

## For Immediate Release

Paris, 3 February 2009

# Assessment of the hotel activity in 2008: France grins, but Europe grins more

- France registers a 1.9% growth in Revenue per Available Room (RevPAR) for 2008, indeed a positive result compared to 2007's exceptional performance, which was driven by the Rugby World Cup, Paris Air Show and other major exhibitions. 2008's good result was mainly sustained by the first semester. RevPAR evolution during the second semester declined and ended negatively, suggesting that 2009 will be a difficult year. MKG Hospitality estimates RevPAR should decrease by 6% to 9% over 2009.
- This positive result made France one of the best-performing countries in Europe. RevPAR in the EU27 decreased by 1.4%. The Upscale segment was especially affected by company's cutting back on travelling expenses. Neither the Upscale nor Midscale categories can compensate the drop in demand by an increase in ADR.
- Spain and UK were severely hit by the economic slowdown. Like France, Germany's hotel industry resisted the economic downturn in 2008, enjoying positive growth. Will it be the same in 2009?

A more detailed analysis by hotel category and per region will be available during the Global Lodging Forum – Thursday 5<sup>th</sup> and Friday 6<sup>th</sup> of March at the Four Seasons George V in Paris. For more Information visit [www.globallodgingforum.com](http://www.globallodgingforum.com)

**“The Paris think tank of the international hotel industry”**

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### Corporate chain hotel performances per category in France Results from January to December 2008

	Occupancy Rate	OR Variation (pts)	Average Daily Rate	Evolution ADR %	RevPAR	Evolution RevPAR %
Budget	70.1%	-1.5	39.2	4.8%	27.5	2.6%
Economy	68.9%	-0.9	65.8	5.3%	45.3	4.0%
Midscale	64.6%	-1.4	96.1	5.5%	62.1	3.3%
Upscale	70.0%	-2.1	203.2	2.3%	142.2	-0.7%
<b>GLOBAL</b>	<b>68.2%</b>	<b>-1.3</b>	<b>85.3</b>	<b>3.9%</b>	<b>58.2</b>	<b>1.9%</b>

Source: MKG Hospitality Database – official hotel chains supplier – January 2009  
Average Daily Rates and RevPAR expressed in euros VAT included

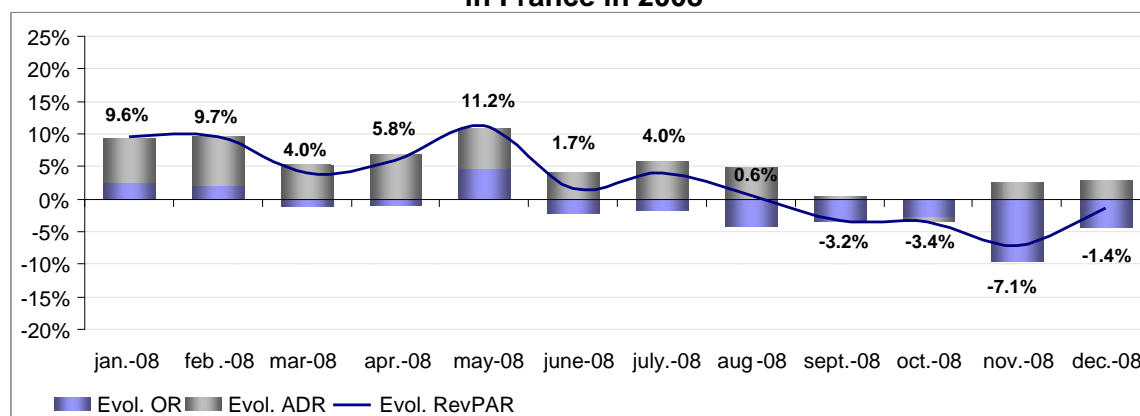
Chain hotel RevPAR growth reaches 1.9% in 2008 in France. This positive result is however below the average inflation recorded during the year (+2.8%) and shows a clear slowdown compared to 2007's performance (+9.1%). 2007 was no doubt an exceptional year (Rugby World Cup, Paris Air Show and many major exhibitions), with results comparable to 2000 phenomenal results.

2008 is distinguished by two phases: a good first semester following the trend in 2007, and a progressive decline of demand post summer, resulting in a negative second semester. Not since 2006 has a year's quarter decreased. Less growth in 2008 was anticipated due to the lack of major events, however the economic crisis towards the end of the summer accelerated a sharp drop in hotel demand. November was a particularly poor month, confirming the economy downturn.

Upscale hotels were particularly affected by the economic crisis. This segment heavily relies on international clientele, which diminished as companies cut back on expenses. Pricing policy constraints further prevented this segment to withstand the pressure, as hotel managers do not have the same flexibility to increase ADR in order to compensate the drop in demand.

Despite being hit by the economic slowdown, which also impacts domestic clientele, the Budget and Economy categories show their resilience, starting with the Economy segment with RevPAR increasing by 4%. The French Midscale category remained positive compared to Europe's average.

#### Occupancy Rates, Average Daily Rates and RevPAR monthly variations in France in 2008



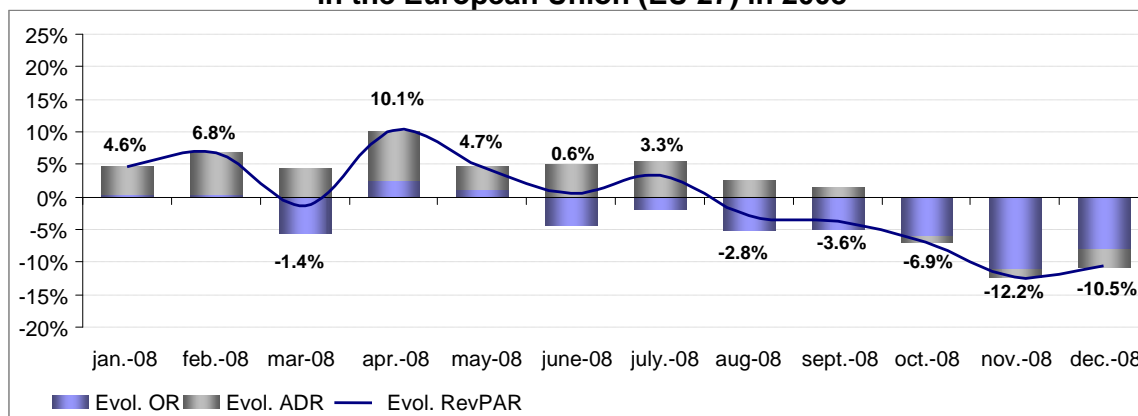
Source: MKG Hospitality Database – official hotel chains supplier – January 2009  
Average Daily Rates and RevPAR expressed in euros VAT included

**Corporate chain hotels' performances per category in Europe (EU 27)  
Results from January to December 2008**

	Occupancy Rate	OR Variation (pts)	Average Daily Rates	Evolution ADR %	RevPAR	Evolution RevPAR %
Budget	69.9%	-1.3	40.1	4.7%	28.1	2.8%
Economy	70.4%	-2.6	75.1	5.5%	52.9	1.7%
Midscale	65.4%	-2.2	91.8	2.9%	60.0	-0.5%
Upscale	65.0%	-3.3	146.0	2.3%	94.9	-2.6%
<b>GLOBAL</b>	<b>66.4%</b>	<b>-2.7</b>	<b>107.2</b>	<b>2.6%</b>	<b>71.1</b>	<b>-1.4%</b>

Source: MKG Hospitality Database – official hotel chains supplier – January 2009  
Average Daily Rates and RevPAR expressed in euros VAT included

**Occupancy Rates, Average Daily Rates and RevPAR monthly variations in the European Union (EU 27) in 2008**



Source: MKG Hospitality Database – official hotel chains supplier – January 2009  
Average Daily Rates and RevPAR expressed in euros VAT included

France remains among the countries less hit by the crisis. Overall, RevPAR throughout the European hotel industry decreased by 1.4%, a clear change in the hotel cycle. Hotel demand began declining in June. ADR, which saw a slowdown in growth during the summer, also experienced a descending phase. With a 12.2% drop in RevPAR, November 2008 will go down as one of the worst months of the decade. To find a two-digit drop in European RevPAR, one must go back to April 2003 (-13.5%). Worse, over the last 10 years, only two other months have suffered so much. October and November 2001, due to 9/11, experienced -13.2% and -10.7% drop, respectively.

Upscale category suffers even more. International cities such as London, Amsterdam or Prague are particularly affected by the lack of business tourism. Drop in activity has accelerated at the end of the second semester and demand in upscale hotels drops by -3.3 points over the year. The Midscale segment is also hit by this phenomenon. Evolution of its ADR is similar to that of the Upscale's and cannot compensate completely the drop in occupancy. Budget and Economy categories maintain a price policy margin, explaining their good performances. They too however have been hit by the economic slowdown. These two categories hope to benefit from the crisis by capturing the Mid- and Upscale segments' clients, who are more price sensitive.

**Corporate chain hotels' performances per category in European countries  
 Results from January to December 2008**

	Occupancy Rate	OR Variation (pts)	Average Daily Rates	Evolution ADR %	RevPAR	Evolution RevPAR %
France	68.2%	-1.3	85.3	3.9%	58.2	1.9%
Germany	63.1%	-1.3	96.5	3.9%	60.9	1.8%
United Kingdom	74.6%	-2.3	132.1	2.2%	98.6	-0.8%
Spain	62.4%	-4.6	92.4	-0.1%	57.7	-6.9%
<b>GLOBAL EU 27</b>	<b>66.4%</b>	<b>-2.7</b>	<b>107.2</b>	<b>2.6%</b>	<b>71.1</b>	<b>-1.4%</b>

Source: MKG Hospitality Database – official hotel chains supplier – January 2009  
 Average Daily Rates and RevPAR expressed in euros VAT included

London CBD has a low morale and UK overall is particularly affected by the economic slowdown – not producing the same positive results of recent years. Like London, business hotels in the provinces had to lower their expectations at the end of the year. Spain is suffering even more during this crisis. The Upscale category, and to a lesser extent Midscale category, play with prices in order to stimulate demand. Italy, suffering from a high pricing policy, has also been pushed to decrease.

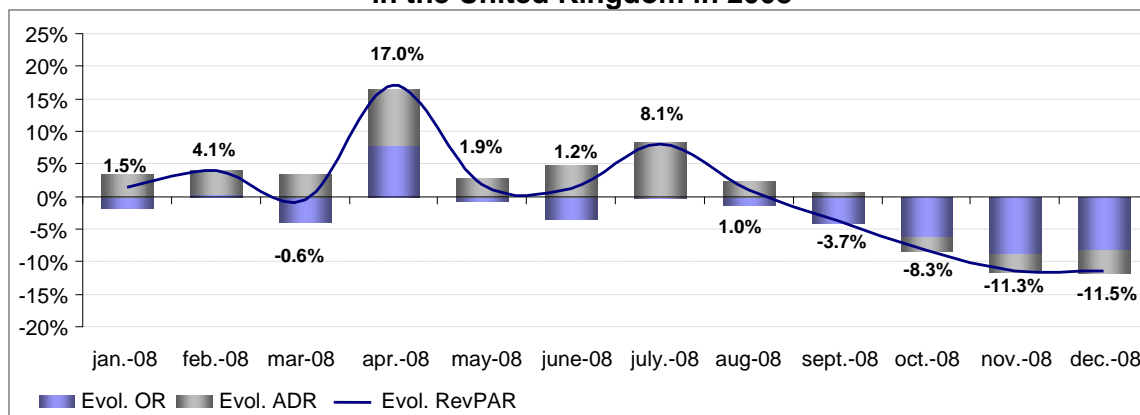
During this difficult time, Germany, Belgium and Northern Europe show a capacity to resist the crisis. Brussels and Berlin are doing more than just resisting. Germany saw a RevPAR increase similar to France, thanks in large to its strong exhibitions sector, particularly in cities such as Hanover and Dusseldorf. Germany is likely to suffer in 2009 however, due to a lack of major exhibitions and a reduction in business travel.

2009 should confirm the reversion of the cycle. In Germany as in UK, the last months of 2008 have seen a drop in OR and ADR. Supported by strong results in the Budget and Economy segments, results in France seem OK and show a growth in ADR in December after a catastrophic month of November.

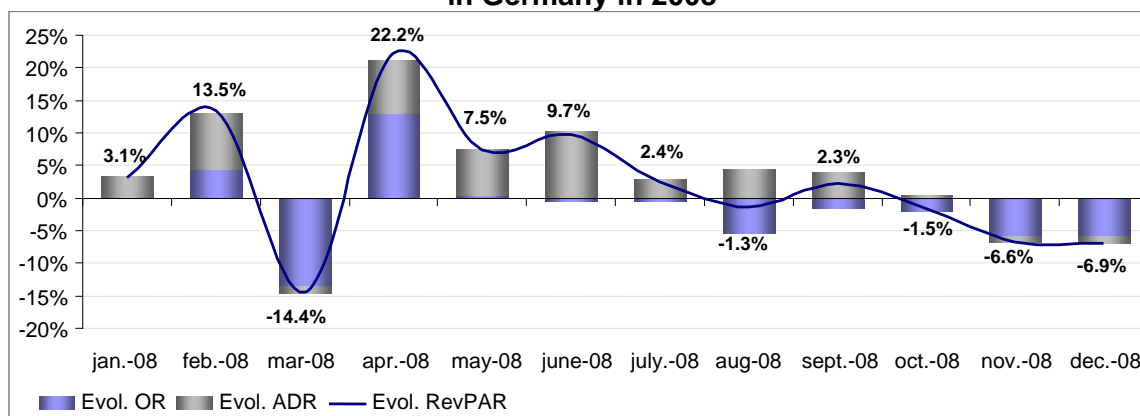
Reasons to hope for a sudden change in direction are inexistent for the European hotel industry. The business market and MICE segment should remain low. Leisure clientele, despite not cutting back on their main vacations, should be more cautious when considering additional vacations. Short breaks and city tourism, two strong segments over the last years, could also see a decline in activity in 2009.

Forecasts for the near future look bleak. For France, MKG Hospitality estimates a decrease in RevPAR of 6% to 9%.

### Occupancy Rates, Average Daily Rates and RevPAR monthly variations in the United Kingdom in 2008



### Occupancy Rates, Average Daily Rates and RevPAR monthly variations in Germany in 2008



#### About MKG Group

Established in 1985 by Georges Panayotis, MKG Group has built a reputation for solid business expertise and substantial know-how in the fields of tourism, lodging and food service. MKG Group meets the needs of each of its clients by providing the valuable analytical and decision-making skills necessary for success. [www.mkg-group.com](http://www.mkg-group.com)

#### Methodology & Innovation

With a team of over 60 experienced consultants, as well as advanced research and analytical tools and applications, **MKG Hospitality** provides unique savoir-faire in four major areas of expertise: Market Research; Financial Feasibility Studies; Consulting; and Sector publications.

MKG Hospitality is a global leader in tourism, hotel and catering consulting, with the largest database in the world (outside the US), representing all segments from budget to upscale hotels. MKG's customised database, Hotel CompSet, contains a sample of over 200 brands and 11,000 corporate chain hotels, representing more than one million rooms. Hotel CompSet provides daily, monthly and yearly monitoring of hotel indicators and analyses of its sample. [www.hotelcompset.com](http://www.hotelcompset.com)

Together with other specialised brands, MKG Qualiting, OlaKala, Worldwide Hospitality Awards, Global Lodging Forum, HTR Magazine and Hotel Restau Hedbo, MKG Group supports investors, small or large, hoteliers and key tourism players improve performance, boost productivity and achieve optimal results.