Spring 2008

Hospitality Vision

Global Performance Review

Double celebrations

Audit. Tax. Consulting. Corporate Finance.

Introduction

“With so many more people travelling, it’s no wonder that 2007 was a year of double celebrations for hoteliers and a double first for the hospitality industry.”

“Excellent performances in various parts of the world have led to interesting changes in the top 20 revPAR GRI and occupancy GRI tables.”

World tourist arrivals passed another milestone in 2007 to reach 900m – overtaking tourism forecasts for the fourth successive year. This 6% year-on-year increase is even more remarkable, given that the worldwide figure hit the 800m mark just two years ago according to the World Tourism Organisation (UNWTO).

There were around 52m more international travellers last year, confirming how eager people are to take advantage of cheaper airfares and easier access to emerging markets. Strong economies across most regions, but particularly in China and India, where more people have more disposable income than ever before, are an important factor.

We are also seeing a major shake up in aviation. The inaugural flight of the A380 double-decker airbus from Singapore to Sydney in October was an important milestone, with Airbus predicting massive growth in the number of passengers worldwide. The introduction of this super-size aircraft is expected to generate increased demand at a time when the US and European Union (EU) have finally agreed to liberalise the transatlantic air travel market. From March, European and American airlines will be able to fly to any destination in Europe and the US, ending years of restrictions and leading to more flights and lower fares.

With so many more people travelling, it’s no wonder that 2007 was a year of double celebrations for hoteliers and a double first for the hospitality industry. All four regions – Asia Pacific, Central and South America, Europe and the Middle East – not only celebrated double-digit growth in revenue per available room (revPAR) but also in average room rates.

Best performers were hotels in Central and South America with revPAR growth of 19.4%, followed closely by the Middle East at 16.9%. Europe came in third place with 15.8%, but is still the revPAR king in terms of absolute revPAR, which now stands at US$114. At the back of the pack was Asia Pacific with 12.5%.

Excellent performances in various parts of the world have led to interesting changes in the top 20 revPAR Global Ranking Index (GRI) and occupancy GRI tables. Moscow, for instance, is in the third slot for revPAR, and Muscat, which is marketing itself as an upmarket Middle East experience, has seen revPAR rise by almost 36% to take 16th place. Panama City, with occupancy rates of almost 85%, has become the first Latin American city to make it onto the list.

Another new contender is Belfast, which is making its first appearance in the occupancy GRI. The city is enjoying a re-birth as a safe destination after decades of political unrest, and is now attracting many more people on weekend breaks as well as business travellers.

More than 50% of the world’s travellers chose Europe as their preferred destination, and the region’s popularity is confirmed by the appearance of 12 European cities in the revPAR GRI. Seven make it into the occupancy GRI. However, five Middle East markets are challenging Europe’s dominance in the revPAR league, and – with the help of a well-targeted advertising campaign – six Australian cities are competing in the occupancy league.

In this, the fifth edition of the Global Ranking Index by Deloitte we compare the performance of 165 cities outside North America, and look more closely at those who are in, those who are out, and the newcomers who are beginning to make an impact.

Table 1 – RevPAR Global Ranking Index 2007

	RevPAR GRI		RevPAR results – US$			RevPAR results – euros		
City	Ranking	Change to 2000	2007 absolute	% change to 2006	% change to 2000	2007 absolute	% change to 2006	% change to 2000
Venice	1	+0	265	22.0	50.7	192	12.2	-0.3
Paris	2	+2	249	23.2	75.1	180	12.9	15.7
Moscow	3	+82	244	23.5	225.8	176	13.1	115.8
London	4	+1	224	18.5	53.4	162	8.9	1.9
Dubai	5	+26	218	17.2	161.7	158	7.2	73.8
Rome	6	+0	202	9.1	62.7	146	0.2	7.7
Geneva	7	+0	199	19.9	88.0	145	10.1	25.6
Mumbai	8	+28	195	47.3	130.0	141	34.6	34.9
Amsterdam	9	+0	185	12.4	53.2	133	3.1	1.3
Florence	10	-4	175	14.5	39.4	127	5.3	-7.8
Hong Kong SAR	11	+3	172	6.7	64.5	125	-2.3	8.8
Milan	12	+12	168	12.8	72.5	122	3.1	14.5
Barcelona	13	+4	168	18.3	61.7	122	8.7	7.5
Doha	14	+56	164	-10.2	154.6	119	-17.6	68.7
Abu Dhabi	15	+79	162	26.0	191.4	118	16.0	94.4
Muscat	16	+110	155	35.9	256.9	113	24.4	137.3
Zurich	17	-1	155	18.1	45.6	112	8.3	-3.2
Sydney	18	+15	154	23.5	72.4	111	13.2	14.3
Tokyo	19	-1	153	2.8	-12.3	111	-5.7	-41.7
Istanbul	20	+12	152	22.1	77.9	110	12.4	17.8

Source: HotelBenchmark™ Survey by Deloitte.

Table 2 – Occupancy Global Ranking Index 2007

	Occupancy GRI		Occupancy results		
City	Ranking	Change to 2000	2007 absolute	% change to 2006	% change to 2000
Perth	1	+31	85.1	1.6	10.2
Panama	2	+146	84.7	11.6	58.8
Dubai	3	+27	84.5	1.5	11.6
Brisbane	4	+65	84.3	-0.4	15.9
Hurghada	5	+12	83.9	11.6	7.5
Singapore	6	+12	83.8	1.6	4.9
Abu Dhabi	7	+42	83.5	0.4	14.5
Gatwick	8	-7	83.3	1.2	-4.1
Melbourne	9	+17	83.1	0.1	8.4
London	10	-4	82.8	-0.1	1.7
Hong Kong SAR	11	-2	82.4	-1.3	2.3
Heathrow	12	-4	82.4	-0.9	2.6
Sydney	13	+13	82.4	5.1	11.7
Adelaide	14	+3	81.9	1.5	9.4
Belfast	15	+26	81.8	1.7	9.2
Amsterdam	16	-14	81.3	-2.3	-5.0
Cairns	17	+3	80.2	-1.0	3.6
Hanoi	18	+141	80.2	0.0	109.0
Edinburgh	19	+35	79.3	0.1	9.4
Zurich	20	-10	79.1	-1.2	-3.9

Source: HotelBenchmark™ Survey by Deloitte.

Table 3 – International tourist arrivals by sub region (millions)

	2007	2006	2000	%vs 2006	%vs 2000	2007 marketshare %
Asia Pacific	**185**	**168**	**111**	**10**	**67**	**21**
North East Asia	104	94	58	11	79	12
South East Asia	60	54	37	11	62	7
Oceania	11	11	9	0	22	1
South Asia	10	9	6	11	67	1
Europe	**480**	**461**	**391**	**4**	**23**	**54**
Northern Europe	56	55	43	2	30	6
Western Europe	155	150	140	3	11	17
Central/Eastern Europe	93	91	69	2	35	10
Southern/Mediterrannean Europe	176	165	139	7	27	20
Middle East	**46**	**41**	**24**	**12**	**92**	**5**
Africa	**44**	**41**	**28**	**7**	**57**	**5**
North Africa	16	15	10	7	60	2
SubSahara Africa	28	26	18	8	56	3
Americas	**142**	**136**	**128**	**4**	**11**	**16**
Central America	8	7	4	14	100	1
South America	20	19	15	5	33	2
North America	95	91	92	4	3	11
Caribbean	19	19	17	0	12	2

Source: World Tourism Organization (UNWTO).

Asia Pacific

More than 185m international tourists visited the Asia Pacific region in 2007 – an increase of 10% on the previous year. Several factors are behind this growth, including the phenomenal expansion of low-cost airlines. These companies, which are expected to account for 25% of all air travel in the region within the next few years, are transporting a new wave of travellers from China and India and opening up new source markets, such as Russia. Fierce competition between the low-cost carriers is also bringing down the cost of travel, making it an affordable option for many more people, and subsequently pushing up the demand for hotel rooms.

The two countries making the biggest impact on the region's tourism – and its economy as a whole – are clearly China and India. With the dragon limbering up for the 2008 Olympics, China is enjoying excellent gross domestic product growth and attracting a massive amount of foreign investment. Its newly-rich population is keen to explore life beyond the national borders, and eager to spend their money on vacation. India too is booming, attracting many more tourists – up 13% in 2007 – while its emerging middle classes are keen to spread their wings. The impact of these two economic powerhouses is now being keenly felt in their own backyards – the greater Asia Pacific region – and worldwide.

All this is good news for a region that has suffered a number of setbacks over the last decade including the outbreak of SARS, avian flu, terrorist attacks and the devastating tsunami. Now, ten years on from the collapse of the tiger economies, the region is roaring again. In 2007, revPAR across the region rose 12.9% to US$95, with three of the four sub-regions reporting double-digit growth, as seen in the table above. This performance is due primarily to average room rate increases, as strong consumer demand is giving hoteliers the confidence to charge more. As a result of this tactic, Asia Pacific took four places in the top 20 revPAR GRI in 2007, while securing nine places on the occupancy GRI.

North-East Asia

Given the amount of worldwide interest in China, one would expect North-East Asia to have performed as well as its neighbours. However, while other sub-regions reported double-digit growth in 2007, North-East Asia ended the year up just 2.3% to US$93 – just US$2 below the regional average.

Table 4 – Hotel performance in Asia Pacific 2007 v 2006

	Occupancy (%)			Average Room Rate (US$)			RevPAR (US$)		
	2007	2006	% change	2007	2006	% change	2007	2006	% change
Asia Pacific	71.8	71.7	0.1	133	118	12.8	95	85	12.9
North-East Asia	71.1	73.0	-2.6	131	125	5.0	93	91	2.3
South-East Asia	70.9	68.1	4.1	109	91	20.2	78	62	25.1
South Asia	69.1	68.7	0.6	206	163	26.4	142	112	27.1
Oceania	76.1	75.7	0.6	143	122	17.2	109	92	17.9

Source: HotelBenchmark™ Survey by Deloitte.

China

Hoteliers in China managed to push average room rates up 7.5% to US$127 during 2007, while occupancy dipped 4% to 67.9%. Clearly, this fall off in occupancy has nothing to do with a lack of customers, but is due to the enormous number of new rooms coming onto the Chinese markets.

Hong Kong, the regional capital of business travel and the glittering epitome of Asia Pacific cityscapes had two reasons to celebrate in 2007. The city not only achieved the highest average room rates in China at US$209 – up US$15 on the previous year – but also stole the show in terms of occupancy, at 82.4%. This enabled the city to secure 11th place on both the revPAR GRI and occupancy GRI. According to the Hong Kong Tourism Board, visitor arrivals reached record highs during 2007 – up 11.6% to 28.2m. Arrivals from mainland China passed the 15m mark for the first time – up 13.9% – reconfirming how eager Chinese people are to travel.

Beijing, currently in the final phase of preparations for the summer Olympics, saw revPAR rise 9.1% to US$102. Although occupancy levels have dipped slightly, average room rates have gone up 11.5% to US$138, largely due to conference and event business moving to Beijing from Shanghai. Despite this, Beijing fell 12 places on the revPAR GRI to end the year in 79th place.

Japan

According to the Japan National Tourist Organisation, Japan enjoyed a 13.8% increase in international visitors last year, pushing the total to 8.3m. This was undoubtedly helped by the innovative government marketing campaign, Yokosi Japan!

Osaka hosted the World Athletics Championships in August 2007 – attracting some 3,200 athletes and officials from 212 countries – but the year-end hotel performance did not match the success of the championships, with revPAR up just 1.9% to US$116. Occupancy in the city remained relatively static at 78.8%, but this was not enough to stay in the occupancy GRI and Osaka fell from 17th place to 21st.

On the flip side, Japan's business giant **Tokyo** continues to perform as one of North-East Asia's strongest markets, taking second place behind Hong Kong with a revPAR of US$153. While occupancy in the city dipped 2.5%, average room rates rose 5.5% to US$200 – US$9 behind Hong Kong and enabling the city to secure 19th place on the top 20 revPAR GRI.

South Korea

South Korea only saw a slight upturn in international tourist arrivals during 2007 – up 4.8%. **Seoul** added US$9 to its revPAR during 2007, finishing the year at US$143. However, the city was overtaken by Sydney and Tokyo, and was pushed out of the top 20 revPAR GRI into 22nd place.

South-East Asia

Despite having the lowest revPAR of any region in Asia Pacific, South East-Asia is on the move. With a revPAR rise of 25.1% – growth rates are second only to South Asia. Much of this is due to a dramatic rise in average room rates, pushing through the US$100 barrier to reach US$109. As seen in the table above, South-East Asia has also seen occupancy rise by 4.1%, the best performance of all the sub-regions and a sign that confidence is returning after so many problems during the past decade.

Singapore

In 2007, **Singapore** climbed back up the occupancy GRI to secure 6th place, overtaking Abu Dhabi, Gatwick and Melbourne. Occupancy increased 1.6% to 83.8% while average room rates rocketed 25.4% to reach US$164. This allowed the city to secure first place in South-East Asia in terms of both occupancy and average room rates.

According to the Singapore Tourist Board, Singapore welcomed 10.3m visitors in 2007, up 5.4% from the year before. Two factors are behind these numbers – the strength of the economy in its key markets (Indonesia, Australia, China, India and Malaysia) and the growth in low-cost carriers, making air travel more affordable and Singapore more accessible. The Singapore Tourist Board's promotional campaigns have also helped.

This year, the country will host the inaugural Formula 1 SingTel Singapore Grand Prix, which will be the first street race in Asia. This prestigious event – just one of many on Singapore's events calendar – plus several development plans to rejuvenate the city, will put Singapore firmly on track to achieve its Tourism 2015 goal of attracting 17m visitors. To meet anticipated demand, Changi Airport has recently opened a new terminal – increasing the airport's capacity by 22m passengers per year to 70m.

Vietnam

Vietnam's emergence as an up-market leisure destination and as a good alternative to the traditional Asian cities for meeting, incentive, conference and exhibition (MICE) tourism, has boosted the local hotel business.

In Hanoi, average room rates went up 26.3% to US$137 and although occupancy in the city remained stable at 80.2%, the city fell six rungs on the occupancy GRI ladder to 18th place. Ho Chi Minh City followed the same trend; however its 35.6% increase in average room rates could not match its northern neighbour and ended the year some US$31 below. Although business in Vietnam looks promising, increasingly high rates could damage Vietnam's appeal as an affordable Asian alternative. Unless rates are supported by equally high standards in both product and service, more rooms will come into the market, only to find that demand has vanished.

Thailand

Although city and resort destinations in Thailand did not make it into either of the top 20 rankings, hotel performance in Phuket is on a roll. RevPAR in Thailand's largest island leapt 37.3% in 2007, up US$28 from 2006. This growth was driven not only by a 13.8% increase in occupancy to 73.9% but also a 20.7% hike in average room rates to US$138. The large number of low-cost carriers (including Air Asia, Bangkok Airways, Firefly, Nok Air, One-Two-Go, Tiger Airways and Jetstar) now flying to Phuket is adding to demand.

However, it's not such a happy picture in Thailand's bustling capital, Bangkok. While occupancy dipped to 72.9%, average room rates grew 14.3% to US$119, resulting in a more modest revPAR increase of 8.7%. This is mostly due to security concerns, following the New Year bombings and social unrest related to the military coup in 2006. In addition, the new Suvarnabhumi Airport, which opened in September 2006, hit teething problems in early 2007 with a number of cracks appearing on the runway. The re-opening of the old international airport, Don Muang, for domestic flights was another blow to the city, as this meant connections between international and domestic flights included a cross-city taxi or bus ride, which, through Bangkok's congested streets, can be time consuming.

South Asia

For the third consecutive year, South Asia reported the highest growth in the region – with revPAR up a staggering 27.1% to US$142. This is some US$47 higher than the regional average of US$95. India was the main contributor of this growth, with excellent economic growth – especially in the manufacturing and IT sectors – leading to a boom in business travel.

India

India's financial capital – Mumbai – climbed five places on the top 20 revPAR GRI to 8th place this year, as revPAR in the city soared 47.3% to US$195. This growth was driven solely by average room rates, which now stand at US$285. Increased capacity at Mumbai's Chatrapati Shivaji International Airport and a shortage of rooms in the city is driving this pattern, as hoteliers push average room rates higher. These trends are being replicated across the country, with all major cities including Chennai, Kolkata and Delhi seeing huge spikes in average room rates and revPAR.

However, it is unlikely that this profitability is sustainable, especially with government-backed hotel developments underway, bringing more rooms into the market. India's government estimates an extra 150,000 rooms are needed to meet the country's rapid economic growth and increased popularity. With tax breaks supporting building work in Delhi in the lead up to the Commonwealth Games in 2010, the foundations are in place for plenty of new rooms across the country. Hotel chains, including Accor, which plans to introduce its Ibis and Formule 1 brands into the country, and Marriott, which expects to triple its presence in India, are stepping up to the opportunities.

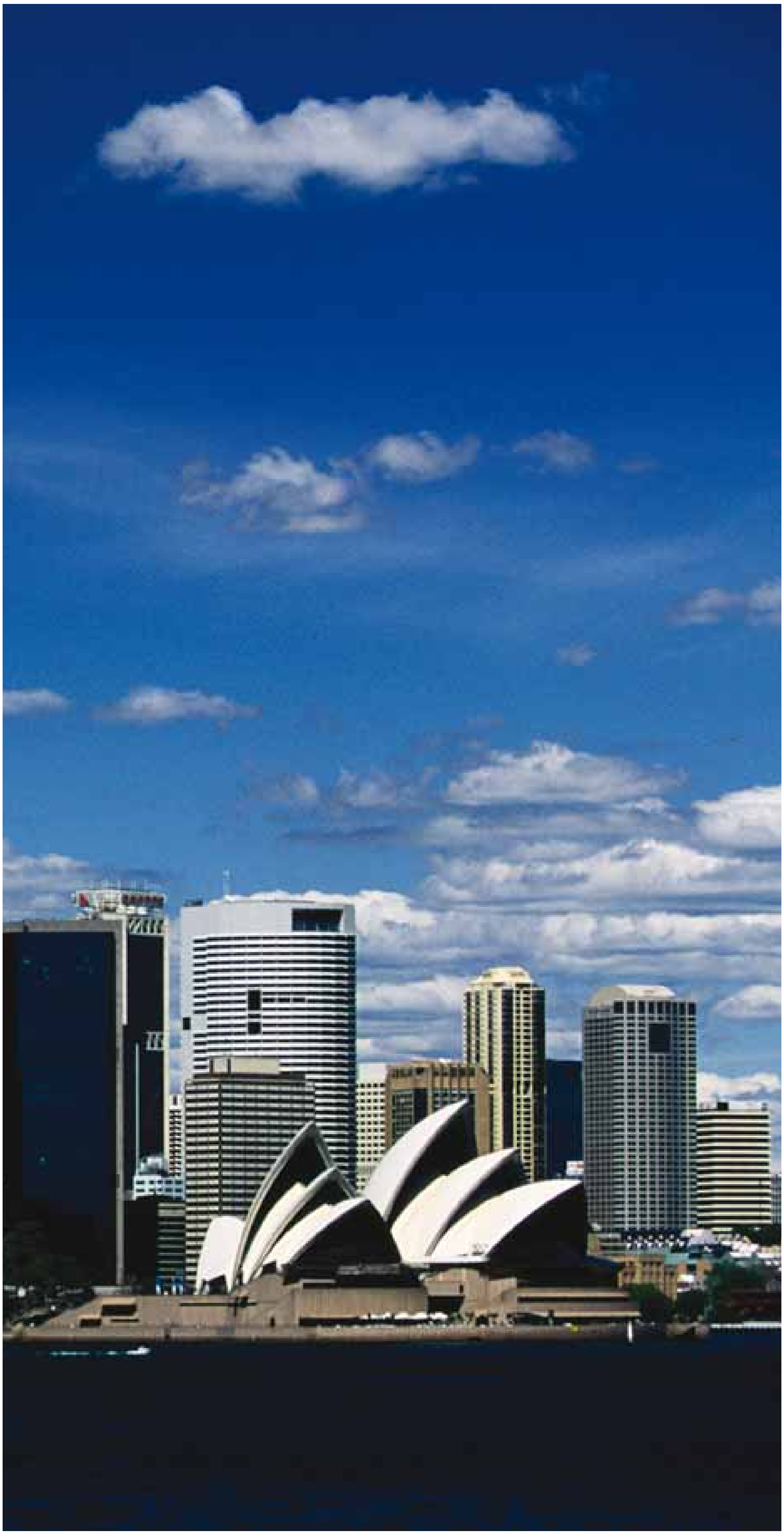
Oceania

Hotels in Oceania saw revPAR soar 17.9% in 2007 to US$109 driven primarily by average room rates, up US$21 on 2006 rates to US$143. This is almost triple the rate of growth experienced in 2006.

Australia

A bold, but controversial, marketing campaign, featuring typical Australian scenes with the blunt tag line: "So where in the bloody hell are you?" raised the profile of the country as a tourist destination. This eye-catching advertising helped the country attract 5.6m travellers who chose to go 'down under' in 2007, according to the Australian Bureau of Statistics.

Australia, much like its Asian neighbours, is seeing more visitors from China, as well as the traditional source markets – New Zealand, the US and UK. A testimony to the country's popularity is the fact that it claimed six places in the top 20 occupancy GRI – more than any other country – with Perth and Brisbane taking 1st and 4th place respectively.



All major cities in Australia achieved double-digit revPAR growth in 2007, with **Perth** leading the occupancy ranking. Its 85.1% occupancy was its best performance for some years, and with no major hotel developments underway, business should remain excellent for the city's hoteliers.

Western Australia's flourishing economy is driving business and consumer demand for improved aviation services. In response, a number of airlines have added more domestic and international routes to their schedules, including Qantas, Emirates and Tiger Airlines. For the first half of the 2007-08 financial year, Perth Airport saw a 13.3% increase in passenger numbers year-on-year. A total of 4.5m passengers passed through the airport, with international passenger growth up 16.7% while domestic growth was up 12.1%.

Following the success of the 2006 Commonwealth Games, **Melbourne** retained a place in the occupancy GRI during 2007, but a stable performance of just over 83% wasn't enough to save the city from falling seven places. Average room rates in Melbourne, rose 20.3% to US$172 – US$15 lower than in Sydney. In 2009, the Melbourne Convention Centre, which has already secured more than 17 international conventions, will open and 42,000 international visitors are expected.
The centre's Six Green Star environmental rating makes it one of the greenest convention centres in the world.
Adelaide, Brisbane, Cairns and **Sydney** all had occupancy of more than 80% and joined their fellow Australian cities in the occupancy table. Although the cities have shifted their positions in the past year, it is still a magnificent achievement for one country to fill so many places in the league. Sydney, with revPAR up 23.5% to US$154, also earned a place in the top 20 revPAR GRI, coming in at 18th place.

Asia Pacific summary

The highlight of this region for 2008 will be the Olympic Games in Beijing, which will bring thousands to the city as well as TV cameras and journalists, and hoteliers will be hoping for a winning performance on and off the track. While ambitious infrastructure development continues across some of the sub-regions, international hotel brands and airlines will be maximising the opportunities for growth.

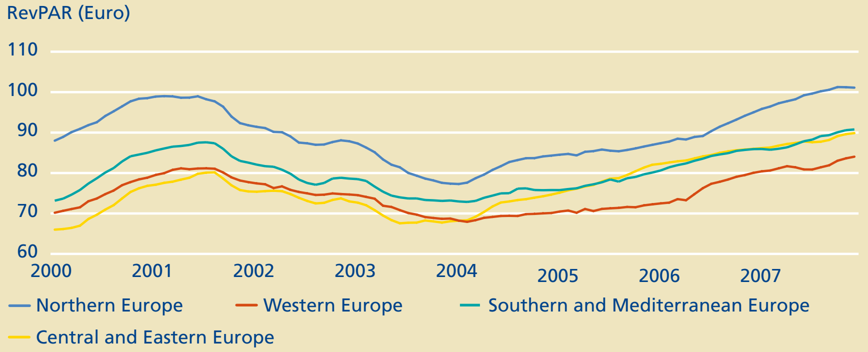
Europe

Europe remains the favourite destination for more than half of the world's travellers. Even though the sports and culture calendar for 2007 was not as busy as the previous year, the region remains on top of the world when it comes to revPAR performance – up 15.8% to US$114. However, when local currency rates are applied, the increase is a more conservative 6.3%. Generally, a strong economy is driving both corporate and leisure business, and several key cities, including Paris and London have also had high profile events such as the Tour de France Grand Départ in London, the biennial Paris Air Show and the Rugby World Cup.

Europe's share of the global tourism market topped 480m in 2007 – up 19m on the previous year – and seven of the world's top ten tourism destinations are in Europe. France takes pole position, with Spain, Italy, the UK, Germany, Austria and Russia completing the list.

One of the main drivers behind increased tourism in Europe is the growth of low-cost air travel. In September 2007, the low-cost players provided almost 22m seats on 133,000 flights and, with companies extending their networks rapidly, there's only one way these figures can go. It's no wonder therefore, that 12 European markets made it into the top 20 revPAR GRI.

Graph 1 – European revPAR by sub-region
Rolling-12 analysis (2000 – 2007)



Source: HotelBenchmark™ Survey by Deloitte.

Northern Europe

International tourism arrivals to Northern Europe were up 2% to 56m in 2007. The UK saw little growth – up 0.7% – due to a number of factors; including the weakness of the US dollar, severe flooding and the attempted terrorist attacks in London and Glasgow. Conversely, Iceland saw international tourist arrivals jump 11% during the year, largely due to cheaper flights. Due to the high average room rates in both the UK and Nordics, Northern Europe continues to outperform other European regions in terms of absolute revPAR, as highlighted in graph 1 above.

Iceland

Making Iceland more accessible is Iceland Express, a privately-owned budget airline offering flights at about 80% below the competition. From the summer of 2007, the Icelandic capital of **Reykjavik** has been connected by regular flights to 13 airports across Europe including London, Paris, Stockholm, Berlin and Alicante. This has helped Reykjavik's fortunes change in hotel performance with revPAR increasing 3.5% to €69, following declines in 2006.

Promotional activities and plenty of new rooms boosted tourism further. The city ended five places up the GRI revPAR ranking at 89th position.

UK

Even with static arrival figures, it has been another good year for the UK hotel market, with revPAR increasing 15.3%. This was driven mostly by average room rates. Many UK cities enjoyed robust economic conditions, despite some concerns in the last quarter, and exchange rates have had different results depending on the source market. The strength of the UK pound against the US dollar has meant a decline in US visitors, but a strong Euro has brought in more continental neighbours.

As a result, five UK cities are in the top 20 occupancy GRI. **London** still stands head and shoulders above the rest, with one of the highest occupancy rates in Europe, at 82.8%. This put the city in 10th place – two places down since 2006 – and in 4th place on the revPAR GRI. Both business and leisure travel to the UK capital has remained strong, leading to an 8.9% growth in revPAR.

There were several major tourist attractions to draw the crowds, including the start of the Tour de France, which took place in London for the first time in the 104-year history of the race. More than a million spectators enjoyed the Grand Départ, the start of the tour, in July, with some of the world's fittest athletes speeding past the capital's landmarks.

During the same weekend, the Live Earth Concert attracted a multi-national audience of 90,000 to Wembley Stadium, while 15,000 more crammed into the All England Lawn Tennis Club grounds to watch the finals of the Wimbledon tennis championships.

Hotels close to London's major airports, **Gatwick** and **Heathrow**, are always busy and took 8th and 12th place in the occupancy table. With Heathrow's fifth terminal opening soon – capable of handling 30m passengers a year – and a new runway on the cards, demand for rooms nearby will continue to be high.

In Northern Ireland, **Belfast** made a welcome debut in the occupancy GRI, coming in at 15th place. Although occupancy in the city rose just 1.7% to 81.8%, average room rates in the city were up 5.9% to €112. With political instability fading into the past, Belfast is becoming increasingly popular as a short break destination. It is particularly appealing to the MICE market and for hen and stag weekends – taking business away from Dublin.

Western Europe

The Rugby World Cup and the biennial Paris Air Show in June attracted thousands to this sub-region. According to the UNWTO, tourist arrivals to Western Europe were up 3.5% to 155m during 2007.

France

Popular **Paris** staged two high-profile events in 2007 – the 47th Annual International Paris Air Show in Le Bourget in June and the Rugby World Cup in October. The air show set a record for its three days, with almost 154,000 trade representatives and 160,000 public visitors, while the rugby brought thousands of spectators to the capital. Extra flights and trains were laid on to cope with the huge demand from England fans, when their team faced South Africa in the final. As a result, Paris retained 2nd place on the revPAR GRI, with a revPAR rise of 12.9% to €180 – €4 ahead of Moscow, which took 3rd place. Paris retains some of the highest average room rates in Europe, at €232.

Germany
Germany's tourism scored in 2006 with the football World Cup, but few expected the country to maintain such a good performance in 2007. However, occupancy grew 1.8% to 64%, while average room rates remained static at €85. This meant that, although German hoteliers were pleased with the year's figures overall, no German city made it into the top 20 revPAR GRI. Across Germany, Munich came out on top with an average room rate of €118, followed by Frankfurt at €110.

Switzerland
Geneva stayed in the top 20 revPAR GRI, climbing one place to 7th position, with a revPAR rise of 10.1%. Average room rates also remained high – at €208 – the fourth highest in Europe, behind Venice, Moscow and Paris.

Zurich also features in both the occupancy and revPAR GRI. With occupancy of 79.1%, the city took 20th place, and a revPAR rise of 8.3% to €112 put the city in 17th place on the revPAR GRI.

Switzerland and Austria, joint hosts for the European Football Championships in June, are hoping to welcome 5m fans, travelling in for the series of matches.

Southern and Mediterranean Europe
Southern and Mediterranean Europe was the region's star performer in terms of international tourist arrivals, up 7% during 2007. Israel and Turkey had struggled the previous year, because of political unrest and terrorist threats, but the picture was brighter in 2007. Arrivals to Israel were up 24.3% to 2.3m; while Turkey's numbers climbed 17.6% to 22.2m.

Italy
Venice, a perennial favourite with visitors, took the lead in the top 20 revPAR GRI for the fifth consecutive year with an absolute revPAR of €192. Rome was in 6th place, with a static revPAR, creeping up just 0.2% to €146. Thousands of tourists are still attracted to what Rome has to offer, but with the Rome Park Marriott, Ibis Rome Magliana, Hilton Garden Inn, Domina Rome Capannelle and others adding around 1,300 more rooms to the list of places to stay, occupancy levels have been hard to maintain. The strength of the Euro has also dissuaded some American tourists from visiting the city, typically a strong source market for Rome. Other Italian cities to feature in the top 20 revPAR GRI include Florence and Milan, securing 10th and 12th place respectively.

Spain
Spain saw a small slowdown in revPAR growth to 6.9% during 2007 due to a decline in German and Dutch visitors. However, a number of Spanish cities across Spain remained popular for short breaks. Barcelona has performed well over the last 12 months, thanks to a mixture of sport, business and culture fixtures, as well as its increasing popularity as a weekend break destination. Following an 8.7% increase in revPAR to €122, the city jumped back into the top 20 revPAR GRI in 13th place this year, after falling off the table last year. Among the added attractions during 2007 were 3G's global mobile telecommunications conference and trade show, the Spanish Grand Prix and an Olympic sailing week.

Greece
In May 2007, Athens claimed one of the biggest prizes in modern sport – the role of host for the UEFA Champions League Final, between Liverpool FC and AC Milan. Hosting the European final is a massive coup for any city, as few sports attract so much passion and so many supporters as football. However, this event was a particular gem, as few clubs have the status of these two, claiming 11 European Cups between them. Special charter flights were scheduled from Liverpool's John Lennon Airport and Malpensa in Milan to transport fans to Athens.

On the night of the final, hotels in Athens enjoyed a great revPAR result – up 116% to €337 – adding a welcome boost to year-end figures. Occupancy almost reached 70%, while average room rates were up 6.3% to €126, resulting in a revPAR of €85. This enabled the city to move up the revPAR ranking to 52nd place.

Turkey
Istanbul dropped into 21st place on the revPAR GRI during 2006. It couldn't match the sterling performance it enjoyed the year before, when it hosted the Formula 1 Grand Prix for the first time. However, during 2007, the city came back on the ladder, taking 20th place with a revPAR rise of 12.4%. The East-meets-West charms of Istanbul and its promotion as a centre for art and culture has assisted this growth. With average room rates that are more competitive than its European rivals, the city has also been attracting a good slice of the MICE market. Demand is also high from Middle East business travellers, particularly in the summer months.

Israel
The picture looked bleak for Israel's hotels during 2006, as the conflict with Lebanon kept tourists away. But visitor numbers picked up during 2007, increasing by 24.3%. Both Tel Aviv and Jerusalem reported increases in revPAR during the year, up 19.8% and 11.9% respectively. Much of this growth was driven by increases in occupancy, as tourism gradually recovered. Although neither city entered the top 20 revPAR GRI ranking, it enabled them to move the up the list into 26th (Tel Aviv) and 59th (Jerusalem) place.

Central and Eastern Europe
In Central and Eastern Europe, tourist arrivals were up just 1.7% to 92.8m. The two latest recruits to the EU – Bulgaria and Romania – welcomed more visitors during 2007. While both countries have clearly benefited from their accession into the EU, another positive factor for Romania was Sibiu's status as European Cultural Capital, helping to raise awareness of the country's cultural attractions.

Poland and the Ukraine will be joint hosts for the European Football Championships in 2012, and international tourist figures are expected to increase in the lead up to this event. As hotels around the world can testify, wherever big sport is played, the host country benefits.

Russia
Moscow shot up into 3rd place on the revPAR GRI this year, just behind Venice and Paris, having moved up from the 7th rung the year before. RevPAR was up 13.1%, to €176, driven by 11% increases in average room rates which now stand at €234 – ahead of old time favourites Paris, Geneva and London. Reportedly, there were 18 applications to build new hotels in Moscow during 2007, as hotel companies struggled to keep up with demand for rooms.

Poland
While thousands of Polish migrants are leaving the country for lives elsewhere, thousands of tourists are going the other way, and heading for Warsaw. International businesses are also attracted by the good economic conditions in Poland and the skills of the local workforce, with major companies such as LG Electronics and 3M increasing their local presence. As a result, hotels in Warsaw were able to fill more rooms during 2007 and push up their rates 6.7% to €102, resulting in a revPAR increase of €5 to €73. This enabled the city to move four places up the revPAR GRI ranking to 84th place.

Summary on Europe
Europe remains one of the most stable regions of the world, and while economists point to fiscal tightening and slower demand, confidence remains strong. With the continued expansion of the low-cost carriers, eager tourists wanting to explore the world and the European Football Championships in June, Europe's hoteliers – already the revPAR kings of the world – have reasons to be optimistic about the year ahead.

Middle East & Africa

The Middle East increased revPAR by 16.9% to US$108, exceeding growth in both Europe and Asia for the fourth consecutive year. 2007 also marked the fourth year of double-digit growth in the region. As in previous years, average room rates were the main driver, up 11.3% to US$150, while occupancy increased 5% to 71.6%.

Table 5 – Top five Middle East cities by revPAR growth 2007

	Occupancy (%)			Average Room Rate (US$)			RevPAR (US$)		
	2007	2006	% change	2007	2006	% change	2007	2006	% change
Muscat	76.8	74.1	3.6	202	154	31.1	155	114	35.9
Riyadh	72.7	70.0	3.9	183	141	29.8	133	99	34.9
Hurghada	83.9	75.1	11.6	49	42	16.8	41	31	30.4
Alexandria	77.3	70.9	9.0	70	59	18.5	54	42	29.2
Luxor	65.1	58.6	11.1	41	36	14.2	27	21	26.8

Source: HotelBenchmark™ Survey by Deloitte.

Hotels in the Middle East have the kind of business growth rates that hoteliers in other parts of the world can only dream about. While Dubai, the hothouse of the region, has taken the largest share of the limelight for the last couple of years, its neighbours are now getting in on the act. Qatar, a relatively small country, is investing US$15 billion in the industry during the next few years and has signalled its intention to bid for the 2016 Olympics. Meanwhile, traditional tourist destinations, such as Egypt, are polishing up their images and joining forces with others to ensure they are not left out in the cold.

However, the Middle East remains a politically volatile region, and some countries can only watch this dynamic growth with envy. Iraq and Lebanon, for example, face uncertain futures. But despite concerns over safety and security, the Middle East attracted 46m international tourists in 2007 – up 5m on the previous year – with Saudi Arabia and Egypt increasing visitor numbers rapidly. Dubai, Doha, Abu Dhabi and Muscat are all in the top 20 revPAR GRI, with Dubai and Abu Dhabi in the top ten for occupancy.

United Arab Emirates

Dubai continues its amazing success story, with its numerous sporting and leisure attractions, plus year-round sunshine, providing a magnet for millions. It has one of the strongest average room rates in the world – at US$258, a figure that is still rising – up US$34 on 2006 results. Its occupancy levels are also among the highest at 84.5%. This has enabled the city to secure top spots on both the revPAR GRI and occupancy GRI this year.

Passengers at Dubai International Airport were said to be up 19.3% to 34.3m in 2007, giving the airport an average annual growth rate of more than 15% for the sixth consecutive year. To cope with demand, and the 40m passengers expected to pass through the airport in 2008, a US$4.5 billion expansion programme is underway, which involves the construction of Terminal 3, Concourse 2 and 3 – exclusively for Emirates airlines – tripling total capacity to 75m on completion in 2009. Concourse 2 is expected to open in mid-2008, while Concourse 3 – dedicated for the A380 super-jumbo, is expected to open in 2009. This will make Dubai International Airport the first airport in the world to have a dedicated A380 terminal. Passenger numbers are expected to reach 60m by 2010.

The capital of the Emirates – **Abu Dhabi** – is said to be the richest city in the world. According to the Abu Dhabi Tourism Authority, international tourist arrivals are expected to reach 3m by 2015, driven up by a mixture of sporting, cultural and tourist attractions that are enhancing its appeal. In 2009, it is staging the Formula One Grand Prix, and hoping to replicate the success of its Gulf neighbour, Bahrain. It is also developing Saadiyat Island, which will be the base for 29 hotels, as well as local versions of the world-famous Louvre and Guggenheim art galleries.

Abu Dhabi moved up two places to the 15th rung in the top 20 revPAR GRI, with a revPAR increase of 26% to US$162. This was driven by average room rates, which leapt US$39 during the past 12 months. The city remains in the occupancy GRI, but two places lower, in 7th position, following a relatively stable performance of 83.5%.

Oman

The boom in Oman continued throughout 2007 as demand for hotel rooms continued to exceed supply. In **Muscat** revPAR jumped 35.9% to US$155 – making this luxury destination the strongest growing market in the Middle East and taking it into the top 20 revPAR GRI for the first time, in 16th place. Oman's excellent promotional campaigns, focusing on key markets such as Europe, will help the country continue on this upward trend. To make sure the airport is up to the challenge of all these extra arrivals, an extra terminal – capable of handling 12m passengers by 2010 – is being developed, increasing capacity to 36m by 2050.

Qatar

Qatar enjoyed the attention it received during the Asian Games at the end of 2006, and is now moving forward rapidly with tourism expansion, including the construction of 41 hotels. The new airport is expected to open in 2010, along with two exhibition and convention centres. **Doha** has experienced exceptional growth in hotel performance over the past few years, but this clearly couldn't last. In 2007, revPAR dropped 10.2% to US$164, due to a 6% drop in occupancy and a 4.4% fall in average room rates. Even so, Doha remains in the revPAR GRI, having moved nine places down the ladder to 14th place.

Egypt

Egypt, a nation rich in ancient and cultural attractions, has become popular as a beach resort in recent years. Now, it plans to widen its appeal and bring in 14m tourists by 2011, mainly extending its offerings to include city breaks, medical and wellness tourism, water sports and eco-tourism. According to the UNWTO, Egypt was one of the leading destinations of growth during 2007, with international visitor arrivals up 20% (year-to-October 2007).

Popular holiday destinations in the country, including Sharm El Sheikh, Luxor and Hurghada all saw revPAR up by more than 20%. While this growth did not push any of the Egyptian markets up the revPAR GRI ranking, **Hurghada** made a grand entrance and took 5th place on the occupancy GRI, with 83.9% – up 11.6%.

South Africa

Interest in South Africa continues to grow as the country prepares to host World Cup football in 2010. Around 3m tickets will go on sale this year for the 64 matches, which the government hopes will attract 10m international visitors. The country is investing ZAR15 billion to build new stadiums and improve existing ones, and is working to upgrade the surrounding infrastructure.

In 2007, hotels in South Africa increased revPAR by 12.5%, pushing it up to US$70. Growth was driven by average room rates, which now stand at US$97. Although no key cities made it onto either of the ranking tables, **Cape Town, Durban** and **Pretoria** all achieved revPAR growth in excess of 10%, with **Johannesburg** managing 6.9%.

Lebanon

Lebanon, once a jewel in the Middle East's crown, has suffered more political upheaval and bitter conflicts than many of its neighbours. The picture was rather bleak for hoteliers in **Beirut** during 2007, where revPAR fell 23.3% to US$43, with steep declines in occupancy. As predicted, this pushed the city further down the revPAR GRI ranking into 151st place. The continuing instability has put several hotel developments in Beirut on hold. One can only hope that the year ahead proves a better one for tourism and the country as a whole.

Summary on Middle East and Africa

Tourism in the Middle East has been the outstanding success story of the last decade, with holiday destinations untouched by the political conflicts continuing to trouble several countries in the region. According to the Airports Council International air travel to the Middle East rose by around 19% in the last year and this pattern is expected to continue. Industry analysts, surveying the amount of hotel, resort and airport development underway, suggest that annual travel and tourism revenues could increase almost 90% over the next 10 years.
With many ground-breaking projects such as the Palm Jumeirah nearing completion, 2008 should be another great year for this transformed region.

Central & South America

Tourist arrivals to Central and South America were up 11.1% and 8.1% respectively during 2007. An important factor was the weak US dollar, which kept US travellers – keen to get good value for money – closer to home.

Another driver was the decision by 12 countries across South America to allow their citizens to travel between them without a passport. Those signed up to the pact are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela, and tourism figures suggest this strategy is working.

The region also received a massive global accolade last year, when more than 100m voters worldwide placed three of the region's most famous attractions – Mexico's Chichen Itza pyramid, Brazil's statue of Christ the Redeemer and Peru's Machu Picchu – on the list of the New Seven Wonders of the World. The others – the Taj Mahal palace in India, the Great Wall of China, Petra in Jordan and the Coliseum in Rome – are geographically spread, but the concentration of 'wonders' in Central and South America will enhance the region as a preferred destination.

Hoteliers here have already achieved the world's best growth in revPAR in 2007, which was up 19.4% to US$74, with average room rates increasing by 17.2%. Panama City is the supreme champion, making its debut on the occupancy GRI – the first Latin American city to feature in the rankings.

Argentina

International tourist arrivals to Argentina were up 11% for the first three quarters of 2007, according to the UNWTO. This performance was the result of favourable exchange rates and continuing regional prosperity and stability. Driven by a hike in average room rates, Argentina's capital city **Buenos Aires** saw revPAR rise 14.4% with occupancy up 1.7% to 70.8%.

Argentina will now be raising its profile among target source markets, having signed an agreement with Brazil to promote their two countries in Asia and the Middle East. A series of road shows, seminars, press trips and familiarisation tours for travel agents to understand what these two destinations have to offer is underway. These promotional campaigns will focus on the United Arab Emirates, China and India.

Brazil

Brazil's tourism business has been hampered over the last decade, mostly due to fluctuating exchange rates and the poor economic performance of its neighbours, including Argentina. But it seems its fortunes are now changing, with the best piece of news coming from the Fédération Internationale de Football Association (FIFA). After 64-years, the World Cup will return to Brazil in 2014. This victory – announced in October 2007 – gives Brazil the same opportunity to shine on the world stage as other emerging economies, chosen to host global sporting events. For example China stages the Olympics this summer, India has the Commonwealth Games in 2010 and Russia will host the Winter Olympics in 2014.

Although no Brazilian city made it into the top 20 revPAR GRI this year; hotel performance across the country is good. **Sao Paulo** saw revPAR go up 27.8% to US$82, mostly due to average room rates as the city continues to attract more MICE industry business. The city's growth, however, is inflated in US dollar terms, as the Brazilian Real rose 21% against the US dollar during 2007.

Rio de Janeiro – the carnival capital of the world – hosted the Pan American Games last summer, welcoming more than 5,500 athletes from 42 countries with 15,000 volunteers supporting the event. Although occupancy declined 4.4% to end the year at 57.1%, average room rates rose 18.4% to US$192, giving Rio the highest average room rates in the region.

Mexico

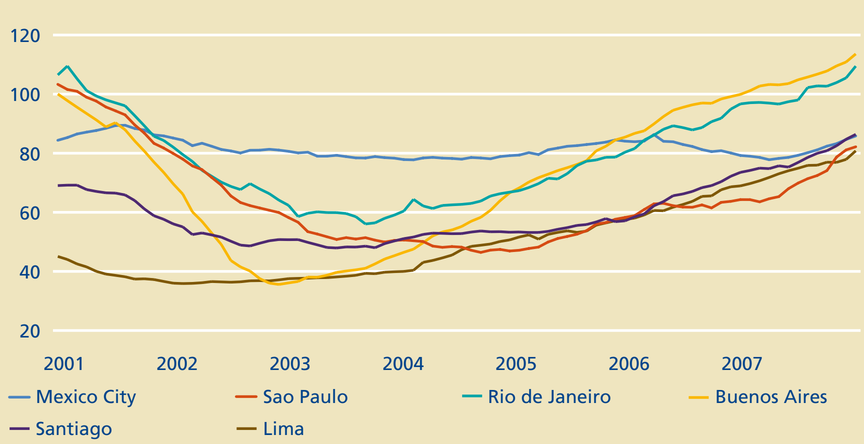
The Gulf Coast of Mexico had a difficult 2006 as it mopped up after the devastation of Hurricane Wilma, and tourist arrivals fell 2.8%. Unfortunately, 2007 saw only a slight improvement in numbers – up 0.5%.

However, in September 2007, the Minister for Tourism pledged that US$270m from the country's 2008 budget would be invested in the sector, with a large slice dedicated to the Mexican National Trust Fund for Tourism Development. This organisation is responsible for planning and developing sustainable tourism projects that will have a national impact.

In January 2008, the additional terminal at Benito Juárez International Airport opened, increasing capacity from 20m to 32m passengers a year. The new terminal, which was upgraded at the cost of US$600m, will accommodate the rising number of people flying into Mexico City. It will also be the first airport in Latin America with facilities to handle the Airbus A380.

Mexico City performed well in 2007. Although occupancy levels dipped slightly to 63%, average room rates rose 6.4% to US$178 – the second highest rates in Latin America, US$14 below those achieved in Rio de Janeiro. This growth could not stop the city falling 15 places down the revPAR GRI, ending up in 57th position.

Graph 2 – Central and South American cities revPAR
Rolling-12 analysis (2001 – 2007)



Source: HotelBenchmark™ Survey by Deloitte.

Panama

Panama is Latin America's fastest growing economy, with GDP growth of more than 10% last year. Linking Central and South America, Panama is considered a relatively safe destination, unlike some of its neighbours. As a consequence, visitor numbers have expanded over the past decade, with UNWTO reporting a 27% increase during 2007 – overtaking the expected 15% by some distance. Its political stability is attractive to both US tourists and investors and strengthening its appeal to long haul travellers from Europe, keen to explore new destinations in the region.

Currently, only Iberia has direct flights from Europe, but KLM Royal Dutch Airlines will fly from Schiphol, Amsterdam to Tocument, Panama City, from March.

Panama City – the only city in the world that has a tropical rainforest within its boundaries as well as beaches and an impressive harbour, stole the show in Central and South America, recording a 37.9% increase in revPAR to US$121. This was a fantastic result, and the 11.6% rise in occupancy – to 84.7% – catapulted Panama City into second place on the occupancy GRI.

Summary on Central and South America

While a faltering US economy could unsettle tourism in the region, the strong Euro will make it more attractive to visitors from Europe. Tourists, keen to see one of the New Seven Wonders of the World for themselves, are also more likely to put Mexico, Brazil and Peru on their holiday wish-list.

Conclusion

The figures speak for themselves. For the fourth year in succession, the number of people traversing the world for business or pleasure has surpassed expectations. The UNWTO had predicted an annual growth of around 4%, but research confirms international travel went up by 6% last year and, according to Airports Council International, worldwide air travel was up by 7%.

Looking ahead to 2008, the UNWTO expects growth in international tourist arrivals to slow by 3-4%. However, this is set against a backdrop of more accessible, more affordable travel and tourists from emerging economies – such as India and China – keen to see the world for themselves.

Meanwhile, the makers of the new super-jumbo Airbus A380 suggest that the number of airline passengers will treble in the next 20 years, with huge rises in demand across Asia Pacific. Media reports are also highlighting aviation as a dynamic industry, likely to make larger contributions to global economic development.

There will be a significant change in air travel in March when Singapore Airlines, the first airline to add the A380 to its fleet, brings the world's largest aircraft from Singapore to London – its first commercial service to Europe. The aircraft holds 471 passengers, and as Singapore Airlines and other major players take delivery of more of these aircraft, tourist numbers are bound to rise significantly.

We will also see more competition as transatlantic air travel is liberalised through the 'open skies' agreement. With European airlines now being able to fly to the US from any European airport, not just their home country, we expect to see a scrabble for flights to and from Europe's major hubs. Airlines are collaborating with former rivals to create the most competitive schedules, and all of this is good news for the consumer.

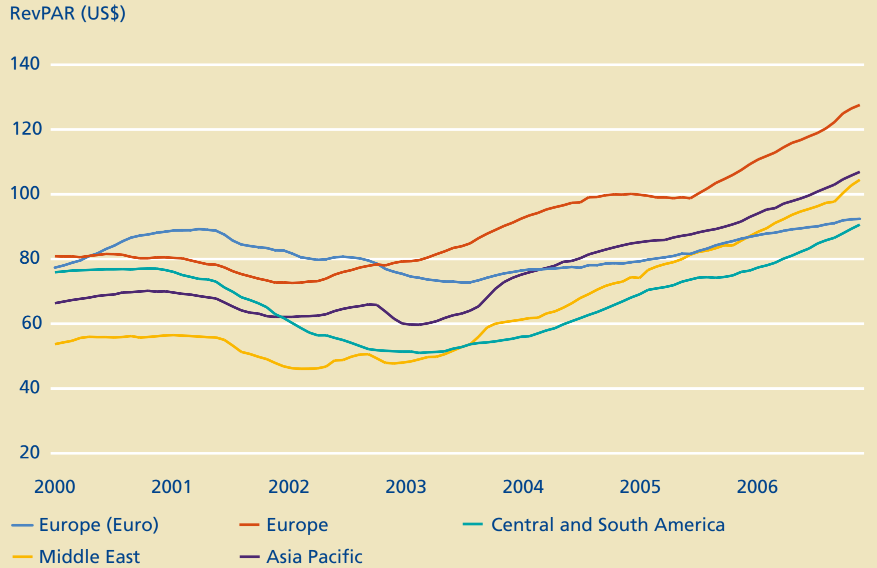
It's also welcome news to hoteliers, who hope to build on the momentum of 2007. As we said in the introduction to this review, all four regions have seen solid growth – exceptional in some countries – and consensus across the hospitality industry suggests demand for hotel rooms will keep on rising.

During 2008, there are also plenty of sporting highlights to encourage people to vacate their sofas for a stadium seat. China will open its doors to the world's media and thousands of tourists for the Olympic Games in Beijing, while Austria and Switzerland will welcome football fans for the European Championships. Singapore will then be in the spotlight when it hosts the first Formula 1 SingTel Singapore Grand Prix in September.

The outlook, therefore, is good, with a couple of caveats. Enthusiasm for travel could be tested, as consumer confidence falters in line with a weakening economy in the US and some Western European countries. As leisure and travel are often among the first items to be crossed off the list when there's financial turbulence, there is good reason to be concerned. Not every region shares the same issues, of course, and over the past few years, we have seen a remarkable resilience among tourists to terrorist threats, stock market jitters and health scares. Hoteliers are therefore hoping that the current financial turbulence won't deter people from travelling.

Graph 3 – Global RevPAR movements

Rolling-12 analysis (2000 – 2007)



Source: HotelBenchmark™ Survey by Deloitte.

Editor's Note

Sample
Information to compile this report has been extracted from the HotelBenchmark™ Survey database. The database currently tracks the performance of over 7,800 hotels across the globe, excluding North America. Hotels contributing include both independent and group operated units and vary in size. The majority of the hotels participating in the survey are classified as 3 star and above. To ensure direct comparability of results, only hotels that have been able to provide data back to 2000 have been included in this analysis. Consequently the annualised results may vary significantly from those published in the HotelBenchmark™ Monthly Bulletins.

Foreign exchange rate
Exchange rate information is provided by the Financial Times Research Department and may vary from other published data on this topic. Due to the multiplicity of currencies in our database, all source data is converted and held in US dollars. This may mean there is a slight variance between a hotel's annualised average room rate in local currency and that generated by the database, when it is converted back to local currency. This variance is due entirely to the exchange rate calculations and has been proven to be insignificant in magnitude.

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