HOTEL ASSET CLASS

The European hotel market

Tourism: a growth market

At global level, Europe is the most popular travel destination of foreign tourists. Growing numbers of travellers from the USA and Asia in particular are being attracted to major European cities. The increasing networking of destinations by modes of transport, the global emergence of the Asian middle class in particular with a high willingness to spend, and changed social preferences in terms of exotic locations, length of holidays, entertainment and individualization illustrate the strong attraction of the tourism sector.

In addition to these structural factors, it is also apparent that political crises and terrorism can lead to intense tactical and temporary shifts among destinations. This effect is one of the main reasons why the numbers of visitors and overnight stays in Europe are rising further each year, although here too there are signs of changes between the countries. More than 2.8 billion overnight stays were recorded in 2016. Even so, there are some differences within Europe: in particular, cities such as Paris, Brussels and Istanbul have experienced declining figures, whereas Mediterranean destinations like Spain, Portugal and Italy are enjoying growing popularity overall. Consequently, from overall perspective, the European hotel market continues to grow. This positive trend is also reflected in the context of the property sector: the documentable transaction volume in the hotel asset class reached €17.8 billion in 2016 (2015: €23.7 billion).

In this entire structurally growing market, the increasingly established hotel asset class is a progressively important element of portfolio diversification, putting it more at the focus of investors' attention. However, distinguishing between properties is not always easy: overlapping concepts, lack of standardization, individual positioning and heterogeneous operator models make it harder to establish a clear structure of how the term "hotel" is commonly understood.

But how do people understand it? And how do the various "hotel types" differ from each other?

The basis is that not all "hotels" in Europe are classified according to a uniform model. Typing can be geared towards various criteria – based on the target group with specific styles, location, commercial purpose, level of services or individual criteria. This illustrates how complex the hotel property market is, and gives an initial indication of the structural risk positioning in the overall portfolio. Figure 1 gives an overview of common hotel terms as well as property types and positioning on the basis of various criteria. In this highly dynamic environment, the depiction is always a status quo analysis.

FIG. 1: SPECTRUM OF FUNCTIONALITY AND TYPOLOGIES

Theme hotel	Bio hotel	Care hotel	Wellnes hotel	Leisure park hotel	Station hotel	Motel	City hotel
Casino hotel	Design hotel	Club hotel	ECONOMIC PURPOSE LOCATION TARGET GROUP SERVICE DESIGN LENGTH OF STAY		Seaside hotel	Convention center hotel	Park hotel
Budget hotel	Suite hotel	Business hotel			Alpine hotel	Country hotel	Airport hotel
Resort	Sport hotel	Residence hotel			Beach hotel	Private hotel	Partner hotel
Economique-hotel	Bed-and-breakfast hotel	Guest house	Apartment hotel	Fulll board accomodation	All-Inclusive hotel	Chain Hotel	Franchise hotel

Sorted by: Location Service Economic purpose Target group

Source: Catella Research 2017

Your contacts:
Dr. Thomas Beyerle
thomas.beyerle@catella.de
+49 (0)69 31 01 930 220

Lena Jung
lena.jung@catella.de
+49 (0)69 31 01 930 276

Sophia Schnitzler
sophia.schnitzler@catella.de
+49 (0)69 31 01 930 274

Legal principles of management

By way of introduction to the market of hotel properties, a few legal principles are explained below: In the hotel management, there are typically two different types of contracts: the **management contract** and the **lease contract** (see table 1). In Germany, the lease contract remains the more frequent choice, whereas the management contract prevails at international level, particularly by hotel chains (95% of all hotel contracts worldwide). Under a lease contract, which is usually concluded for 20 years, full economic and functional responsibility remains with the leaseholder. Here, a monthly rent is paid to the owner of the hotel for use and for the available fixtures and fittings. All the revenue generated goes to the leaseholder.

TAB. 1: OVERVIEW TYPES OF CONTRACT

	Lease contract	Management contract
Short description	A monthly rent is paid to the owner of the hotel for use and for the available fixtures and fittings	An owner of a hotel employs an operator for managing a hotel
Hotel categories	Frequently private hotels	Frequently international hotel chains (95 % of all hotel contracts worldwide)
Responsibility and economic risk	remains with the leaseholder/operator	remains with the owner/investor
Remuneration and profit	goes to the leaseholder	Limited profit potential for the operator: – Basicfee – Marketingfee – Incentivefee
Duration	Long-term (15 – 20 years)	Long-term (15 – 20 years)
Variations	Fixed lease Graduated rent Revenue-based rent	–
Maintenance obligation		

Source: Catella Research 2017

Under management contracts, the hotel management service, in particular the applied expertise of the manager is rewarded by several forms of remuneration. It must be noted here that the responsibility and the economic risk with this type of contract rest with the owner. Accordingly, the owner has a greater scope of influence on how the hotel is run.

Need for classification?

Classification of hotels has long been a complex matter in Europe. Due to the cultural diversity of European countries, there are widely differing expectations among hotel guests. To enable an approximately uniform categorisation despite this, the Hotelstars Union – a coalition of the national hotel associations – was established in 2009. However, not all European countries are a member or organised here: see also the map on p. 6, "Market analysis of European hotel markets 2017".

The member countries must gear their classification towards the regulations of the international association, which stipulate basic criteria for the various classifications as well as criteria for allocating the classification. For example, a hotel must be re-inspected with regard to its standard every three years. The allocation criteria for the stars (1 to 5 stars are possible) chiefly relate to the quality and quantity of the facilities and the service provided. Whereas the underlying criteria are set by the Hotelstars Union, the national hotel associations are responsible for the more explicit structuring of the allocation criteria. Consequently, there are slight differences between the member countries.

Most countries have a nationally standardised classification system, yet there are exceptions such as a broader regional categorisation. For instance, while the focus is very much on catering at the hotel in France, the service provided is at the forefront in the UK. Norway and Finland are the only countries in Europe that have no classification system at all. By contrast, classification is actually a legal obligation in Belgium, Denmark, Spain, Italy and Portugal.

Criticism of the star system

Due to the numerous differences within the European classification systems and the resultant lack of comparability, from the beginning the official hotel stars have faced criticism. Particularly in the age of the internet and online reviews, they tend to be deemed unnecessary. This is especially clear in the booming budget hotel segment – many of these operators do not use a star classification. Nevertheless, many travellers are still guided by the official hotel stars in addition to online reviews. It remains to be seen how this trend will continue, whether there will be further standardisation of the classification systems to improve comparability or whether they will cease to exist at all at some point. Even so, from an investor viewpoint, this category forms the basis of an initial economic positioning by means of corresponding key performance indicators. However, it is still the case that they are still used by customers for guidance and by particularly expensive hotels as a marketing tool – especially since the five-star status of a hotel remains a hugely important factor in the booking decision for certain customer groups, for instance. These contrast with the budget hotels, whose customers are less concerned about the establishment's status than its underlying facilities, functionality, location and modernness.

Classification and typology of hotels

In the following a classification of various hotel types is made by Catella Research which takes into account the star categories, but also includes other factors, especially those that matter to investors. Essentially, there is a distinction between four different types (figure 2).

The luxury and budget hotels are of most importance to investors here, as they are an already fungible investment product, and they tend to achieve the highest profits. The positive market forecast is also increasingly drawing investors' attention to this category.

At present, **budget hotels** are the new stars in the hotel constellation, although they were long regarded as a niche product. They are still a very young segment geared towards modern society and the latest trends with a firm focus on a target group centred on highly modern, technology-loving business travellers and young culture tourists with high expectations in terms of design, functionality and a keen sense of value for money. Budget hotels combine many requirements of a mobile society in one concept: they offer cost-efficient basic levels of facilities yet with a highly modern (or stylish) design. Furthermore, although there is only a minimal level of personal service, there is still a wide range of additional digitalised services. Budget hotels are usually situated in very central inner-city locations or near key transport hubs such as airports, and are therefore primarily suited to short-term stays (because of their very small rooms, for instance). These hotels are particularly attractive to investors by virtue of their low staff costs and high occupancy rates. In addition, especially in comparison with mid-range hotels, they have lower construction costs, as budget hotels do not have premises such as conference rooms or hotel restaurants.

They contrast with the **luxury hotels**. This hotel segment, which suffered particularly from the 2008 economic and financial crisis, has experienced an extremely strong upturn in recent years. It includes five-star hotels, which offer luxurious facilities in mint condition and extensive 24-hour service. The concept of these hotels is based on a round-the-clock support. Luxury hotels can be successfully situated peripherally in remote rural locations as well as centrally in the heart of cities. However, the further out they are, the more the target group focus shifts from business or culture to holiday travellers. In both cases, the target audience is extremely discerning, as they are usually rather older on average and willing to spend more for a perfect stay. This is what makes luxury hotels a strong choice for investors: they can achieve significantly higher revenue per available room (RevPAR) than all other hotel segments. In addition, demographic change will continue to ensure growing demand in the luxury segment, as the potential target group is growing as the proportion of older, affluent people with high expectations and time to travel rises.

The classes "**Comfort**" (4–3 stars) and "**Basic**" (2–1 stars) fall between these two segments. There are also some differences regarding service or facilities with these. In this case, the target group is mainly limited to business travellers or leisure tourists – but with differing expectations (see figure 2).

FIG. 2: CLASSIFICATION OF HOTEL TYPES

	LUXURY	COMFORT	BASIC	BUDGET
Hotel stars	5 stars	4 to 3 stars	2 to 1 star	No classification of hotel stars
Facilities	Luxurious, exceptional, opulent, condition as new	modern or classic, very good to excellent condition	minimalist, good to drought condition	Combination of design-oriented elements, high efficiency (Multimedia-Equipment, Hightech-Accessories), tending to be minimalist but a very modern design and high degree of digitalization, very good to good condition
Service	Highest degree of service (24 hours available), large number of staff	High to medium degree of service	Little or no service	Low service, small number of staff, outsourcing of different performances (e.g. laundry)
Target group	Wealthy tourists or business travellers with high requirements, people of all ages but focus on Generation X and older	Tourists or business travellers with higher requirements, families	Tourists or business travellers who want to travel with a lower budget or who attach no importance to facilities and service, target group tend to be younger	Young travellers, city travellers, business travellers (MICE), Millenials, generation laptop, culture enthusiasts
Location	Central to isolated	Central to isolated	Most central	A central city center location (frequently located close to railway stations or aiports/ transport hubs)
Room rate	High	Medium	Low	Medium to low
Investment costs	Very high	High	Low	Medium
Revenue (RevPAR)	Very high	High to medium	Medium to low	Medium

Source: Catella Research 2017

Market analysis of European hotel markets 2017 – map

The widely varying expectations and differing range of hotel types results in a diversified hotel market in Europe. The map shows an overview of selected European countries that sheds light on the respective national hotel market on the basis of several indicators. In recent years, investors have been focusing more on Mediterranean destinations. The decline of summer holiday destinations such as Turkey and Egypt means that the Balkans, Spain, etc. are becoming more prominent. It is notable that these destinations primarily relate to leisure tourism. The Mediterranean destinations of Spain, Portugal and, to a degree, France are highly dependent on the summer season. By contrast, Italy, Austria and Switzerland chalk up relatively stable numbers of overnight stays throughout the year, as winter and urban tourism is additionally available. Even so, it is apparent throughout Europe that the conventional summer and winter seasons are being increasingly extended as a result of seasonal offers and addressing of target groups.

To sum up, it can therefore be stated that the hotel sector has been experiencing strong growth in almost all countries examined, particularly in the last few years. The "budget" and "luxury" hotel segments appear to be the most promising ones for the future from an investor's perspective. Both have individual advantages, although together, they have very high income potential as well as extremely positive growth forecasts for the future.

This is partly because their concepts fit perfectly with the general trends in the tourism and hotel sectors: individualisation, design, luxury and digitalisation. Whereas the luxury hotels cover demand for the highest possible degree of individualisation, design and luxury, the budget hotels provide a high level of design and digitalisation.

Digitalisation: a requirement of investors

Digitalisation is a social and economic megatrend that is reflected not only by the facilities in the hotel trade. Even before the guest enters the hotel, most transactions are predominantly handled electronically or digitally. This begins with the initial search for information on potential hotels and ends with a review after the stay.

Booking portals are now an established part of the hotel industry – as in Europe, for instance. Here, the online hotel booking portal market is dominated by three major players: the Priceline Group (Booking.com) with a market share of over 60 %, followed by the HRS Group (Hotel.de) and Expedia Inc.. Between them, these three account for around 92 % of the entire European OTA market (online travel agencies). Traditional sales channels such as e-mail, telephone and the conventional travel agency are coming under growing pressure from the oligopolistic structure, but can continue to assert themselves by specialising appropriately.

The OTAs are a source of huge support for the hotels in terms of tapping into new markets and target groups – particularly for smaller, often family-run hotels with low sales – and consequently, these hotels also quickly become highly dependent or cyclical.

It must also be noted that the online travel agencies collaborate with "metasearch engines" such as "trivago.de" or "discavo.de". These search engines gather and process the results from OTAs, for example, and enable their customers to compare prices and availability – however, as well as hotels, other areas such as airlines or hire cars are also covered here. Nevertheless, the boundaries between metasearch engines and online travel agencies will become more blurred in future.

The booking portals are not the only consequence of digitalisation in the hotel sector:

the new players on the market are "sharing portals", which include companies like "Airbnb" and "Wimdu". This naturally raises the question of whether they pose a threat to the European and indeed the entire hotel market. Currently there is no clear answer to this. The increased flexibility and individuality of the population mean that these start-ups are seen as a sort of answer to the current megatrends of "digitalisation, social media, etc." that directly respond to these newly emerging expectations – the hotel market must show a more flexible response here. One disruptive factor in the analysis is the fact that these platforms have no properties of their own.

Even so, we see no structural threat to the European hotel market. Nowadays, consumers are more aware of the factors of "security" and "service" that the sharing portals cannot provide so far – hotels have the clear market power here. Above all, the target group of business travellers is a secure source of income here, as this group in particular relies on comfort, general and catering service as a result of short stays.

Branding

Partly out of habit and partly to safeguard against risk, people are often swayed by familiar names in brands in much of their decision-making – the same applies in the hotel industry. Table 2 shows the ten largest hotel chains worldwide in 2015. At first glance, it is apparent that the ranking is mainly dominated by companies from the USA. Only two chains stem from Europe – these are the French Accor hotel group and the InterContinental hotel group, based in England. The ranking is topped by the American hotel chain Marriott, which came second in 2014 but has now overtaken Hilton. Asian companies are also showing a stronger presence on the European hotel market – we expect this particular investment group to produce a further shift among the competition within the top 10 in the years ahead.

TAB. 2: HOTEL CHAIN RANKING WORLDWIDE IN 2015

Rank	Hotel chain	Country of origin	Number of Rooms	Hotels
1	Marriott International	USA	759,330	4,424
2	Hilton Worldwide	USA	753,777	4,556
3	InterContinental Hotels Group	England	744,368	5,032
4	Wyndham Hotel Group	USA	678,042	7,812
5	Shanghai Jin Jiang International Hotel Group Co.	China	565,558	5,408
6	Accor Hotels	France	511,517	3,873
7	Choice Hotels International	USA	507,484	6,423
8	Starwood Hotels & Resorts Worldwide	USA	369,967	1,297
9	Best Western Hotels & Resorts	USA	293,589	3,749
10	China Lodging Group	China	278,843	2,763

Source: Catella Research 2017

Hotel chains are also popular and a focus of investment among investors – a partnership that delivers experience, cost and purchasing benefits as well as effective marketing. However, first it is necessary to analyse whether brand affiliation (in this case with a hotel chain) meets the target group's perceptions and therefore fits in with the overall concept.

The European hotel market in figures

Table 3 gives an overview of the most active hotel investors in Europe at present.

TAB. 3: TOP 10 HOTEL INVESTORS IN EUROPE 2016 TO Q1 2017

Company	Country of origin	Acquisitions	
		Volume Mio. €	Number of transactions
Foncière des Murs	France	1,733	49
London + Regional	Great Britain	1,390	50
Pandox	Sweden	870	26
Event Hotels	Germany	860	10
MERLIN Properties	Spain	516	21
DekaBank	Germany	446	8
AccorHotels	France	431	33
Eiendomsspar AS	Norway	400	18
AGC Equity Partners	Great Britain	393	3
Dogus Holding A.S	Turkey	383	3

Source: Catella Research 2017, RCA 2017

TAB.4: SINGLE ASSET DEALS 2016 IN EUROPE

Countries	Deals	thereof confidential	Volume Mio. € (disclosed Deals)*
Germany	69	61	379,300
Great Britain	60	10	1,873,700
Spain	33	16	633,500
France	22	18	89.300
Netherlands	22	7	353,700
Austria	16	6	433,900
Italy	13	5	528,400
Ireland	12	2	225,100
Belgium	7	3	139,300
Norway	4	1	146,600
Poland	3	2	56,000
Sweden	4	1	257,800
Finland	3	3	–
Portugal	3	2	8,500
Switzerland	3	3	–

* countries show different degrees of transparency at the level of deals; transaction volume in € billion is partly above the reported amounts

Transparency: Transparent Semitransparent Non-transparent

Source: Catella Research 2017, HVS 2017

Germany is the most popular European investment location for hotel properties, with a transaction volume of €4.4 billion last year. The UK, the long-time leader, was knocked off its top spot for the first time ("Brexit impact") and is now down in second place with a transaction volume of €3.6 billion. Even so, the UK capital, London, remains the European transaction destination of choice in the hotel property sector with a transaction volume of around €1.8 billion. The UK is followed by the above-mentioned Mediterranean destinations of Spain with €2.2 billion and France with €1.9 billion: these countries have to meet demand with additional services as a result of their huge tourist figures.

Table 4 shows single-asset transactions in 2016. With a new record high of €10.6 billion, this market remains the focus of active interest from investors. Germany tops the list here – measured on the basis of the number of deals – with a total of 69. The total room quantity of 13,409 also suggests a brisk investment. Even so, in terms of transaction volume, the UK remains head of the field here. The island nation has a transaction volume of €2.1 billion in single assets, while Germany is close behind with just over €1.9 billion, having generated a substantial growth of 40% compared to the previous year. Here too, France and Spain come next, albeit in the opposite order. France generated a transaction volume of €1.2 billion in single assets, closely followed by Spain with just over €1 billion. However, the focus on the Spanish market is now primarily shifting to resorts in the Balearics as well as the Canary Islands, and currently accounts for around 2/3 of the total single assets.

With four deals each in Norway and Sweden as well as three in Finland, the Nordics are trailing somewhat in terms of hotel property investment. Even so, further growth is also expected here in the next few years.

With regard to portfolio transactions, the composition of the market is rather different. Germany is also the leader here (€2.4 billion), with the UK again in its wake with €1.5 billion, followed by Spain (€1.1 billion). Overall, the European portfolio transaction market amounted to €7.2 billion last year, down significantly on 2015, when the figure stood at €14.6 billion. However, we assume that the transaction volumes based on single deals for individual countries is likely to be well above this due to the substantial systemic lack of transparency of the market.

Outlook

The boom in the market – in combination with tourism – is apparent from the rising indicators of RevPAR, ADR and occupancy as well as the number of hotel developments currently in the development pipeline. In the first quarter of 2017, some 162,732 rooms were sold in 1,035 hotel projects. In general, it can be noted that positive growth will be generated in nearly all countries. Spain, Germany, Austria, Ireland and Sweden are set to benefit most from this. Budget and luxury hotels will be the most investor-friendly hotel types with the highest returns and best future prospects. Overall, however, from an investor's perspective, the market is still characterised by highly diverse market structures in a generally semi-transparent environment.

The pace at which the hotel industry will continue to move towards digitalisation will become apparent. The online market will further enhance its position and be a critical factor in the survival of existing companies. As a result of demographic change, another trend will remain in place, namely the growing proportion of short trips and city breaks. Demand for hotels must be met by a further expansion in effective supply here, opening up numerous investment opportunities.

Market analysis of European hotel markets 2017

CATELLA

Legende

- Hotelstars Union
- National classification system
- National different system
- No System
- Classification system required by law

297 Number of overnight stays

Forecastmarket trend

* (Number of overnight stays):
implies all types of tourist accommodations

** Figures refer to 2015

Definitionen Kennzahlen:

Occ (Occupancy)
Share of sold rooms compared to available rooms

ADR
(Average Daily Rate)

RevPAR
(Revenue Per Available Room)

389.6

GERMANY

In Germany, Berlin recorded the most overnight stays with an average room occupancy of around 78% and revenue of €73.7 per room, followed by Munich with 14.1 million overnight stays. Overall, 600 projects are currently in the planning or construction phase in Germany. The vast majority (almost 80%) of tourists come from Germany itself.

32.2

DENMARK

As Denmark has a long coastline on the North Sea and the Baltic, beach holidays feature prominently in the overall figures. The most common forms of accommodation here are holiday homes or camp sites, while the hotel market is also growing. In the capital, Copenhagen, a RevPAR growth of 14.5% (to approximately €97) and an occupancy rate of 77.6% were posted in Q4 2016.

33.2

NORWAY

Along with Finland, Norway is the only country in Europe where no classification system is used. The quality of the hotels is very high, and most tourists go because of Norway's nature. As in the other Northern European countries, holiday homes are very popular, but so are cruise destinations along the coastline. In Q4 of last year, the capital, Oslo, registered a RevPAR of €72, putting it just behind Vienna.

56.1

SWEDEN

Along with Denmark, Sweden is one of the strongest hotel markets in Northern Europe, although other forms of accommodation such as holiday homes and boarding houses are also very popular here. A particularly high proportion of tourists come from within Sweden, as demonstrated by the strong presence of regional and national hotel brands. In Q4 2016, a RevPAR of €74 and an occupancy rate of 68% were attained in the capital, Stockholm.

20.1

FINLAND

City tourism in Finland is mainly focused on Helsinki (RevPAR Q3 2016: €83): otherwise, nature and (winter) sports tourism are the two main pillars of the Finnish tourism sector. This means that figures for overnight stays remained relatively constant in the course of the year. As before, a large proportion of the tourists come from Russia and also China.

4.4

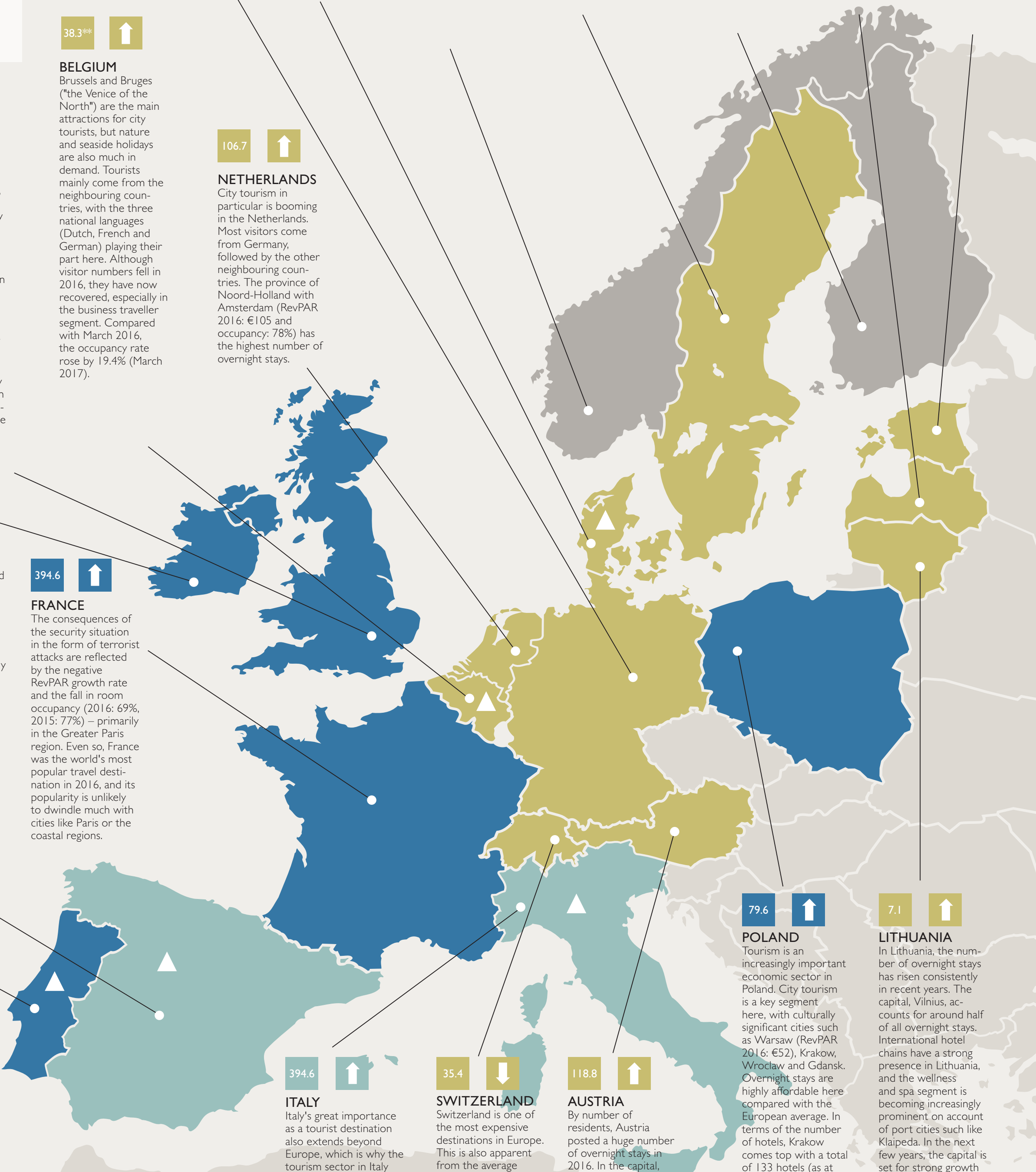
LATVIA

Latvia is in a similar structural market situation to Estonia. Overall, the republic has 232 hotels (as at 31 December 2016), mainly in Riga. The Baltic state is gaining increasing at the fore as a business and leisure destination; particularly as a result of its status as the Capital of Culture in 2014, Riga is enjoying a sustained boom, although this did tail off slightly in 2016 (room occupancy: 44%).

6.2

ESTONIA

The hotel market in Tallinn is largely dominated by local operators, but is increasingly an expansion target for international chains. (Number of classified hotels: 186). Overnight stays are usually limited to two days and are seasonal (July). In Estonia, cruise tourism is most prominent, resulting in a high level of day-trip tourism. Last year, the average daily room rate (ADR) in Tallinn stood at €41.5 – for Estonia as a whole, it was €35.1.



38.3**

BELGIUM

Brussels and Bruges ("the Venice of the North") are the main attractions for city tourists, but nature and seaside holidays are also much in demand. Tourists mainly come from the neighbouring countries, with the three national languages (Dutch, French and German) playing their part here. Although visitor numbers fell in 2016, they have now recovered, especially in the business traveller segment. Compared with March 2016, the occupancy rate rose by 19.4% (March 2017).

291,1

UK

With London, the UK has the city with the highest overnight stay figures in Europe, although the revenue has been falling slightly since the Brexit vote. However, the capital city, in which 8,000 new hotel rooms are planned, constitutes an exception here. London can maintain its leading position with an occupancy rate of 81% and a RevPAR of £116 (approximately €137). The quality of the hotels, particularly in the Greater London area, tends to be comparatively poor, yet the UK remains a popular travel destination.

106.7

NETHERLANDS

City tourism in particular is booming in the Netherlands. Most visitors come from Germany, followed by the other neighbouring countries. The province of Noord-Holland with Amsterdam (RevPAR 2016: €105 and occupancy: 78%) has the highest number of overnight stays.

29.7**

IRELAND

In recent years, Ireland has shown consistent growth in the hotel industry, with further sharp increases in the last three years. With revenue per available €105 in Dublin, the Irish capital actually exceeds the RevPAR of Rome.

394.6

FRANCE

The consequences of the security situation in the form of terrorist attacks are reflected by the negative RevPAR growth rate and the fall in room occupancy (2016: 69%, 2015: 77%) – primarily in the Greater Paris region. Even so, France was the world's most popular travel destination in 2016, and its popularity is unlikely to dwindle much with cities like Paris or the coastal regions.

454.3

SPAIN

Spain has the highest overnight stay figures in Europe, and will continue to see strong growth in future, partly as a result of the political situation in countries such as Turkey and Egypt. With the capital Madrid and the major city of Barcelona, Spain has two popular city tourism destinations. The Revenue growth per available room is 10.7% in Barcelona and 7.2% in Madrid. The occupancy rate in the two major cities (Barcelona: 77% and Madrid: 71%) also illustrates the strong demand. In Spain, there are currently approximately 73 hotels with 14,900 rooms in the project pipeline.

60.6

PORTUGAL

Portugal is another of the current beneficiaries, and therefore has a leading position on the European hotel market. The city of Porto achieved a revenue growth per available room of 17% last year. The capital, Lisbon, also posted a growth of 8.2%. The positive trend in recent years is also reflected by rising investments as well as occupancy rates (74% in both Lisbon and Porto).

394.6

ITALY

Italy's great importance as a tourist destination also extends beyond Europe, which is why the tourism sector in Italy is one of the most significant branches of the economy. Tourists come from home and abroad in equal measure. City tourism, beach tourism and winter tourism are all very popular. Rome, an expensive city with an occupancy rate of 69% and an ADR of €148 (as at 2016), is only just behind the average room rate of London.

35.4

SWITZERLAND

Switzerland is one of the most expensive destinations in Europe. This is also apparent from the average room rate of CHF 230 (around €212) in Zurich last year. In the last two years in particular, European tourists have been tending to avoid Switzerland, mainly due to the strong franc. However, a slight decline in room rates is expected in future.

118.8

AUSTRIA

By number of residents, Austria posted a huge number of overnight stays in 2016. In the capital, Vienna, an occupancy rate of 75% and a RevPAR of €73 were recorded last year. In contrast with Germany, Austria has twice as many foreign tourists as domestic ones.

79.6

POLAND

Tourism is an increasingly important economic sector in Poland. City tourism is a key segment here, with culturally significant cities such as Warsaw (RevPAR 2016: €52), Krakow, Wroclaw and Gdansk. Overnight stays are highly affordable here compared with the European average. In terms of the number of hotels, Krakow comes top with a total of 133 hotels (as at 2015), followed by Warsaw with 73.

7.1

LITHUANIA

In Lithuania, the number of overnight stays has risen consistently in recent years. The capital, Vilnius, accounts for around half of all overnight stays. International hotel chains have a strong presence in Lithuania, and the wellness and spa segment is becoming increasingly prominent on account of port cities such as Klaipeda. In the next few years, the capital is set for strong growth – it posted room occupancy of 67% last year, whereas the figure for the whole country amounted to 53% in Q1 to Q3 2016.

Source: Catella Research 2017