Foreword

The tourism industry as a whole is facing many challenges as the economy continued to slow with the impact of the global credit crunch. With oil prices reaching new record levels, the aviation industry not only faces less consumer demand but also higher costs. These factors all affect the hotel sector, intensifying competition.

Country Trends 2008 includes full financial data according to Uniform System of Accounts for 1,094 hotels comprising 246,400 rooms. There are a number of new countries in the survey this year, including Portugal and Denmark, with Lebanon a re-entrant. Combined data for Europe, Middle East and Africa posted positive results in 2007 with occupancy and average achieved room rate (AARR) up by 1.5% and 6.4% respectively, driving rooms yield up by 8.0% to €90.52. With the majority of departments reporting an increase in revenues, total revenue per available room (Total RevPAR) reported a 6.1% rise. Slightly lower cost margins than 2006 pushed gross operating profit per available rooms (GOPPAR) up by 7.3% resulting in an 8.3% increase to €21,648 in income before fixed charges per available room (IBFCPAR).

Europe's strength in demand continued with a 4.8% increase in arrivals for 2007. Although occupancy managed only a small 0.5% increase, occupancy levels remained high at 71.1%. The strength in occupancy and 8.1% rise in AARR pushed rooms yield up for the continent by 8.6% to €93.74. Events in the region for 2007 included the Rugby World Cup in France and the Americas Cup in Valencia, increasing visitor arrivals and revenues to push Total RevPAR up to €56,411 from €52,918 in 2006. The rise in demand, along with a recovery in performance for Northern European hotels and a 7.0% increase in international arrivals to Southern Europe, resulted in Europe registering a 7.9% increase in IBFCPAR for 2007.

Although international arrivals to the UK reported only marginal growth in 2007, reflecting a 0.6% drop in occupancy, AARR increased by 6.8% to push rooms yield to £70.12. Excluding London, the UK was still able to post a 1.2% increase in IBFCPAR, despite a number of challenging events including devastating floods in Gloucestershire and Berkshire, and terrorist attacks at Glasgow Airport. Although the credit crunch began to bite towards the middle of the year, the financial turmoil did not stop London reporting impressive results. With occupancy levels at 81.8% the pressure enabled an 11.2% rise in AARR to £136.02 pushing rooms yield up by 9.9%, with an overall 12.6% growth in IBFCPAR.

With the situation in Iraq showing signs of improvement, and the luxury appeal of a number of countries in the Middle East, hotels went from strength to strength in 2007. The Middle East registered the highest growth in international arrivals among the regions for 2007, up 16.4%, resulting in a 3.2% increase in occupancy to 70.6%. A reduction in costs and expenses resulted in the region posting a 9.0% rise in IBFCPAR, one of the largest growths in the survey.

Despite the ongoing political tensions in Africa, occupancy and AARR increased by 6.6% and 1.4% respectively, pushing rooms yield up 8.0%. Northern and Western Africa stormed the growth tables with an 11.4% rise in rooms yield and 10.6% rise in IBFCPAR in 2007. The results were assisted by a recovery in Egypt's hotels and continued increase in demand in Morocco. Eastern, Middle and Southern Africa reported the only decline in rooms yield within the regions, down by 6.7% despite impressive results from South Africa and Subsaharan Africa reporting a 7.1% rise in international arrivals. The sub-region only managed 0.3% growth in IBFCPAR, far from the results posted in 2006 when the region took first place in IBFCPAR growth.

Oman continued to dominate the growth charts while Italy, Russia and the United Arab Emirates (UAE) remained in the top three for rooms yield due to their high AARR. Portugal reported impressive growth in 2007 and Jordan recovered from the downturn in performance reported over the past two years. Continued conflicts in Lebanon resulted in the country being the least profitable within the survey. IBFCPAR fell by 69.9%, leading to the lowest IBFC margin of 7.9%.

Overall 2007 has been a positive year for hotels in Europe, the Middle East and Africa. However, the ongoing slowdown in the economy and rising energy prices could well affect demand next year, so we may see a less impressive performance in 2008.

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Hotel consultancy services