

London hotels lead the way to recovery, says HVS

London hotels have experienced such strong trading in 2010 that the city is now one of Europe's strongest performers in the race for recovery, according to a new report from hotel consultancy HVS London.

Hotels in the capital are expected to achieve an average year-on-year increase in revenue per available room (RevPAR) of around 15% by the end of 2010, putting their performance alongside that of hotels in Frankfurt, Istanbul, Munich, Stockholm and Zürich. Of 36 European markets studied by HVS, these five are expected to outperform the rest with solid occupancy growth and a higher average room rate than in 2009.

While occupancy is showing continuous gains, RevPAR in London's luxury hotels overtook 2007 levels through the summer. Growth is expected to continue into next year and beyond, particularly with a Royal Wedding in 2011 and the Olympic Games in 2012.

London's hotels have experienced a record-breaking summer across the board, with an average room rate in euro increasing 12% year-on-year (9% in local currency) and RevPAR expected to end the year 15% up, commented report co-author Tim Smith, director of valuations at HVS London.

The encouraging fact is that the majority of markets are now showing growth, although a few are still declining, particularly if their national economic climate has not favoured the increasing demand for hotel accommodation or if high levels of new supply have weakened the market's ability to bounce back.

Hotels in Munich have experienced the strongest increase of all the European markets with RevPAR growth of 32% year-on-year. Frankfurt, Berlin and Munich have all enjoyed the stability provided by Germany's solid conference and events market throughout the year, balanced reliance on domestic and international travel, and a steady hotel pipeline.

Stockholm's hotels are also performing in the top tier with a 17% increase in RevPAR driven by a steady growth in occupancy of nearly two percentage points and an impressive 13% jump in average rate. Other top performers include Zürich, with a year-on-year increase in RevPAR of approximately 9%, while Istanbul's hotels recorded an improvement of 18%, largely driven by solid growth in occupancy, with monthly levels above those of 2008 since May.

While the leading markets in Europe are showing double-digit RevPAR growth, Amsterdam, Barcelona, Birmingham, Edinburgh, Madrid, Paris, Vienna and Warsaw are expected to record above average growth by the year end.

And although cities such as Brussels, Hamburg, Lisbon, Milan, Manchester, Moscow, Rome, Sofia and Tallinn are still some way down the rankings in the third tier, they are still expected to show positive RevPAR growth for 2010.

By July 2010 only seven of the 36 European markets included in our analysis showed a year-on-year decline in RevPAR, a clear sign that the process of recovery is underway. The leaders of this recovery appear to be those cities that have benefited from a diverse pool of source markets and customer segments, and a solid basis of demand generated by regular events and a dynamic domestic market, added Smith.

The crisis has had some positive effects on the market. The decline of the historical sources of business has pushed hoteliers to take risks and target emerging segments or source markets. Most cities are currently realising the growing importance of China both as travellers and investors, and the same is true for the other BRIC countries, he concluded.

At the bottom of the 2010 RevPAR performance league will be Athens, Budapest, Bucharest, Bratislava, Copenhagen, Dublin, and Prague, all of which are showing further declines in occupancy and/or average rate. These markets are likely to take longer to return to previous levels of performance.

London is also gaining ground in terms of hotel values. While Paris still leads the way with an average value of ?566,000 per room, up 4% year-on-year, London hotel values are catching up and are likely to achieve ?517,000 per room by the end of 2010, up 7% year-on-year. Geneva and Zürich have this year switched places, with third-placed Zürich averaging ?430,000 per room, while fourth-placed Geneva should achieve an average value of ?428,000. Istanbul continues its ascension towards the top and is expected to end the year with hotels achieving an average value of ?339,000 per room.

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A complimentary copy of 'Le Tour d'Europe' The Race for Recovery can be downloaded at
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