

# HOTEL SURVEY 2015

**HRG**<sup>TM</sup>





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# MIND THE GAP

## Hotel negotiations in the year ahead

Greater control over corporate hotel programmes in an increasingly complex and fragmented market will be crucial for clients looking to secure the best possible room rates this year, according to findings from the latest Hotel Survey from HRG, the award winning global travel management company.

Average Room Rate (ARR) increases continue to be driven by ‘megacity’ growth as regional and national trends diminish, replaced by the economic and industrial strengths and weaknesses of individual cities.

Room rates in 37 of the top 50 cities increased when measured in local currency, however much of this growth has been driven by significant movements in exchange rates, with only 13 cities seeing an increase in GBP.

### The HRG View

**Margaret Bowler, Director Global Hotel Relations**

*“HRG’s Hotel Survey reveals just how important it is for clients to have a firm grip on their hotel programme. As we said last year, the balance between price, location, quality and availability is crucial and this will continue to drive the market in 2015. By working with us to continuously review their corporate hotel programmes, clients can improve control and compliance while making sure the programme remains flexible and adaptable to complex and fragmented market conditions.*

*“The market is incredibly varied with regional and even national trends continuing to be replaced by micro trends effecting individual city performance. At the same time, Hotel Groups are continuing to focus on increasing their average rates across the board. Clients need to ‘mind the gap’ in their negotiations, ensuring they are getting the right hotel, in the right location, at the right price.”*

### Key findings from the annual survey include:

- Moscow remains the most expensive city for the 11th consecutive year, despite nearly a 4% year on year fall in ARR to £249.11. However, this fall was masked by considerable local exchange rate movement due to the effects of economic sanctions and the ongoing crisis in the Ukraine, translating to a 21.88% rise in the Rouble.
- The Middle East & West Africa and Asia have both seen ARR growth, while Europe, The Americas and Africa have once again seen ARR move backwards. However, once again cities within each region continue to see large disparity in terms of ARR movement, reinforcing the trend of increasing ‘megacity’ performance.

- The top ten Financial centres experienced mixed results in 2014, reflecting the wider global economic situation, with six cities witnessing ARR growth and four moving back slightly.
- The story of rising rates across the majority of the UK continued in 2014 with eight of the top ten cities experiencing ARR growth.
- London, however, experienced a small drop of 0.72% in ARR throughout the year, despite witnessing growth of 5% in the first half of the year. Further analysis highlights substantial movement from upscale properties (-5.17% ARR var) to their midscale counterparts (+2.55% ARR var).
- Aberdeen, which has for a long time been a powerhouse driven by the Oil & Gas sector, experienced ARR growth of 9.61% in 2014, although this is down from the 11% growth rates seen in the first half of the year. With the impact of falling oil prices and increased bed stock in the region, it is likely that the market will continue to soften.
- The North American market continues to perform strongly with ARR in local currency increasing in many locations. In particular, Miami continues to benefit from being a global gateway city with links to every major market resulting in corporate and leisure demand pushing rates up 9.15% locally.
- Canada was impacted by new bed stock with reductions in local ARR in Vancouver (-3.41%), Montreal (-0.97%) and Toronto (-0.61%) despite a large exchange rate variance.
- The burgeoning IT sector in Hyderabad continues to drive up demand with the city experiencing a modest rise in ARR in GBP. This coupled with a large exchange rate movement saw a large increase locally of 11.17%.

### The HRG View

**Margaret Bowler, Director Global Hotel Relations**

*“So what do these findings mean for our clients? Firstly, in a market driven by micro trends, what works in one city is not necessarily going to work in another. It is increasingly important for clients to not only maintain control over the overall hotel programme, but to adopt flexible policies based on what is happening in individual markets.*

*“Our advice is that they need to concentrate and focus their efforts on directing business to preferred properties, not simply with preferred groups. In some circumstances this will mean limiting the number of properties in some cities. By driving compliance, capturing data and benchmarking against city averages, clients will be in a better position to fine tune their policies and get the best results from their hotel programme.”*

# Survey Results

## Top 5 Rate Increases in Local ARR

City	Local ARR 2014	Local ARR 2013	Local ARR VAR
CAPE TOWN	ZAR 2,289.55	ZAR 1,863.63	22.85%
MOSCOW	RUR 15,738.45	RUR 12,912.55	21.88%
SAO PAULO	BRL 580.12	BRL 498.26	16.43%
JOHANNESBURG	ZAR 2,090.98	ZAR 1,871.00	11.76%
HYDERABAD	INR 8,471.67	INR 7,620.19	11.17%

Large movements in the exchange rate has again had an effect locally in South Africa with both Johannesburg and Cape Town experiencing rises in local ARR. Cape Town in particular is seeing demand start to drive domestic growth while ARR increases in Johannesburg have been moderated by an over supply of hotel rooms.

Moscow remains the most expensive city for the 11th consecutive year, despite nearly a 4% year on year fall in ARR to £249.11. However, this fall was masked by considerable local exchange rate movement due to the effects of economic sanctions and the ongoing crisis in the Ukraine, translating to a 21.88% rise in the Rouble.

Sao Paulo has seen the extra capacity offered by recent new opening filled by growing corporate demand, this saw a modest ARR rise in GBP which has again been heightened locally due to movements in the exchange rate.

The burgeoning IT sector in Hyderabad continues to drive up demand with the city experiencing a modest rise in ARR in GBP. This coupled with a large exchange rate movement saw a large increase locally of 11.17%.

## Top 5 Rate Decreases in Local ARR

City	Local ARR 2014	Local ARR 2013	Local ARR VAR
FRANKFURT	EUR 178.72	EUR 199.41	-10.38%
ROME	EUR 191.26	EUR 212.93	-10.18%
ZURICH	CHF 296.82	CHF 312.19	-4.92%
MILAN	EUR 184.62	EUR 191.14	-3.41%
BRUSSELS	EUR 172.80	EUR 178.47	-3.18%

Frankfurt witnessed the largest decrease in local ARR, largely due to the fact that the ISH Congress did not happen this year. However, when the fair returns in 2015 it is likely to translate into further gains in ARR.

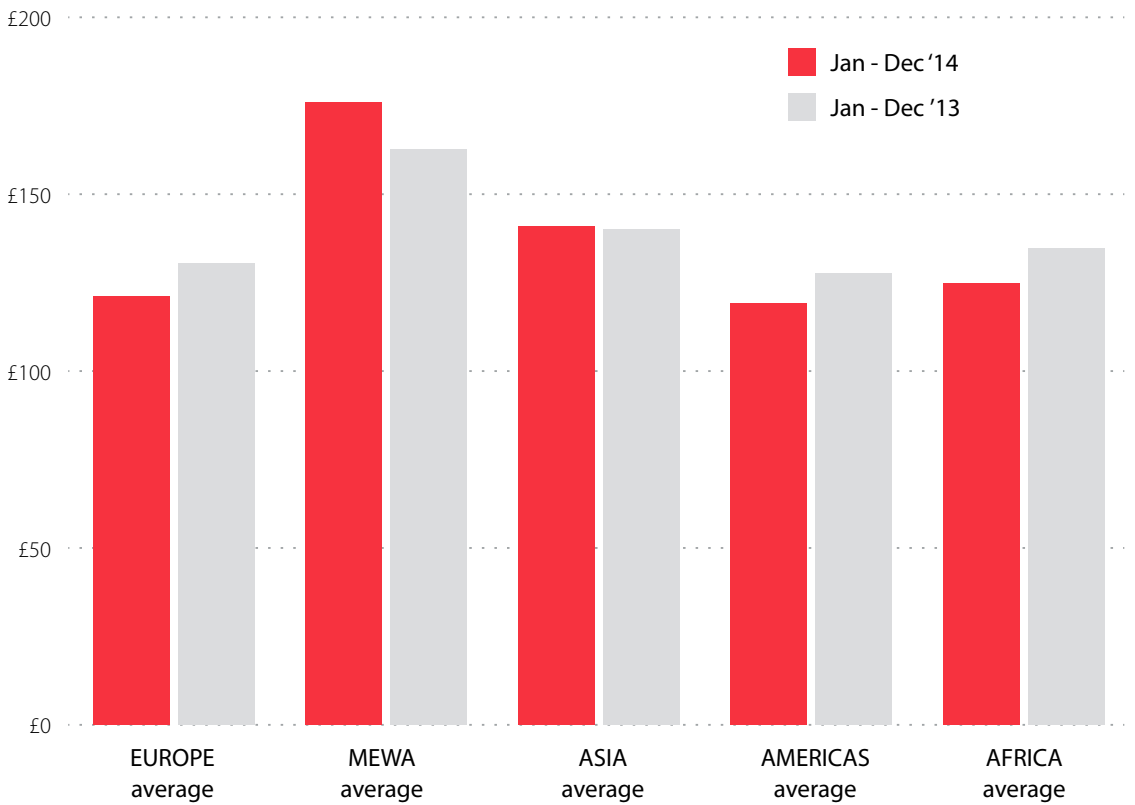
Rome has seen new bedrooms opening on top of a weak economy which means falling demand and increase supply has driven a significant drop in ARR locally.

As the banking and finance sectors look towards the midscale market, bringing more hotels into the market, Zurich has seen a decrease in local ARR as well as a significant fall of over 8.5% in GBP.

Milan has seen increased supply across all scales in preparation for the World Expo starting this year in May, and running through October. However, rate rises in the region of 15% are expected as this year progresses due not only to the extra demand from the Expo but also from hosting several large medical conventions and fairs throughout 2015, including the large 'Hypotension Congress' in June right at the peak of the Expo.

Brussels saw a drop in demand in the first half of the year with the European Parliament emptying as MEP's went home to their constituencies for the European elections. The city was then playing catch up in a market where new rooms were left empty, helping to drive a modest fall in local ARR.

## Regional Performance



The Middle East & West Africa and Asia have both seen ARR growth, while Europe, The Americas and Africa have once again seen ARR move backwards. However, once again cities within each region continue to see large disparity in terms of ARR movement, reinforcing the trend of increasing 'megacity' performance.

Europe Focus

City	Local ARR 2014	Local ARR 2013	Local ARR VAR	Exch Rate VAR
MOSCOW	RUR 15,738.45	RUR 12,912.55	21.88%	26.91%
HAMBURG	EUR 156.14	EUR 141.69	10.20%	5.32%
DUBLIN	EUR 125.84	EUR 119.30	5.48%	5.32%
BERLIN	EUR 144.37	EUR 138.27	4.41%	5.32%
VIENNA	EUR 168.69	EUR 162.86	3.58%	5.32%
MADRID	EUR 140.25	EUR 136.32	2.88%	5.32%
ATHENS	EUR 171.44	EUR 168.28	1.88%	5.32%
PARIS	EUR 254.51	EUR 251.56	1.17%	5.32%
BARCELONA	EUR 167.88	EUR 168.18	-0.18%	5.32%
BRUSSELS	EUR 172.80	EUR 178.47	-3.18%	5.32%
GENEVA	CHF 300.41	CHF 300.80	-0.13%	3.95%
FRANKFURT	EUR 178.72	EUR 199.41	-10.38%	5.32%

Hamburg benefitted in the first half of the year from the large event ‘Harbour Celebrations’ with saw room prices increase by up to 143% across the event period. This in turn has helped drive a 10.2% ARR increase.

Dublin continues to see modest growth in ARR as the effects of the financial crisis ease and demand returns.

Although Athens witnessed a modest ARR growth for the 12 month period, it is weaker than the first six months as economic and political events unfolded.

UK Focus

City	GBP ARR 2014	GBP ARR 2013	GBP ARR VAR
LONDON	£167.26	£168.47	-0.72%
ABERDEEN	£147.11	£134.21	9.61%
HEATHROW	£95.16	£95.88	-0.75%
MANCHESTER	£93.97	£91.45	2.75%
EDINBURGH	£94.06	£91.95	2.29%
BELFAST	£88.93	£87.17	2.02%
NEWCASTLE	£89.29	£88.99	0.34%
LIVERPOOL	£88.32	£84.48	4.55%
CARDIFF	£78.76	£77.12	2.13%
GLASGOW	£91.82	£86.90	5.66%



The story of rising rates across the majority of the UK continued in 2014 with eight of the top ten cities experiencing ARR growth.

London, however, experienced a small drop of 0.72% in ARR throughout the year, despite witnessing growth of 5% in the first half of the year. Further analysis highlights substantial movement from upscale properties (-5.17% ARR var) to their midscale counterparts (+2.55% ARR var).

Aberdeen, which has for a long time been a powerhouse driven by the Oil & Gas sector, experienced ARR growth of 9.61% in 2014, although this is down from the 11% growth rates seen in the first half of the year. With the impact of falling oil prices and increased bed stock in the region, it is likely that the market will continue to soften.

Glasgow benefitted from increased corporate demand coupled with the commonwealth games. Several mid scale and budget openings have so far failed to make any impact on the cities ARR.

North America Focus

City	Local ARR 2014	Local ARR 2013	Local ARR VAR	Exch Rate VAR
SEATTLE	USD 263.15	USD 228.91	14.96%	5.33%
MIAMI	USD 220.17	USD 201.72	9.15%	5.33%
PHILADELPHIA	USD 206.15	USD 194.69	5.88%	5.33%
WASHINGTON DC	USD 315.24	USD 301.94	4.40%	5.33%
SAN FRANCISCO	USD 330.87	USD 318.65	3.83%	5.33%
OTTAWA	CAD 181.86	CAD 176.80	2.86%	12.85%
ATLANTA	USD 201.24	USD 196.31	2.51%	5.33%
HOUSTON	USD 234.22	USD 229.27	2.16%	5.33%
NEW YORK CITY	USD 375.17	USD 369.10	1.65%	5.33%
TORONTO	CAD 233.89	CAD 235.33	-0.61%	12.85%
LOS ANGELES	USD 261.52	USD 263.98	-0.93%	5.33%
VANCOUVER	CAD 194.95	CAD 201.84	-3.41%	12.85%
MONTREAL	CAD 200.24	CAD 202.21	-0.97%	12.85%



The North American market continues to perform strongly with ARR in local currency increasing in many locations. In particular, Miami continues to benefit from being a global gateway city with links to every major market resulting in corporate and leisure demand pushing rates up 9.15% locally.

Seattle's market has been changing over the past few years. The city has been extremely popular with conventions and that has created a compression within the city, driving up ARR. This is a trend that is anticipated to continue this year.

San Francisco is still experiencing demand outstripping supply, and with a booming convention market in the city and negligible new openings this is expected to be the normal for quite some time.

Washington D.C. held a number of citywide conventions in 2014, including the Microsoft conference in July. This popularity helped to drive ARR growth by 4.4% locally.

Houston continues to benefit from the oil and energy sector with limited new opening keeping supply limited, although new rooms are coming online helping to subdue ARR growth.

Philadelphia saw an almost flat ARR movement in GBP with only the exchange rate moving it into positive territory locally.

Canada was impacted by new bed stock with reductions in local ARR in Vancouver (-3.41%), Montreal (-0.97%) and Toronto (-0.61%) despite a large exchange rate variance. In particular, Toronto continues to see new product open in the city meaning supply is outstripping demand.

Asia Focus

City	Local ARR 2014	Local ARR 2013	Local ARR VAR	Exch Rate VAR
TOKYO	JPY 28,022.48	JPY 26,792.43	4.59%	14.07%
NEW DELHI	INR 13,037.96	INR 12,052.00	8.18%	9.62%
MUMBAI	INR 11,097.31	INR 11,198.63	-0.90%	9.62%
BANGALORE	INR 9,750.39	INR 9,468.53	2.98%	9.62%
HYDERABAD	INR 8,471.67	INR 7,620.19	11.17%	9.62%
HONG KONG	HKD 2,405.10	HKD 2,344.05	2.60%	5.30%
BEIJING	CNY 1,352.69	CNY 1,368.55	-1.16%	4.54%
SHANGHAI	CNY 1,281.23	CNY 1,267.22	1.11%	4.54%
SINGAPORE	SGD 363.23	SGD 342.55	6.04%	6.62%
SYDNEY	AUD 304.74	AUD 313.36	-2.75%	12.60%

Strong exchange rate movements across the whole region continue to turn negative growth in GBP into positive growth locally.

Mumbai continues to feel the effect of the new bed stock opening in the key northern business districts of the city with GBP ARR moving back and local ARR also falling slightly as hotels compete for the same corporate demand.

New Delhi continues to fragment into micro markets, each of which is adding new capacity. The city saw a modest ARR fall in GBP but with a strong exchange this rate translates to a 8.18% rise locally.

Bangalore experienced a modest rise in local ARR as demand picked up and started to fill the new bed stock in the city.

Africa Focus

City	Local ARR 2014	Local ARR 2013	Local ARR VAR	Exch Rate VAR
LAGOS	NGN 54,832.44	NGN 53,036.93	3.39%	9.18%
NAIROBI	KES 20,245.93	KES 19,895.80	1.76%	7.52%
JOHANNESBURG	ZAR 2,090.98	ZAR 1,871.00	11.76%	18.31%
CAPE TOWN	ZAR 2,289.55	ZAR 1,863.63	22.85%	18.31%

The effect new hotel openings had on Lagos was short lived as demand again starts to outstrip supply, especially in the top end, high security properties. This translated into a strong ARR growth.

Latin America Focus

City	Local ARR 2014	Local ARR 2013	Local ARR VAR	Exch Rate VAR
SAO PAULO	BRL 580.12	BRL 498.26	16.43%	14.50%
RIO DE JANEIRO	BRL 718.27	BRL 683.24	5.13%	14.50%
MEXICO CITY	MXN 2,223.42	MXN 2,013.17	10.44%	9.70%
BUENOS AIRES	ARS 1,709.48	ARS 1,201.71	42.25%	55.94%

Rio is seeing the after effects of the UN Earth summit and FIFA World Cup. Without having such a strong corporate base as Sao Paulo, ARR fell in GBP and only increased locally due to large movements in the exchange rate.

Mexico City as a market is maturing and saw a more or less flat ARR movement in GBP while the exchange rate moved up local ARR by nearly 10%.

The Argentine economic woes continue to impact Buenos Aires with the effects of massive movements in the exchange rate turning a fairly large ARR fall of 8.78% in GBP, on the back of falling corporate demand, into a significant 42.25% rise locally.





## About HRG's Hotel Survey

Now in its 22nd year, HRG's biannual hotel survey looks at hotel room rates for key business destinations across the world to provide a dynamic insight into global business travel behaviours.



# Appendix

Top 55 Cities Globally by Average Room Rate

City	GBP ARR 2014	GBP ARR 2013	GBP ARR VAR	Local ARR VAR	Exch Rate VAR
MOSCOW	£249.11	£259.37	-3.96%	21.88%	26.91%
NEW YORK CITY	£227.71	£235.95	-3.49%	1.65%	5.33%
PARIS	£205.18	£213.61	-3.94%	1.17%	5.32%
LAGOS	£203.58	£214.98	-5.30%	3.39%	9.18%
SAN FRANCISCO	£200.82	£203.70	-1.42%	3.83%	5.33%
GENEVA	£199.42	£207.56	-3.92%	-0.13%	3.95%
ZURICH	£197.04	£215.43	-8.53%	-4.92%	3.95%
WASHINGTON DC	£191.33	£193.02	-0.87%	4.40%	5.33%
HONG KONG	£188.25	£193.20	-2.56%	2.60%	5.30%
RIO DE JANEIRO	£185.97	£202.56	-8.19%	5.13%	14.50%
STOCKHOLM	£176.33	£195.17	-9.65%	0.10%	10.80%
SINGAPORE	£174.12	£175.08	-0.55%	6.04%	6.62%
LONDON	£167.26	£168.47	-0.72%	-0.72%	0.00%
SYDNEY	£166.88	£193.87	-13.92%	-3.07%	12.60%
SEOUL	£165.74	£169.99	-2.50%	-1.06%	1.48%
OSLO	£163.16	£183.23	-10.96%	0.39%	12.74%
BASEL	£161.86	£169.36	-4.43%	-0.66%	3.95%
TOKYO	£160.91	£175.49	-8.31%	4.59%	14.07%
DUBAI	£158.19	£163.54	-3.27%	1.88%	5.33%
COPENHAGEN	£156.24	£165.56	-5.63%	-0.64%	5.28%
ROME	£154.19	£180.80	-14.72%	-10.18%	5.32%
SAO PAULO	£150.20	£147.72	1.68%	16.43%	14.50%
MILAN	£148.84	£162.30	-8.29%	-3.41%	5.32%
AMSTERDAM	£147.24	£157.88	-6.74%	-1.77%	5.32%
ABERDEEN	£147.11	£134.21	9.61%	9.61%	0.00%
FRANKFURT	£144.08	£169.33	-14.91%	-10.38%	5.32%
HOUSTON	£142.16	£146.56	-3.00%	2.16%	5.33%
NAIROBI	£142.00	£150.04	-5.36%	1.76%	7.52%

City	GBP ARR 2014	GBP ARR 2013	GBP ARR VAR	Local ARR VAR	Exch Rate VAR
BRUSSELS	£139.31	£151.54	-8.07%	-3.18%	5.32%
ISTANBUL	£137.61	£160.62	-14.32%	3.48%	20.78%
BARCELONA	£135.34	£142.80	-5.22%	-0.18%	5.32%
BEIJING	£133.64	£141.34	-5.45%	-1.16%	4.54%
MIAMI	£133.63	£128.95	3.63%	9.15%	5.33%
DUSSELDORF	£130.63	£131.55	-0.70%	4.59%	5.32%
NEW DELHI	£130.00	£131.73	-1.31%	8.18%	9.62%
CAPE TOWN	£128.33	£123.59	3.84%	22.85%	18.31%
SHANGHAI	£126.58	£130.88	-3.29%	1.11%	4.54%
MUNICH	£126.48	£124.73	1.41%	6.81%	5.32%
HAMBURG	£125.88	£120.31	4.63%	10.20%	5.32%
PHILADELPHIA	£125.12	£124.46	0.53%	5.88%	5.33%
ABU DHABI	£123.45	£130.20	-5.19%	-0.14%	5.33%
ATLANTA	£122.14	£125.50	-2.67%	2.51%	5.33%
JOHANNESBURG	£117.20	£124.08	-5.54%	11.76%	18.31%
BERLIN	£116.39	£117.41	-0.87%	4.41%	5.32%
MADRID	£113.07	£115.75	-2.32%	2.88%	5.32%
MUMBAI	£110.65	£122.40	-9.60%	-0.90%	9.62%
MEXICO CITY	£101.55	£100.87	0.68%	10.44%	9.70%
DUBLIN	£101.45	£101.30	0.15%	5.48%	5.32%
BANGALORE	£97.22	£103.49	-6.06%	2.98%	9.62%
HEATHROW	£95.16	£95.88	-0.75%	-0.75%	0.00%
EDINBURGH	£94.06	£91.95	2.29%	2.29%	0.00%
MANCHESTER	£93.97	£91.45	2.75%	2.75%	0.00%
BUDAPEST	£91.83	£101.29	-9.34%	-0.71%	9.52%
BELFAST	£88.93	£87.17	2.02%	2.02%	0.00%
HYDERABAD	£84.47	£83.29	1.42%	11.17%	9.62%





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