

Cost Cuts Can't Stop Rooms Profit Drop at Manama Hotels

Profit per room in the Rooms Department at Manama hotels dropped by 10.3% this month, which was in spite of savings in both departmental Cost of Sales and Payroll, according to the latest data from HotStats.

Whilst hotels in the Bahrain capital managed to maintain room occupancy levels at approximately 50.7%, achieved average room rate fell by 9.8% year-on-year to \$167.70, which contributed to a RevPAR (Revenue per Available Room) decline of 10.0% to \$85.01 this month.

The greatest margin of cost saving was in Rooms Cost of Sales, the measure associated with the cost of third party travel agencies, which was reduced by 14.9% in October, to \$4.57 per available room, equivalent to 5.4% of Rooms Revenue. Furthermore, hotels in Manama recorded a 6.5% saving in Rooms Payroll, to \$10.68 per available room, which contributed to the 5.7% decrease in this measure in the ten months to October 2016.

However, as a result of RevPAR decline outpacing cost savings, Rooms profit per available room fell by 10.3% to a conversion of 74.5% of revenue this month from 74.8% in October 2015.

This trend was mirrored in the overall performance of Manama hotels in October as despite a 3.5% saving in payroll on a per available room basis, GOPPAR (Gross Operating Profit per Available Room) fell by 36.5%, to \$30.21 per available room, equivalent to a conversion of 21.9% of total revenue.

Profit Conversion Continues to Slide at Riyadh Hotels

Profit conversion at Riyadh hotels has fallen to 40.7% of total revenue year-to-date 2016 compared to 46.4% during the same period in 2015, due to falling revenues and rising costs.

In addition to declining revenue in Rooms (-11.8%), as well as ancillary departments, such as Food & Beverage (-11.0%) and Conference & Banqueting (-9.8%), hotels in Riyadh have also suffered increases in costs per available room, including labour (+0.3%) and overheads (+3.0%).

Since starting its downturn in October 2015, falling revenue levels have contributed to an 11.9% Total Revenue decline in the 12 months to October 2016, to \$215.79. Increasing costs have added to the woes of Riyadh hoteliers and profit per room has now fallen by 20.8% in the last 12 months to \$92.11.

Sharm El Sheikh Hotels Now Struggling to Turn a Profit

Hotels in Sharm El Sheikh recorded a -\$6.65 loss this month, as the Egyptian resort continues to suffer major declines in top line performance as a result of a massive occupancy drop.

Room occupancy at hotels in Sharm El Sheikh plummeted by 42.0 percentage points this month to just 28.5%, from 70.5% during the same period in 2015.

The greatest margin of volume decline was in the leisure segment, with the drop equivalent to a year-on-year reduction of approximately 2,680 accommodated leisure roomnights for the average hotel in Sharm El Sheikh for the month of October alone, which was in addition to a 2.1% decline in rate in this segment.

In addition to the drop in volume, achieved average room rate at hotels in Sharm El Sheikh dropped by 11.5% to \$45.62, contributing to the 64.3% RevPAR decline this month, to \$12.99.

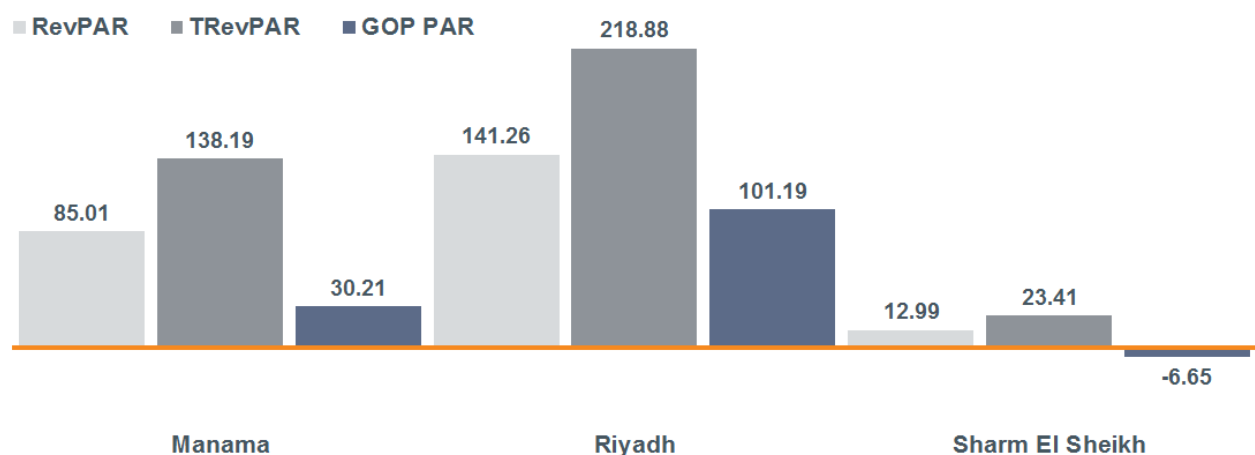
Despite fighting hard to maintain profit by reducing costs, illustrated by the 30.0% saving in payroll costs on a per available room basis this month, as a result of plummeting revenue levels, payroll as a proportion of revenue was up by 22.3 percentage points to 46.2% of total revenue.

On a positive note, flights to the Egyptian resort from Germany and the UK are reported to be reopening almost one year after the terror attacks took place. This will be essential to recoup the 99.9% decline in profit recorded at Sharm El Sheikh hotels in the 12 months to October 2016 to just \$0.01 per available room.

The month of October 2016

\$ Dollars	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Manama	50.7	167.70	85.01	138.19	35.5	30.21
Riyadh	63.2	223.60	141.26	218.88	27.0	101.19
Sharm El Sheikh	28.5	45.62	12.99	23.41	46.2	-6.65

MENA City Markets achieved REVPAR, TREVPAR and GOPPAR October 2016



Editor's Notes

The hotels profiled in this report are drawn from the HotStats database and reflect the portfolios and distribution of the hotel chains that we survey and which operate primarily in the full-service sector.

Please note: The data samples are reviewed and rebased each year to reflect the changes in the HotStats survey base. As a result, performance ratios published last year may differ from those contained within this report.

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HotStats provides two reporting tools to hoteliers:

- Our unique profit and loss benchmarking service enables monthly comparison of hotels' performance against a competitive set. It is distinguished by the fact that it provides in excess of 100 performance metrics covering 70 hotel performance, revenue, cost and profit statistics providing the deepest insight available into hotel operations.
- Our latest innovation in daily revenue intelligence, MORSE. Amongst its reporting are daily and highly granular market segmentation metrics as well as distribution channel and source of booking analysis. It takes daily market intelligence to a whole new level.

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Occupancy (%) - Is that proportion of the bedrooms available during the period which are occupied during the period.

Average Room Rate (ARR) - Is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

Room Revpar (RevPAR) - Is the total bedroom revenue for the period divided by the total available rooms during the period.

Total Revpar (TRevPAR) - Is the combined total of all revenues divided by the total available rooms during the period.

Payroll % - Is the payroll for all hotels in the sample as a percentage of total revenue.

GOP PAR - Is the Total Gross Operating Profit for the period divided by the total available rooms during the period.

The month of October 2016

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Manama	50.7	167.70	85.01	138.19	35.5	30.21
Riyadh	63.2	223.60	141.26	218.88	27.0	101.19
Sharm El Sheikh	28.5	45.62	12.99	23.41	46.2	-6.65

Calendar year to October 2016

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
	54.6	184.84	100.90	154.34	31.5	46.75
	57.0	222.39	126.65	209.00	27.8	85.19
	35.4	52.16	18.47	31.04	36.2	0.24

Twelve months to October 2016

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
	54.8	184.72	101.23	155.91	31.3	47.42	Manama
	58.0	225.45	130.73	215.79	26.7	92.11	Riyadh
	34.3	51.57	17.68	30.54	36.9	0.01	Sharm El Sheikh

The month of October 2015

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
Manama	50.8	185.96	94.43	155.23	32.7	47.61
Riyadh	66.3	226.11	149.94	242.24	24.7	118.93
Sharm El Sheikh	70.5	51.55	36.34	64.51	23.9	17.92

Calendar year to October 2015

	Occ%	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR
	53.6	200.67	107.65	167.27	30.2	57.42
	62.8	228.82	143.65	240.45	24.1	111.68
	65.9	53.37	35.15	61.23	24.2	17.29

Twelve months to October 2015

	Occ %	ARR	RevPAR	TRevPAR	Payroll %	GOP PAR	
	53.6	199.22	106.86	168.23	30.0	58.21	Manama
	63.9	230.95	147.47	244.82	23.5	116.25	Riyadh
	64.2	52.82	33.92	59.86	24.2	16.61	Sharm El Sheikh

Movement for the month of October

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
Manama	-0.1	-9.8%	-10.0%	-11.0%	-2.7	-36.5%
Riyadh	-3.1	-1.1%	-5.8%	-9.6%	-2.4	-14.9%
Sharm El Sheikh	-42.0	-11.5%	-64.3%	-63.7%	-22.3	-137.1%

Movement for the calendar year to October

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change
	1.0	-7.9%	-6.3%	-7.7%	-1.3	-18.6%
	-5.8	-2.8%	-11.8%	-13.1%	-3.7	-23.7%
	-30.4	-2.3%	-47.5%	-49.3%	-12.0	-98.6%

Movement for the twelve months to October

	Occ Change	ARR Change	RevPAR Change	TRevPAR Change	Payroll Change	GOP PAR Change	
	1.2	-7.3%	-5.3%	-7.3%	-1.4	-18.5%	Manama
	-5.9	-2.4%	-11.4%	-11.9%	-3.3	-20.8%	Riyadh
	-29.9	-2.4%	-47.9%	-49.0%	-12.7	-99.9%	Sharm El Sheikh