

Year 2009 will be critical for hotels of the Central and the Eastern Europe

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Despite the decline the interest persists

By the latest report of CB Richard Ellis (CBRE), the launched production remains still high in the countries of the Central and the Eastern Europe (CEE). The leadership in a number of newly created housing units in 2009 acquired the Czech metropolis. According to CBRE tightened conditions in lending capital from banks, however, may eventually cause that the attention of developers in Prague will be limited only to the ongoing projects, while the planned would postpone until the credit situation is clarified. The interest of international hotel brands in the CEE region remains, but advisers pointed to a certain shift: they are caution and picky in the choice of location and type of the contract.

The Podunajská metropolis Bratislava is to be considered the city with „generous hotel market“, where the average daily rate (ADR) increased by modest 0.3 percent in the last year. The big fall of occupancy in its second half, however, caused reduction in RevPAR (Revenue per available room) - revenues of a sold room by 7.6 percent.

Martin Thomas - Associate Director CEE Hotels reminds: "The tendency in reduction of hotel occupancy level maintained even in the first three months of 2009 and resulted in the decrease of the average occupancy by full 40.1 percent. The decrease in ADR by 5.2 percent, together with the decrease in occupancy reached as per the concerned date and day to an average revenue per available room 37.50 €, which means a full-year drop by 29.6 percent.

Some of planned hotel projects in Bratislava hit the impact of the intimidating economy fatally: they fight with the difficulties in obtaining finances, which caused their postponement or even cancellation. By contrast, in the case of the Kempinski Riverpark or Sheraton Bratislava they are successful projects, which will reach their opening in the first half of 2010 as a part of broader regional and functional changes in the central zone of the capital. „From a long-term view the decline in the planned construction may be for the hotel market an advantage because it reduces the possibility of market saturation,“ adds to it Jean-François Laporte - Associate Director CBRE Hotels.

Occupancy and average prices decline

Neither the economy results for hotels in major cities of the Central nor the Eastern Europe (CEE) are not of the reason for joy for their owners or operators from the summer of 2008. The data published by STR Global and TRI Hospitality Consulting on the hotel market in the concerned region for the 1st quarter of 2009 show a further decline - in terms of both the occupancy and the average daily rate (ADR) as well.

Use of Viennese hotels declined in the first quarter of 2009 versus the same period in 2008, approximately by 12.6 percent. This decrease partially relates to the drop in the number of passengers at the international airport in Vienna (the 1st quarter of 2009: -14.8 %!). First, the visitors from Spain, Italy and the United States decreased significantly.

In comparison with other cities in the Central and the Eastern Europe, however, the Vienna hotel market recorded a relatively low loss. Remarkable here is that the revenues from available room (RevPAR) in the international hotel chains are decreasing significantly in comparison with the overall hotel market in

Vienna. Based on the Revenue Management Systems and the strength of the individual hotel brands, however, the increase of individual hotel chains turnover is expected in the summer of 2009.

Increasing offer contributes to a vacancy

In Bratislava, Budapest and Prague, in comparison with the 1st quarter of 2008 (Bratislava: -25.8% Budapest: -24.1% Prague: -22.9%) the level of hotels utilization in the 1st quarter of 2009 fell by more than 20 percent! Compared to the same period of last year the number of passengers at the Bratislava Airport decreased up to 30 percent! Prague hoteliers also complain, who say about substantial decrease in the number of tourists from Britain and the USA. In compared major cities of CEE region the hotel occupancy rate in the 1st quarter of 2009 fell the most in Bucharest, by 26.4 percent. In addition the average daily rate (ADR) decreased in the metropolitan areas for the period. Its most significant drop recorded in the monitored period in Warsaw and Bucharest (-21.6% and -23.6%), where the local currency lost its value significantly compared to the Euro or U.S. dollar.

Adrian Flück, the analyst with CB Richard Ellis Hotels in Prague, stressed: „The number of guests in hotels is constantly decreasing. Business travellers and tourists are also much more sensitive to prices. But the offer of hotels in the cities of the Central and the Eastern Europe continues to grow, so the decline in occupancy and average daily rate (ADR) is not surprise from this view. “

CB Richard Ellis Hotels

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