



Horwath HTL

Hotel, Tourism and Leisure

MARKET REPORT

Austria: Hotel Market

OCTOBER 2021



Hotels in Austria are open, and travelers from certain countries can enter Austria again.

Austrian National Tourist Office, June 2021

This report focuses on the hotel industry in 2020 compared to the pre-pandemic market situation in 2019.

The report shows how Covid-19 has affected the business in Austria. We are sharing information, insights, and developments related to environmental, social and governance (ESG) strategies and digitization in our outlook. Both will have an impact on the future of tourism in Austria. We see the pandemic as an accelerator speeding up the process of profound changes in our industry.

Tourism in Austria

Austria is one of the most popular destinations for tourists in Europe. The country's history, culture, and beautiful countryside attracted 31.9 million tourists from abroad in 2019, making Austria the seventh most popular destination in Europe. In total, tourists from abroad spent approximately 20 billion euros travelling in Austria that year.

Tourism in Austria is an important sector of the country's economy, with the industry developing steadily and successfully over the past 50 years. The Institute for Leisure and Tourism estimates that tourism's impact on the country's GDP is around 25%. Pre-Covid tourism represented one of the most important and fastest-growing sectors of Austria's economy. Investments in the leisure market, including transport infrastructure, ski lift systems, and summer sports infrastructure, remain high. According to the Austrian National Tourist Office, these investments create a sophisticated, sustainable, year-round range of tourism products with international appeal.

In 2019, 152.71 million overnight stays were registered in accommodation establishments in Austria, an increase of 2.1% compared to 2018. 2020 closed with 97.9 million overnight stays, which is down 35.9% year-on-year.

Overnight stays in each of the Austrian provinces are in the red due to Covid-19 restrictions in 2020. The lowest decreases were registered in Carinthia (-17.1%) and Styria (-24.5%). The most significant drop was in Vienna (-74.0%).



Vienna is one of the world’s most successful congress destinations. Unfortunately, in 2020 many congresses had to be cancelled. While some took place virtually, most were postponed. Unlike corporate and MICE travel, leisure travel was recovering faster over the summer of 2020. However, the sector shows a drastic downturn during winter 2020 due to lockdowns. Furthermore, Vienna’s city hotels still struggle with historically low demand levels, a situation that is not likely to change before Q3 2021, according to the Vienna Tourist Board. The ongoing loss in this segment is a hard blow for tourism and the city’s revenue.

The vaccination program, widely available antigen tests and opening up steps, for events, make hybrid meetings possible, albeit with reduced numbers of guests participating on-site.

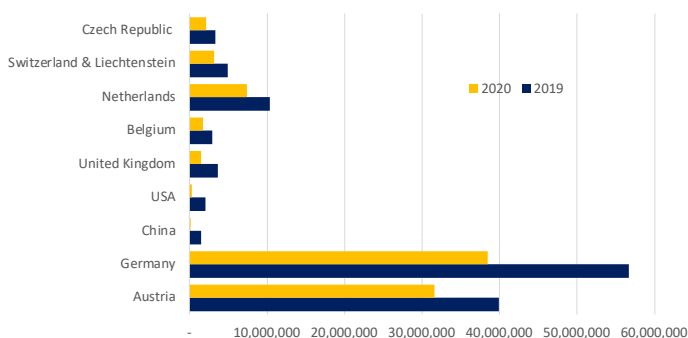
Changes in Austria Tourism

The pandemic has changed travel behavior not only in Austria but worldwide. Domestic tourism increased while cross-border travel dramatically declined. Austria’s tourist destinations showed a good 2020 summer season. On the other hand, the winter season had to be cancelled due to the second lockdown from November 2020 to April 2021. As a result, tourist destinations had to close alongside drastically reduced business travel to city destinations.

The number of overnight stays by guests from abroad reached 66.23 million – this was 41,2 % down from 2019. The steepest drop of overnight stays came from Germany (-18.17 million), the most important market for Austrian tourism, followed by the Netherlands (-2.94 million),

Switzerland and Liechtenstein (-1.79 million), the Czech Republic (-1.18 million), Belgium (-1.16 million), the United Kingdom (-2.20 million), China (-1.35 million) and the USA (-1.7 million).

Overnight Stay Comparison



Source: Horwath HTL

In hotels and similar accommodations, the decrease was over 40%. In commercial holiday dwellings and private holiday dwellings, the drop was about 22 %.

After the re-opening of hotels in May 2021, the summer season looks significantly more favorable for the Austrian regions than for the cities and surrounding areas. Thus, regions with a traditionally high proportion of Austrian guests at lakes set in Alpine landscapes with a wide range of sports and outdoor activities to choose from tend to benefit from the current situation.

Austrians still prefer to stay in their own country for their holidays, and there is also a trend for short-term bookings.



Source: JUFA Hotel, Leibnitz



Source: Hotel Mercure, Salzburg

Hotel Market Austria

The Austrian hotel market is dominated by non-branded, individually owned properties, representing 86,63 % of the total room stock in the country. International hotel chains are found in Austria's capital Vienna and other regional cities.

The Austrian market totals 11,800 properties and 303,500 keys in total. 2,62% of all properties (310 hotels) are chain hotels, with 13,36 % of keys (40,565 keys) operated by international and domestic chain groups.

In 2020, 93 different chain brands were represented in the Austrian market, of which 14 are domestic. The largest is JUFA, with 48 properties and 2,520 keys. JUFA is a local brand of family hotels with 60 locations in Austria, Germany, Switzerland, and Hungary. The German hotel company, Motel One, is the second largest chain brand in Austria with seven hotels (and 2,136 keys), followed by the Accor brand Ibis with 12 hotels (and 1,669 keys).

Rank	Chain Brands	Hotels	Rooms
1	JUFA	48	2,520
2	Motel One	7	2,136
3	IBIS	12	1,669
4	NH Hotel	7	1,340
5	Falkensteiner Hotels	10	1,280
6	Mercure	10	1,277
7	Hilton	3	1,284
8	Vaya Group	24	1,173
9	Arcotel	5	992
10	A&O Hostels	5	776

Source: Horwath HTL

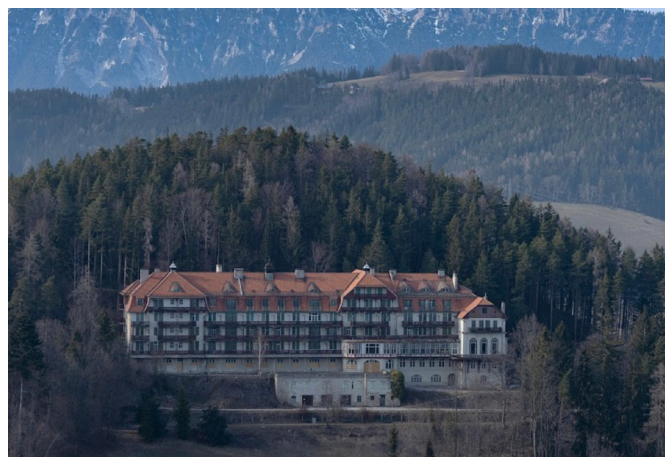
Overall chain groups are dominated by French Accor S.A. with 38 hotels and 5,481 keys, followed by Marriott International Inc. with 16 hotels and 3,475 keys. Austria Trend Hotels is in third place in the 2020 ranking with 23 properties and 3,343 keys.

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1	Accor S.A.	38	5,481
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3	Austria Trend Hotels	23	3,343
4	JUFA Holding GmbH	48	2,520
5	Motel One GmbH	7	2,136
6	Hilton Worldwide	7	1,863
7	NH Hotel Group	7	1,340
8	FMTG Services GmbH	10	1,280
9	Vaya Group	24	1,173
10	Vamed AG	8	1,099

Source: Horwath HTL

International chain brands are led by Motel One, Ibis and Mercure with 10 hotels (and 1.277keys), followed by Hilton with 3 Hotels (and 1.276 keys). The Park Hilton has undergone a complete refurbishment, extended its room count to 663 and is now the second-largest hotel in Vienna. It's exceeded only by the newest addition to the market – the Student Hotel with 800 rooms catering to tourists and students.

The top domestic chain brand is JUFA, followed by Falkensteiner Hotels with 10 hotels and (1.280 keys) and Arcotel with 5 hotels (and 992 keys).



Source: Kurhaus Semmering

Hotel Developments in the Pipeline

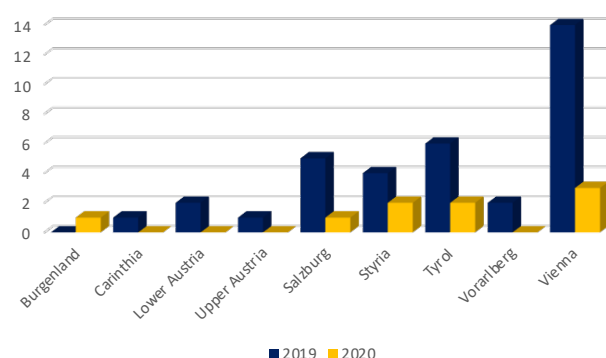
According to TOPHOTELPROJECTS GmbH, Austria is adding more than 12,000 rooms to the accommodation industry. For 2021, approximately 31 openings were planned to bring 4,202 additional keys onto the market, followed by 13 more openings with 1,851 rooms in 2022. In addition, 36 projects are on the books for 2023 and beyond. Unfortunately, some of these openings were postponed or cancelled due to Covid-19.

In Vienna, the majority of pipeline projects are in the upscale to midscale markets. As a result, we can see international chain brands entering the market, such as Radisson Red (Radisson), Jo & Joe (Accor), Rosewood, and Mandarin Oriental. Hotel Josefine, Numo Wood Hotel and Hotel Motto Vienna Hotel were just recently opened. Also, Magdas and the Hotel Schwarzenberg is finally due to open in 2023.

Other parts of Austria expect exciting developments in coming years. One of them is Six Senses in Kitzbühel with 13 Chalets and 245 rooms. While in Seefeld, a new five-star resort, the Sevelt Resort, will offer 115 rooms and suites. Munich-based Hirmer Immobilien is developing a Travel Charme Hotel in the centre of Bad Gastein with 150 rooms, due to open by the end of 2023. Additionally, Austrian Hotel Group Weitzer has purchased the traditional Kurhaus am Semmering, one of Austria’s oldest tourist destinations. This development will contribute significantly to the revitalization of the region.

We have seen a significant drop in transaction volume due to Covid-19 in the first half of 2020 with a hotel investment volume of 60 million Euros. However, the hotel investment year ended with a stable transactional volume of around 280 million Euros.

Transaction Austria Comparison



Source: Horwath HTL

Above, we see Transaction charts for the years 2019 and 2020. In the year 2019, there were 35 hotels sold, only nine hotels were sold in 2020. The following are the most significant transactions in 2020: The Ring Hotel was bought by Best in Parking & Real Estate, Brisen Group bought the Mandarin Oriental; Grand hotel Europe in Innsbruck was bought by bauwerk Immo and Moser Wohnbau and H Plus Hotel in Salzburg by WestInvest InterSelect.

Hotels as an asset class have temporarily lost their allure for investors. In the past, investors have solely been focusing on profits; it’s now changing. International hotel investors are beginning to focus on climate protection and the social impact of hotel developments.

In addition, many investors and developers focus more on responsibility and sustainability and what is attractive over the long term. As a result, industry experts think that investment in sustainable hotel properties can be a way out of the crisis.



Outlook

Cities with a re-assuring offer for tourists focusing on culture, the arts and better environmental standards will improve faster than traditional business and MICE destinations. Overseas guests, who are very important for these destinations, will stay away for quite a long time.

In recent years, Austria's cities had many guests from Asia (China, Korea, India, and Japan) and American tourists who have always been of high importance. However, business travel is still cautious, with digital meetings currently dominating the business culture. Companies have also realized how much money they can save on travel expenses.

Long-distance travel has slumped, but destinations you can get to by car or train are more popular. In addition, people are taking holidays in their own country.

To experience and relax in nature are top priorities for holidaymakers. There is a desire for destinations at a lake and in the Alpine region. Outdoor-based activities are becoming increasingly popular. There is a yearning for nature, for outdoor sport and activities. Therefore, domestic destinations need to continue to innovate and create new experiences.

Holiday apartments for self-catering holidays are in high demand. These accommodations appeal to more cautious customers who may be concerned about social distancing in restaurants and hotels. In this sector, we can see the buy-to-let model becoming more and more widespread in Austria. This trend will continue, with the pandemic being an accelerator of this development.

Furthermore, some existing hotels will become residential properties. It is the time when new concepts and approaches will make breakthroughs. Underinvested hotels in attractive locations will receive capital injections and reposition themselves with innovative ideas such as mixed-use properties with long-stay apartments, co-working spaces, and a local shopping under one roof.

More activities will be on offer for both hotel guests and locals to enjoy together, such as art and culture clubs, dancing, creative writing workshops, cooking with regional ingredients, birdwatching and wildlife observation, content creation for social media.

In addition, significant investments in digitization and focus on ESG (environmental, social and governance) strategies are the way forward.

However, one of our industry's main challenges has not changed – finding the right people. After many layoffs during the pandemic, there is now a shortage of staff and a recruitment crisis.

The pandemic has given us the opportunity to make things better. The hotel industry can embrace changing priorities and tastes of visitors and tourists and adapt to the pace of change.

Sources:
TOPHOTEL PROJECTS; Statistic Austria; Austrian National Tourist Office; Vienna Tourist Office; WIFO; Institute for Leisure and Tourism; Global Data; RCA.

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Horwath HTL

At Horwath HTL, our focus is one hundred percent on hotel, tourism and leisure consulting. Our services cover every aspect of hotel real estate, tourism and leisure development.

Our clients choose us because we have earned a reputation for impartial advice that will often mean the difference between failure and success. Each project we help is different, so we need all of the experience we have gained over our 100-year history.

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