



Hotel Profitability Study

2017



Foreword

For over 30 years, STR has served the hospitality industry by providing benchmarking solutions and market transparency through our data and insights. We are constantly striving to deliver a fuller picture, for each hotel we work with and for the industry as a whole. One of our fastest-growing areas of expertise is in analyzing hotel profitability and how it is influenced by market conditions.

In this report, we take a look at 2017 profitability performance for key markets in Europe, the Middle East & Africa, Asia Pacific, and Central & South America from a sample of over 3,100 hotels. While we hope this report gives you actionable insights about gateway markets in each of these regions, we ultimately hope it gives you a better understanding of how analyzing profitability data in tangent with performance data can explain the bottom line and help you make better business decisions.

According to the Travel & Tourism Economic Impact 2018 report, published by the World Travel & Tourism Council, travel and tourism accounts for 10.4% of the global GDP, which is projected to rise by 4% in 2018. The industry also contributes to 9.9% of worldwide employment, which is expected to rise by 2.5% for this year.

The hospitality industry is seeing strong revenue growth, mainly driven by room business.

Some highlights include:

Asia Pacific saw the most significant GOPPAR growth for the year (+11.0%), boosted by emerging markets throughout the region, notably in China and India.

Terror attacks across Europe and North Africa impacted 2017 performance across a number of markets in France, Belgium, Turkey and Egypt. We have started to see recovery in numerous markets, particularly in North Africa. A number of markets that are generally perceived as 'safe' destinations have benefited from a shift in travel from areas that have struggled with security concerns in recent years.

The Middle East saw the most significant GOPPAR declines for the year (-5.6%), with the fall in oil and gas prices impacting a number of markets.

And finally, several markets in Central & South America have experienced strong demand growth, helping bring up their overall performance levels.

While each region has its own set of hurdles, the hospitality industry as a whole should remain stable and continue to shine in the years to come.

Regards,
Robin Rossmann

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STR's International Profitability Program

Overview

STR collects profitability data for more than 3,100 properties worldwide (in addition to our offerings specific to North America).

Built to help you make better business decisions, we offer a comprehensive set of annual reports with detailed breakdowns of departmental revenue and expenses, in-depth performance analyses, year-over-year comparisons and enhanced benchmarking offerings.

STR's profitability database gives you the industry's most comprehensive, accurate and actionable data insights on hotel revenue and expenses.

Profitability Products

Custom Profitability Reports: Compare two or five years of aggregated revenue and expense data with properties in a competitive set selected by you.

Comparative Profitability Reports: Directly benchmark two years of your property's profitability results with an aggregated competitive set in one sight.

Pricing

Custom Profitability Report: £900 (discounted for data providers)

Comparative Profitability Report: £550 (for data providers only)

North America Offerings

More information on our HOST profitability report offerings for the US hotel industry can be found [here](#).

Europe

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Note: Percentage changes in Local Currencies.
All individual market analyses in this report are in local currencies.

Europe TRevPAR
0.0%

Europe GOPPAR
0.0%

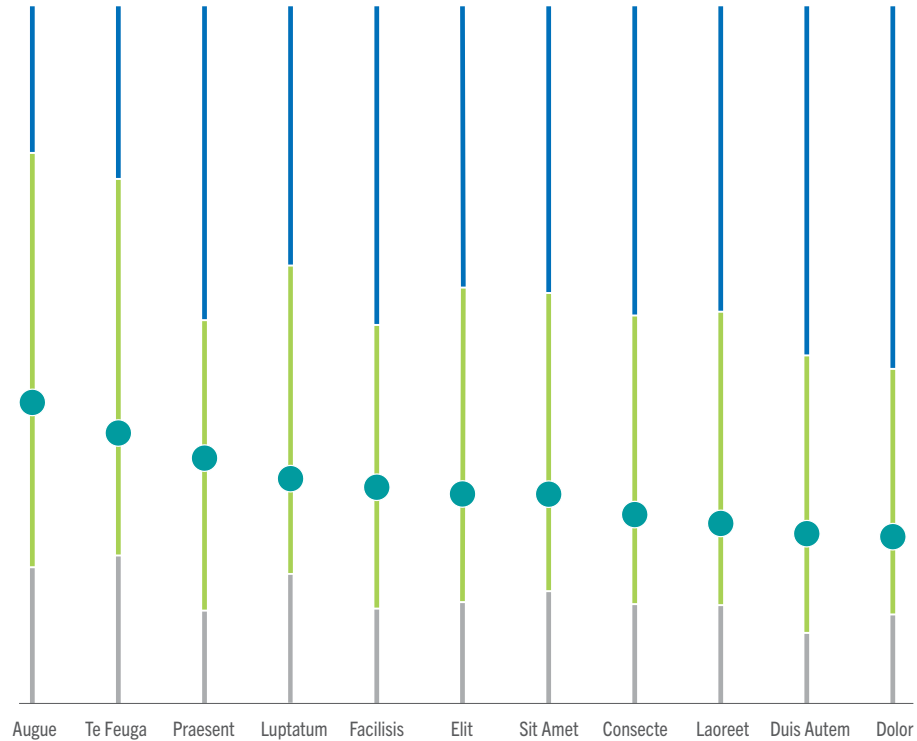
2016	% Change	2017	GOPPAR Ranking
1		1	Dolor
2		2	Sit Amet
3		3	Consecte
4		4	Elit
5		5	Laoreet
6		6	Duis Autem
7		7	Facilisis
8		8	Praesent
9		9	Luptatum
10		10	Te Feugait
11		11	Augue

*Markets in this section.

Labor cost breakdown, ratio to sales

EUR, Full-Year 2017

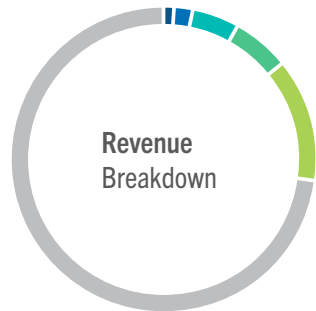
● Rooms ● F&B ● Other ● Total Labor Cost RTS



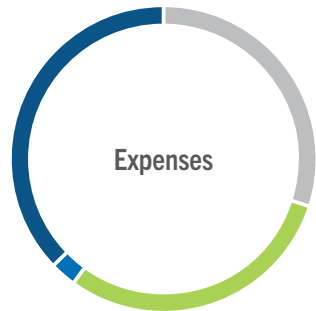
Percentage changes in Local Currencies.

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- 0% Misc. Income
- 0% Other Opt. Dept.
- 0% Other F&B
- 0% Beverage
- 0% Food
- 0% Rooms



- 0% Rooms
- 0% F&B
- 0% Other Opt. Dept.
- 0% Undis. Expenses



London

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Glossary

Revenues

Rooms: Revenues derived from the rental of sleeping rooms at the hotel, net of any rebates and discounts.

Rooms -Transient Revenue: Revenues derived from rental of rooms and suites by individuals or groups occupying less than 10 rooms per night.

Rooms -Group Revenue: Revenues derived from renting blocks of 10 or more rooms or suites per night to a group.

Rooms -Service Charges: Automatic charges added to the rental of rooms in respect of a service or use of an amenity.

Rooms -Other: Miscellaneous revenue associated with an occupied room; no shows and late checkout fees.

Food: Revenues derived from the sale of food, including coffee, milk, tea and soft drinks. Includes food revenues from venues, banquet/catering, in-room dining, mini bar and other food.

Venue Food Revenue: Sales of food in specific dining areas in the property.

Banquet/Catering Food Revenue: Sales of food in a property's banquet rooms and for group functions outside the property.

In-Room Dining Food Revenue: Sales of food that require delivery to customers in the guest room.

Mini Bar Food Revenue: Sales of packaged food placed in a guest room; candy, snacks, soft drinks.

Other Food Revenue: Sales of consumable food items not designated as venues, in-room dining, banquet/catering, or mini bar revenues.

Beverage: Revenues derived from the sale of beverages, including beer, wine and liquors. Includes beverage revenues from venues, banquet/catering, in-room dining, mini bar and other beverage.

Venue Beverage Revenue: Beverage sales in specific dining areas in the property.

Banquet/Catering Beverage Revenue: Beverage sales in the property's banquet rooms and for group functions outside the hotel.

In-Room Dining Beverage Revenue: Beverage sales that require delivery to customers in their guest room.

Mini Bar Beverage Revenue: Sales of packaged beverages (bottles and cans) placed in a guest room.

Other Beverage Revenue: Sales of consumable beverage items not designated as venues, in-room dining, banquet/catering or mini bar revenues.

Audio/Visual: Revenues and commissions derived from supplying audio/visual equipment and services

to customers, whether the equipment is owned by the property or rented from a third party.

Room Rental: Revenue derived from the rental of public meeting rooms to customers.

Service Charges: Automatic charges added to any food sale to help cover the cost of staff service to the customer.

Telecommunications: Revenues derived from guest-use of telephones in the hotel, including local and long distance calls, service charges, high speed or wireless internet and commissions received from pay phones.

Other Operated Departments: Revenues generated from garage and parking, guest laundry, golf and tennis, health club, spa, swimming pool, barber/beauty shop, gift shop, newsstand, etc., when operated by the hotel. Excludes casinos.

Golf Cart Rentals: Revenue generated from the rental of golf carts on the golf course.

Golf-Green Fees: Revenue derived from charges to customers for playing golf on the golf course.

Golf-Membership: Revenue derived from charging customers for a "membership" at the golf course, which

allows the "member" to exercise privileges not given to the general public.

Golf-Retail: Revenue derived from all sales of merchandise and clothing in the golf shop or anywhere on the golf course.

Golf-Other: Revenue from providing any other services not previously specified.

Salon Revenue: Revenue generated from salon services such as hair appointments and manicures and pedicures.

Spa-Other: Revenue from providing any other services not previously specified.

Spa-Retail: Revenue derived from sales of merchandise and clothing in the health club/spa.

Spa - Treatments: Revenue derived from health treatments such as facials, body wraps and mud packs.

Miscellaneous Income: Income from rentals of space for business purposes, including concessions in any of the departments mentioned under other operated departments. Also includes income generated from sources not included elsewhere such as cancellation and resort fees, but excludes investment income.

Departmental Expenses

Rooms: Rooms departmental expenses include labor costs such as salaries and wages for front desk, housekeeping, reservations, bell staff and laundry, plus employee benefits. Other operating expenses in the rooms department include linen, cleaning supplies, guest supplies, uniforms, central or franchise reservation fees and travel agent commissions.

Food and Beverage (F&B): Food and Beverage departmental expenses include the cost of goods sold (food and beverages), labor and related benefits and other operating expenses. Labor costs include departmental management, cooks and kitchen personnel, service staff, banquet staff and bartenders. Other operating expenses include china, silverware, linens, restaurant and kitchen supplies, menus and printing and special promotions.

Salaries & Wages: Earnings paid to an employee, such as regular pay, overtime pay and shift differential pay.

Benefits: Includes all other payroll-related expenses, such as employer-paid health insurance expenses, cost of meals furnished to employees, pension contributions and union fees.

Labor Expenses: Includes salaries and wages of departmental personnel and management including overtime, severance, incentive, holiday, sick, vacation and bonus pay.

Payroll Taxes: Includes FICA, FUTA and SUTA, SDI and other mandated payroll-related taxes or social insurance items.

Other Operated Departments: Other departmental expenses would comprise those expenses (labor and other) which offset the revenue generated by other operated departments such as garage, guest laundry, athletic facilities and gift shop.

Undistributed Operating Expenses

Administrative & General: Included in this category are the payroll and related expenses for the general manager, human resources and training, security, clerical staff, controller and accounting staff. Other A&G expenses include office supplies, computer services, accounting and legal fees, cash overages and shortages, bad debt expenses, travel insurance, credit card commissions, transportation (non-guest) and travel and entertainment.

Mini Bar Food Revenue: Sales of packaged food placed in a guest room; candy, snacks, soft drinks.

Marketing: Marketing expenses include payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff and civic and community projects.

Utility Costs: Utility expenses typically include electricity, fuel (oil, gas and coal), purchased steam and water.

Includes central plant and energy management systems.

Property Operations and Maintenance: This category includes payroll and related expenses for maintenance personnel, cost of maintenance supplies, cost of repairs and maintenance of the building, furniture and equipment, the grounds and the removal of waste matter.

Management Fees: Fees charged by management organizations for management services or supervision. Includes both base and incentive fees.

Franchise Fee: Includes the royalty fees and advertising assessments charged by franchise companies.

Fixed Charges

Property Taxes: Typically include taxes on real estate, business and occupation, personal property, utilities and other municipal taxes.

Land and Building Rent: Includes charges for lease of land and/or building.

Equipment Rental: Includes capital leases for rental of data processing equipment, telephone equipment and other major items.

Other Terms

Market Class: Class is an industry categorization which includes chain-affiliated and independent hotels. The class for a chain-affiliated hotel is the same as its chain scale. An independent hotel is assigned a class based on its ADR, relative to that of the chain-affiliated hotels in its geographic proximity.

Per-Available-Room (PAR): Calculated by dividing by the number of keys in the hotel.

Per-Occupied-Room night (POR): Calculated by dividing by the room nights occupied during the financial year.

Ratio-to-Sales (RTS): Calculated by dividing by total revenue, with the exception of departmental expenses, which are based on the departmental revenue of the respective department.

Based on the Uniform System of Accounts for the Lodging Industry (Eleventh Edition)

