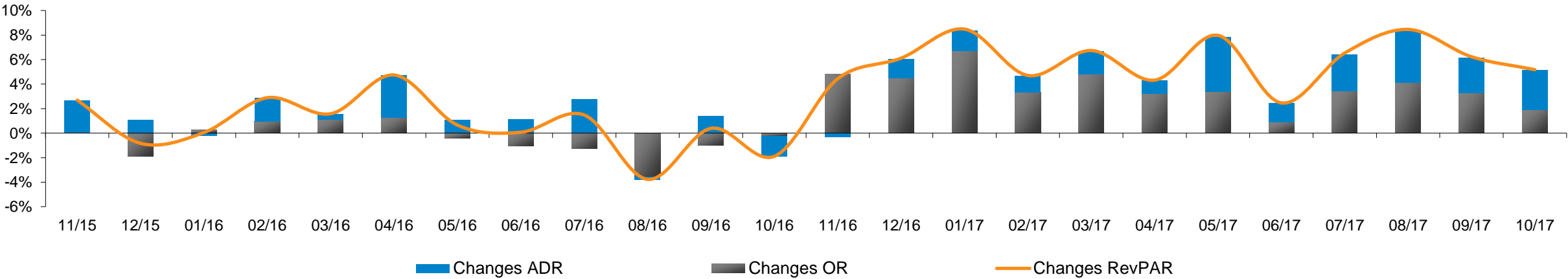
HOTEL RESULTS BY SEGMENT IN EUROPE – OCTOBER 2017

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

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

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

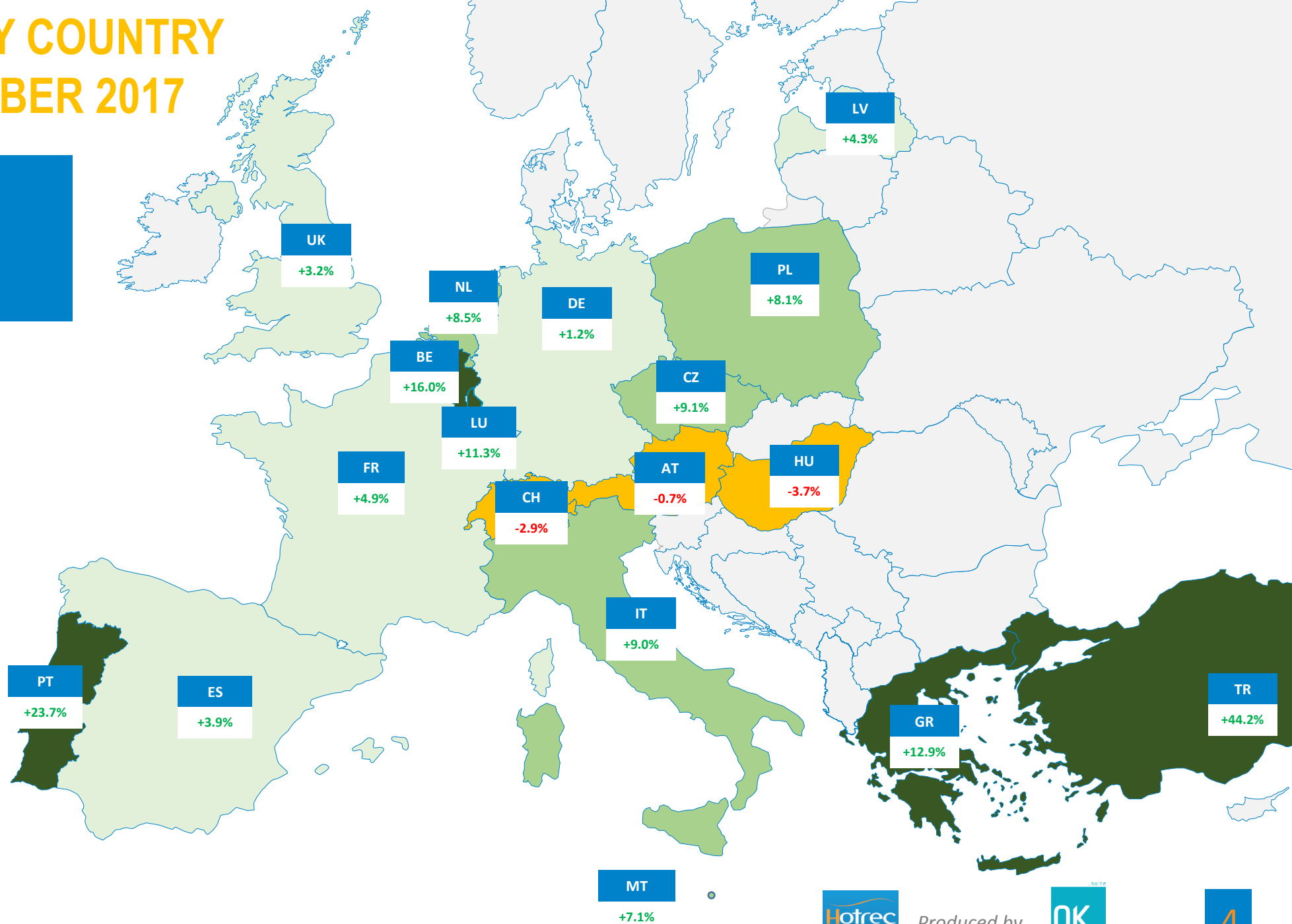
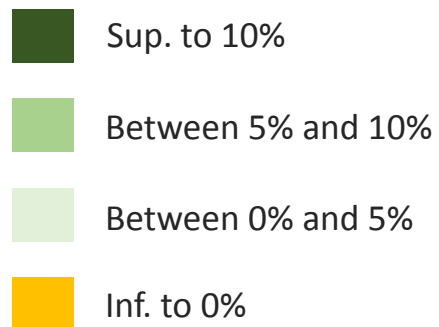
OR, ADR and RevPAR change - Last 24 months



HOTEL RESULTS BY COUNTRY IN EUROPE – OCTOBER 2017

*Monthly Results - RevPAR
change by country
OCTOBER 2017 vs OCTOBER
2016*

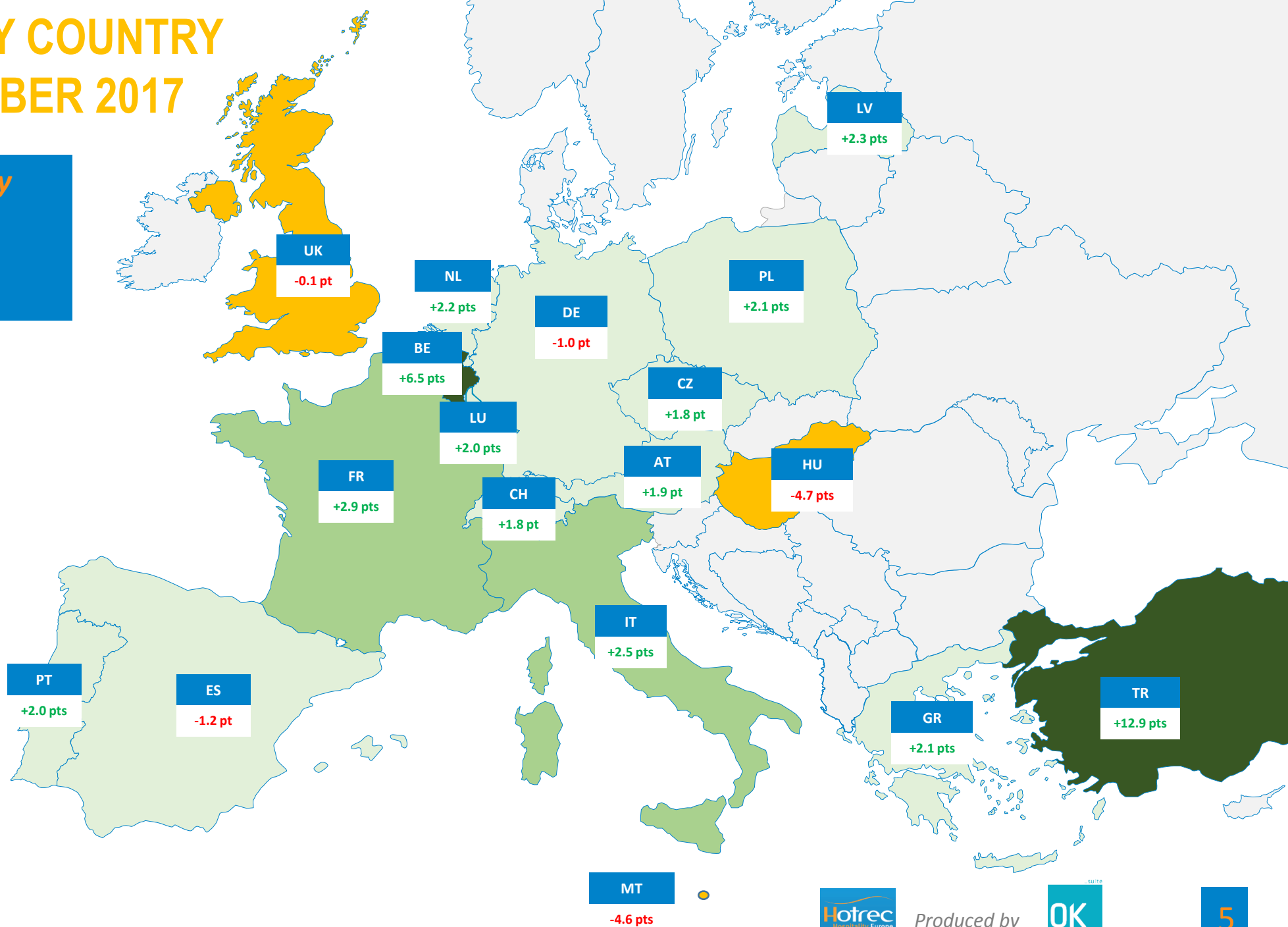
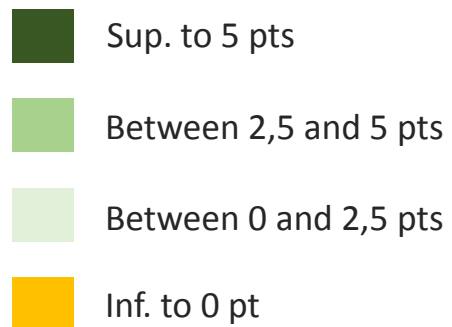
European
average
+5.2%



HOTEL RESULTS BY COUNTRY IN EUROPE – OCTOBER 2017

*Monthly Results – Occupancy
Rate change by country
OCTOBER 2017 vs OCTOBER
2016*

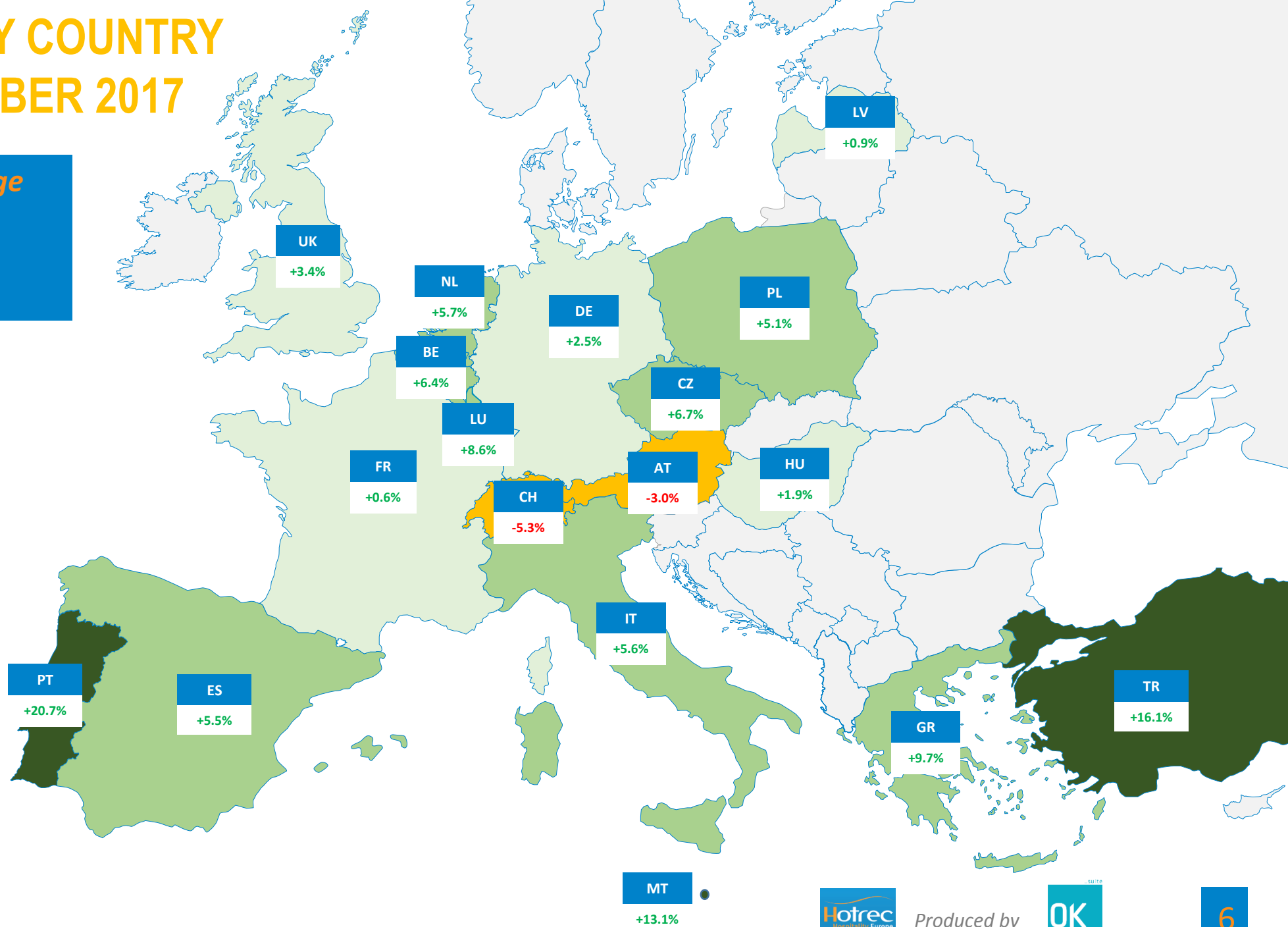
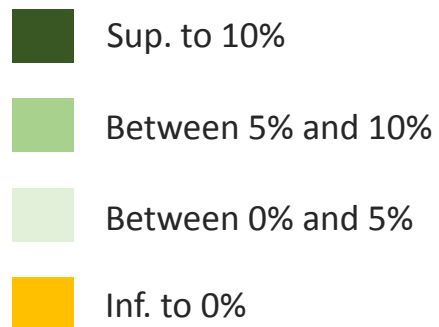
European
average
+1.4 pt



HOTEL RESULTS BY COUNTRY IN EUROPE – OCTOBER 2017

*Monthly Results - ADR change
by country
OCTOBER 2017 vs OCTOBER
2016*

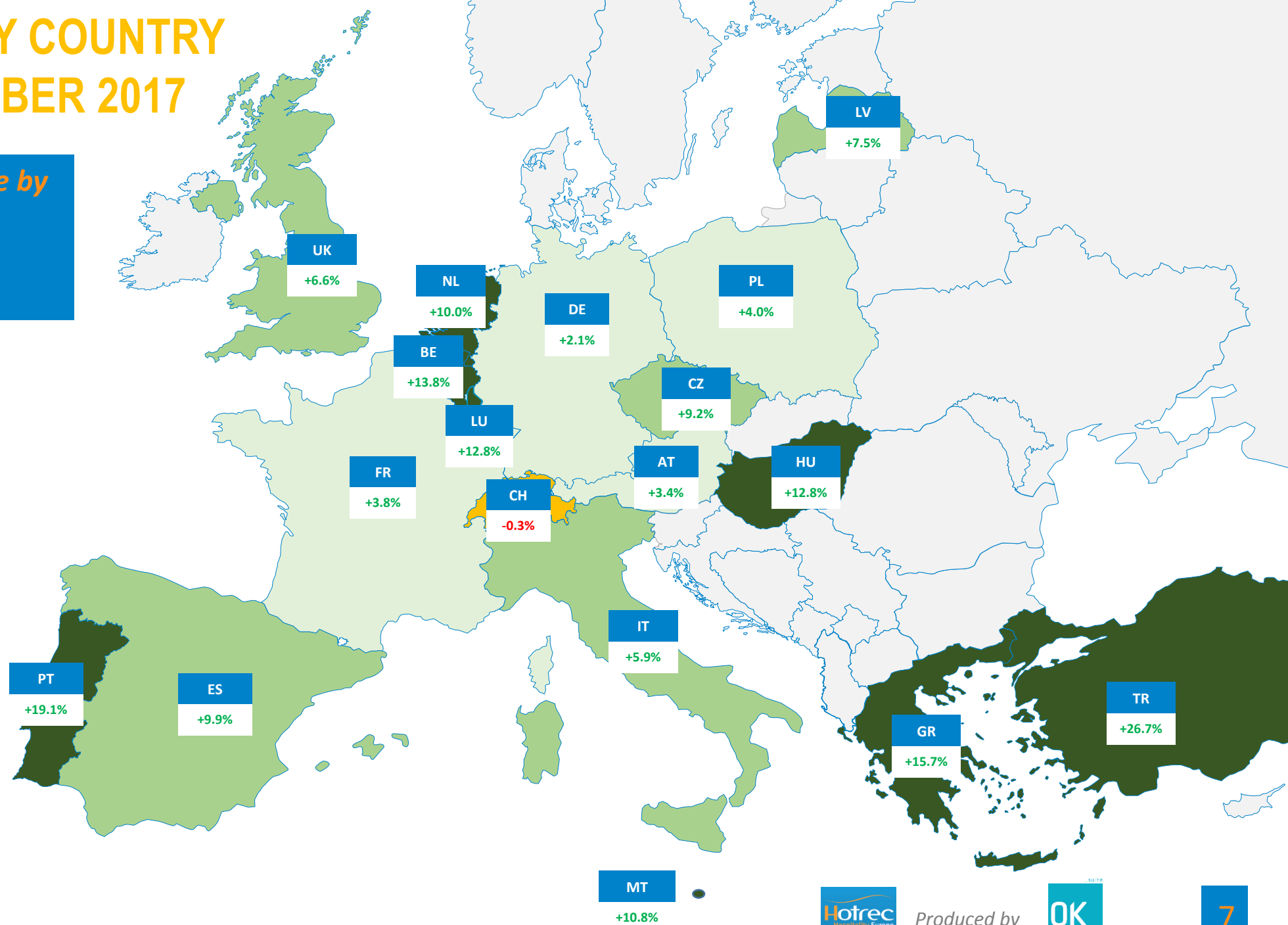
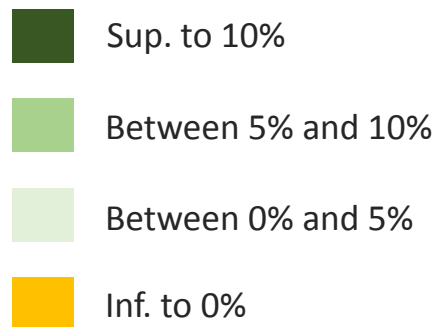
European
average
+3.2%



HOTEL RESULTS BY COUNTRY IN EUROPE – OCTOBER 2017

*YTD Results - RevPAR change by
country
YTD OCTOBER 2017 vs YTD
OCTOBER 2016*

European
average
+5.7%

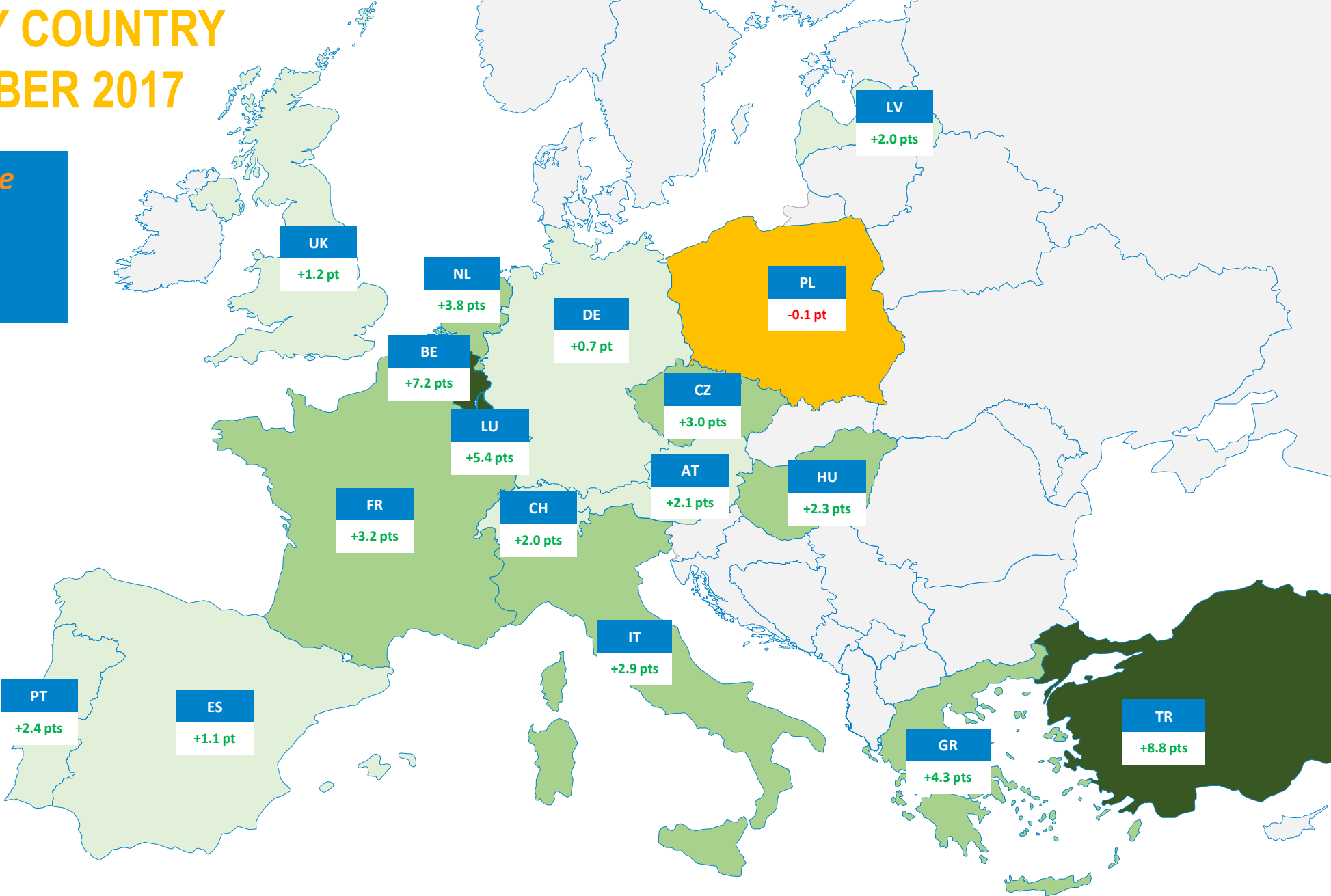


HOTEL RESULTS BY COUNTRY IN EUROPE – OCTOBER 2017

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

European
average
+2.3 pts

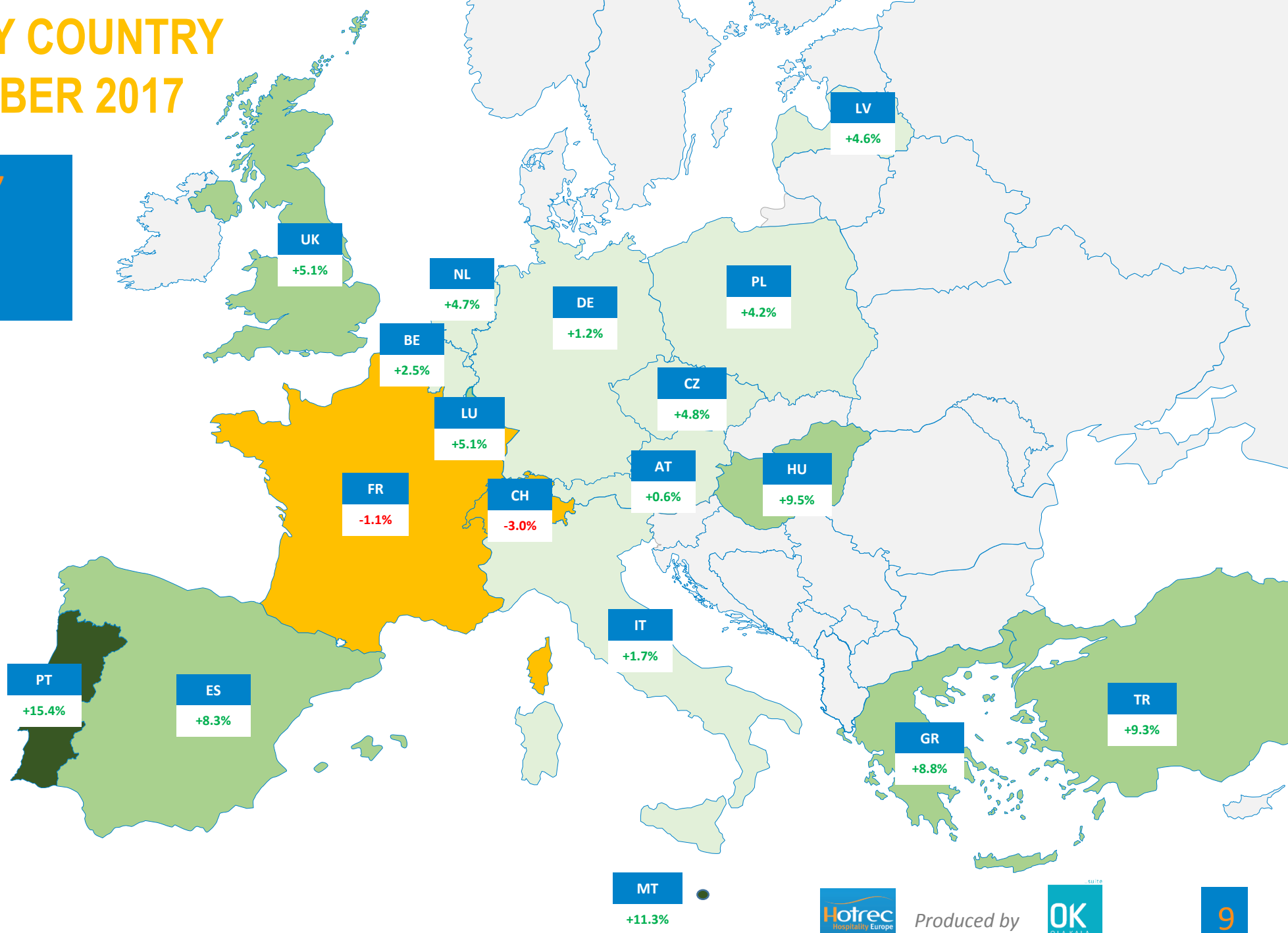
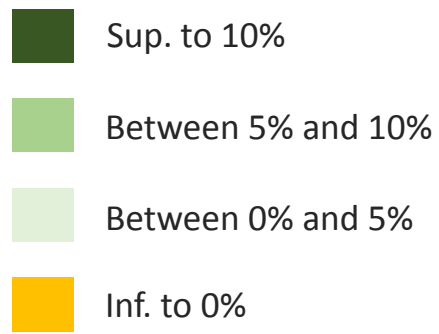
- Sup. to 5 pts
- Between 2,5 and 5 pts
- Between 0 and 2,5 pts
- Inf. to 0 pt



HOTEL RESULTS BY COUNTRY IN EUROPE – OCTOBER 2017

*YTD Results - ADR change by
country
YTD OCTOBER 2017 vs YTD
OCTOBER 2016*

European
average
+2.3%



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.)