THE HOSPITALITY INDUSTRY: PERFORMANCE AND TRENDS TO WATCH IN 2016

According to the UNWTO Tourism Barometer, Europe led global tourism arrivals with a total of 609 million in 2015, a 5% increase compared to 2014. The outlook for Europe continues to be optimistic with a projected growth of between 3.5% and 4.5% in 2016.

European hotel market outlook
STR Global reports that on average European hotels recorded increases in key performance indicators, occupancy (OCC: +2.3%), average daily room rate (ADR: +8.1%) and revenue per available room (RevPAR: +10.5%) in 2015. Central and eastern Europe recovered from their flat performance in the previous year while markets such as southern Mediterranean Europe and western Europe recorded moderate growth. Overall the outlook for Europe remains promising although recent economic slowdowns in Chinese and emerging market economies, together with geopolitical tension in the Middle East, has added a downside risk.

Review of four European key markets and their outlook for 2016
Geopolitical and economic events such as the refugee crisis and the Paris terrorist attacks have had a significant impact on some of the major hotel markets in Europe in 2015. London, Paris, Moscow and Istanbul reflect the contrasting results of recent events.

Although supply in London grew by around 2.5% in 2015, demand growth kept pace and occupancy remains high. London’s position as a global financial capital and tourism powerhouse suggests a positive outlook for 2016. Downside risks include a potential Brexit, and a Paris style terrorist attack.

Paris' hotel market felt a strong impact of several terrorist attacks in 2015. After the first two, occupancy figures recovered quickly but the latest incident in November 2015 increases the risk that it will take some time for the industry to recover, in particular given relatively slow French GDP growth.

Moscow and Istanbul reflect the contrasting results of recent events.

Consolidation and growth in 2015 and beyond
In 2015 we have witnessed some game-changing developments in the hotel industry. The biggest deal in hospitality history was announced in November 2015 when Marriott confirmed that it will pay £11.4bn ($12.2bn) to acquire Starwood Hotels and Resorts – pending the approval of all authorities involved. The two companies combined will operate or franchise over 1.1 million rooms worldwide, making “Marwood” the largest hotel chain worldwide. In addition, Marriott will gain access to a platform of 21 million Starwood preferred guest loyalty members. In December 2015, just one month after Marriott’s announcement, Accor agreed to pay €2.6bn ($2.8bn) for FRHI holding and its brands. Earlier in the year IHG completed the acquisition of Kimpton Hotels, for €383m ($430m) and Wyndham purchased Dolce Hotels for €50m ($57m).

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These deals are a result of hotel companies feeling pressure to grow, increase their customer base and expand their international footprint. This has led to a consolidation in the hotel industry.
fuelled organic growth in other hotel groups. Hilton for example, in addition to the new Canopy by Hilton and Curio Collection recently announced the launch of its Tru brand which is expected to attract a new customer segment and increase the group’s international presence. Other latest international hotel brands include Hyatt Centric (2015), Langham Cordis (2015), Even Hotels (IHG 2014) and Moxy (Marriott 2013). At the same time Choice Hotels is working on launching a vacation rental platform allowing consumers to collect Choice Privilege points for booking units from third-party vacation rental management companies, while Hyatt Hotels and Wyndham Hotels have invested in One Fine Stay and LoveHomeSwap in an attempt to participate in the disruptive sharing economy boom.

Although Marriott’s acquisition of Starwood has been the biggest in the hospitality industry so far it is likely that there will be additional interesting transactions taking place in 2016. And who will stop the growth of Airbnb who now offer more than 50,000 listings in Paris alone, some of them offering luxurious apartments for more than €1,000 per night?

As hotel groups face the continued challenge of online travel agencies, disruptive technologies, and restless investors, we expect some interesting new developments in 2016.