

# European Hospitality Results 2011



**The year 2011 closes with positive indicators for hotel business throughout the European Union, with an average of 5.6% growth in the RevPAR as a result of increased occupancy combined with growth in average daily rates. And yet, the dynamic that was seen until Spring 2011 slowed in the last quarter.**

It is important to observe that for the 27 countries in the European Union plus Switzerland, the results of the hotel business for 2011 are positive. No country closed the year with a downturn for its reference indicator -the RevPAR<sup>1</sup>- even if there is a broad range between stagnation in Switzerland (+0.4%) and strong improvement in Poland (+9.4%). While on the one hand Switzerland is already positioned among the highest levels of performance, on the other Poland occasionally benefited from its six-month presidency of the European Union. The European countries with the strongest hotel activity -United Kingdom, France, Germany or the Benelux- are positioned within a tighter range: between 4% and 6% growth, which better reflects the state of Europe's marketplace.

With an average European occupancy rate higher than 66%, hotel occupancy gained 2 points over 2010, which was already in a strong recovery over the crisis of 2009. The prize goes to the international gateways, capitals and business cities: Amsterdam, Berlin, Ghent, Hamburg, London, Munich, Paris and Zürich, which flirt with or surpass an OR<sup>2</sup> of 75% across the year. With an OR close to 85% London beats all records, and is close to saturation. At the bottom of the table, Spanish cities (Saragossa, Seville) and Italian ones (Bologna) reflect the difficulty of the national markets. Even cities with highly seasonal business that depends on exhibitions and fairs (Cannes and Hanover) progressed in 2011. The rare drops in occupancy with respect to 2010 are minimal, largely less than 1 point.

This strong demand justified a significant improvement in the average daily rate (for many cities around 4% and more), an indicator of the shift of the vast majority of European cities into the upper part of the hotel cycle. Only a few German cities (Berlin, Leipzig, Munich, Nuremberg), Italian cities (Florence, Turin) and Spanish ones (Bilbao, Madrid, Saragossa) activated the rate dynamic to boost or relaunch demand.

The question mark bears on the prolongation of the slump observed in year-end business. The degradation of national economies, the concern about the impact of debt, and austerity measures have an evident effect on the average slump observed in Europe where the OR and ADR<sup>3</sup> fell into the red last December. Past experience taught that the midscale and upscale segments reacted more visibly to the change in economic climate. In cities where the weight of these categories is preponderant (Central Europe, Scandinavian countries, Spain and Italy...), the stabilizing effect of the economy hotel segment was impotent.

1 RevPAR : Occupancy rate x average price or room revenue divided by available rooms

2 OR: Occupancy Rate - number of sold rooms divided by number of available rooms

3 ADR: Average Daily Rate - room revenue divided by number of sold rooms

**ECM (European Cities Marketing)** is the leading European association of city tourism offices and convention bureaux, representing 125 members across 100 major cities in 32 countries. Its aim is to improve the performance and maintain the competitiveness of its members through the exchange of best practice and information.

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