

Hotel Performance Survey by Deloitte Key Highlights

The strong growth registered in the first nine months of 2017 continued into the last quarter of the year. During this last quarter, the number of arrivals was up by 13.6% while guest nights increased by 8.8% when compared to the same period last year.

According to the NSO, more than 500,000 tourists visited Malta between October and December 2017, the majority of which stayed in collective accommodation. The number of tourists staying in private accommodation however increased by 15.3% and accounted for around 39% of total guest nights reported in the last three months of 2017.

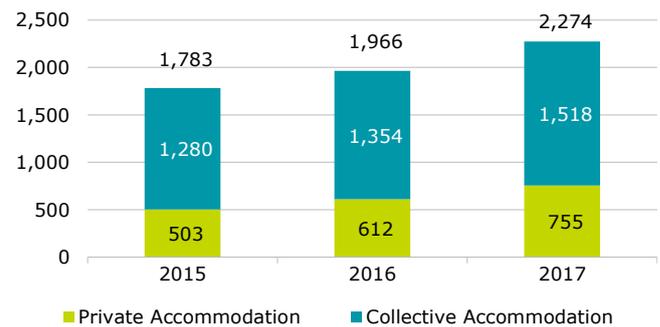
The overall average length of stay in quarter four was 6.75 days, down 4.2% over the comparative period last year. Total tourist expenditure increased by 15%.

The total number of tourist arrivals in 2017 increased by 15.7%, setting another milestone for Malta with the arrival of the two millionth tourist. Likewise, the number of bed nights increased by 10.3% and reached a total of 16.5 million nights.

While the number of guest nights in collective accommodation increased at 6%, statistics published by the NSO show that private accommodation guest nights during 2017 increased at a faster pace of 16.7%, and now account for 43% of total tourist guest nights.

The slower growth trend in collective accommodation guest nights is mirrored in the occupancy rates reported in the Deloitte survey, with all segments reporting fairly flat occupancy levels. Achieved room rates in the 5-star and 4-star hotel segments continued to improve and contributed to higher gross operating profits.

Tourist arrivals (000's)



Guest nights (000's)



5-star

In the last three months of 2017, 5-star hotels continued to report a strong increase in room rates and non-accommodation revenue, while occupancy fell by 4.2% when compared to quarter four in 2016. Overall, total Room Revenue Per Available Room (REVPAR) increased by 1.4%. Total operational costs during this period have been contained and the net impact on the segment's profitability was an additional €141 in gross operating profit per available room.

For the year as a whole, occupancy in the 5-star segment increased marginally by 0.3%. Room rates increased by 10% and 2017 REVPAR was up 10.8% on 2016 at more than €180. Costs in the 5-star sector increased by 7.9%, driven mainly by direct expenses which were up 14.7% and marketing costs which increased by 12.5%. The net impact on the sector's bottom line profitability was overall very positive, with average gross operating profit increasing by €2,286 to reach a GOPPAR of €24,320 for the year.

4-star

The quarter four results of the 4-star sector continued to build on the strong performance registered in the first nine months of 2017. Occupancy levels were relatively stable in comparison to the same period last year. Average daily rates, on the other hand, increased by 8.3% which was to some extent muted by a drop in non-accommodation income. Overall, the reported total revenue per available room increased by 6.5% over the same quarter last year.

Operational costs during this period were down 1.3%. Hotels in this category registered a GOPPAR of €2,050 which is €179 higher than what was reported in the same quarter last year.

On a year to date basis, occupancy levels of the 4-star sector were up 0.6%, average daily rates increased by 11.8% and non-accommodation income was slightly down by 2.1%. Overall, total REVPAR increased by 9%. In terms of expenditure, 4-star hotels have been able to contain their cost base and only reported a 1.6% increase during 2017. In view of these results, profitability of the 4-star sector increased by 11% with an average reported GOPPAR of €14,721 for the year.

3-star

During the last quarter of the year, 3-star hotels participating in the Deloitte survey reported a 1.4% drop in occupancy levels. This was mitigated by an

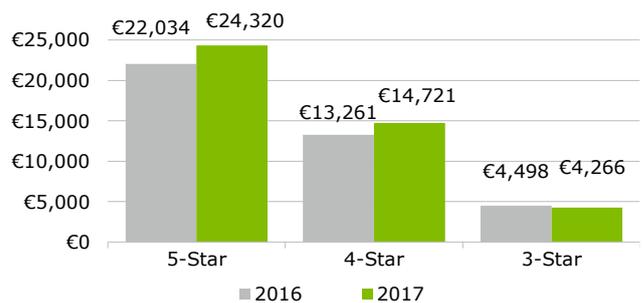
Occupancy



Room Rates (ADR)



Gross Operating Profit (GOPPAR)



increase in room rates, particularly during the month of October, and higher non-accommodation income, which contributed to a total revenue improvement of around 6% per available room. Overheads during the last three months of the year were up 1.4%. Overall, participating 3-star hotels reported a GOPPAR of €909 during this quarter, which was slightly lower than that reported in the same quarter 2016.

On a 12 month basis, participating 3-star hotels reported an average GOPPAR of €4,266, which is 5% below what was reported in 2016. The revised statistics for the 3-star sector show that occupancy levels during 2017 were up 1.5%. Daily rates, on the other hand, fell by around 1% and partly compensated for by an increase in non-accommodation revenue. Costs have remained relatively stable during 2017. Profit levels for the 3-star sector were still marginally below 2016.

Contact us:

Raphael Aloisio

Leader - Financial Advisory

Tel: +356 2343 2000

Email: raloisio@deloitte.com.mt

Glenn Fenech

Manager - Economic Advisory

Tel: +356 2343 2322

Email: glfenech@deloitte.com.mt

www.deloitte.com/mt

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