Market Report

London's loss is Europe's gain as hotels in major cities thrive in June

Whilst hotels in London suffered negative growth for the first time in 2012 as anxieties over Olympic-related transport issues and bedroom prices kicked in, Amsterdam, Berlin and Dublin were amongst the cities that gained, according to the latest HotStats survey by TRI Hospitality Consulting.

The 7.7% decline in Gross Operating Profit per Available Room (GOPPAR) in June represents the first month since December 2011 that hotels in London have suffered a decline in this measure. The drop was primarily as a result of a 5.2 percentage point decline in room occupancy to 83.3%, which contributed to a 3.6% decline in Total Revenue per Available Room (TrevPAR) to ?240.66. Whilst London has not been helped by the horrendous weather conditions, the strengthening sterling may also have been a factor in the increase in travellers choosing other destinations.

"I guess Boris Johnson's pre-Olympic message to ?get ahead of the games' has not gone unheard as it appears many visitors have decided to avoid the UK capital entirely. To what extent they have been displaced to other cities in Europe is hard to say, but other mayors were presumably more encouraging of a visit than London's during June," said Jonathan Langston, managing director at TRI Hospitality Consulting. A strong performer in the European hotel market in June was Berlin, which recorded a 29.2% increase in profit per room to ?77.02. Whilst the growth in GOPPAR was primarily due to a 16.0% increase in achieved average room rate, a 1.5 percentage point increase in room occupancy also contributed to a 14.6% increase in TrevPAR to ?176.34. The year-on-year increase in achieved average room rate in Berlin was primarily driven by significant increases in the achieved rate in the corporate (+19.2%), residential conference (+12.4%) and Best Available Rate (BAR) segments as Berlin's ICC picked up the 16,000-participant strong international EULAR medical event, which in 2011 (May) was held at ExCeL London.

Other cities thriving in June and achieving considerable GOPPAR increases included Amsterdam (+7.3%), Budapest (+22.6%), Istanbul (+14.3%), Vienna (+10.3%) and Dublin, which recorded a 26.9% increase in profit per room to add to the 11.0% growth registered in this measure in June 2011, which puts the capital of the Emerald Isle well ahead of 2010 performance.

Euro Championships boost performance for Warsaw hotels

Whilst hotels in London are counting the cost of pre-Olympic jitters, hotels in Warsaw are counting the profits they have made from the highly successful 2012 European Football Championship, according to the latest HotStats survey. A record 1.4 million people attended the fixtures during the tournament held in Poland and the Ukraine throughout June, with the Polish capital hosting three matches in the group stages, one quarter-final and the semi-final between Germany and Italy. Warsaw was also the base for the Russian and Polish teams and their entourages. As a result of the considerable increase in visitor numbers to the Polish capital, hotels in Warsaw achieved a massive 195.6% increase in profit per room to ?171.72.

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The growth in profit was fuelled by a 165.2% increase in Revenue per Available Room (RevPAR) to ?206.22, which put Warsaw amongst the top performing cities polled in Europe this month. Whilst volume increased by a relatively meagre 1.2 percentage points to 81.3%, the huge increases in RevPAR were due to growth in achieved sector rates, which included the corporate (+150.3%), residential conference (+210.7%), leisure (+129.1%), groups (+281.7%) and Best Available Rate (+58.5%) segments. Despite the huge growth in rooms revenue, football fans in Warsaw presumably made good use of the city's eateries rather than the hotel restaurants and bars, illustrated by a 21.3% decline in food and beverage revenue per available room, to ?33.37 from ?42.40 during the same period in 2011.

"The success achieved by hotels in Warsaw during the Euros bodes well for London hoteliers over the coming months. However, with an estimated 120,000 bedrooms of accommodation to fill in the UK capital, similar year-on-year growth for hotels in London is highly unexpected," added Langston.
Unsurprisingly, the strong increase in volume and price reflected positively on all performance measures in Warsaw during June, with payroll levels dropping by ten percentage points to just 13.4% of total revenue. Hotels in Warsaw were not the only ones to benefit from the Euro finals, it is clear that so too did travel agents, with commissions per room sold at hotels in the Polish capital increasing by 117.5% in June to ?5.83 from ?2.68 during the same period in 2011.

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