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The Austrian Tourism Market

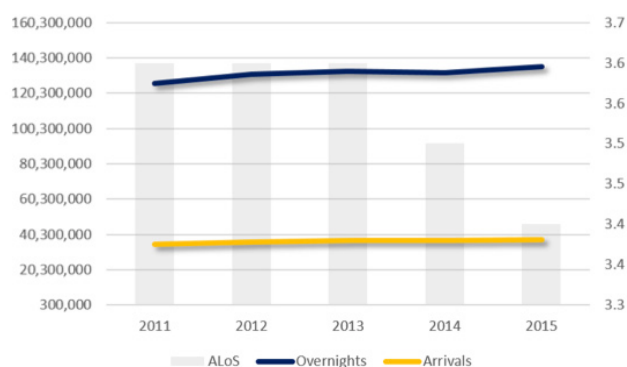
Austria offers an exciting and rich variety of tourist attractions to its visitors: modern cities, beautiful nature and well-preserved cultural highlights. The so-called “Alpenrepublik” is also home to many international events such as the Salzburg and Bregenz Festival or the Opera Ball and Life Ball in Vienna. Austria is an attractive year-round tourist destination and welcomed almost 40 million overnight visitors in 2015. Since 2000, tourism arrivals have increased by a total of 49% and overnight stays by 19% to reach new record levels.

Austria is one of the wealthiest countries in the EU with high purchasing power and travel intensity. The GDP growth in 2015 was 0.9% and the total GDP per capita was €39,390. Tourism is an important economic factor and total direct and indirect value added in 2015 was €45.7 billion or 13.5% of the Austrian GDP, an average growth of 2.2% p.a. (CAGR) since 2011. Total earnings from tourists amounted to €38.4 billion in 2015. (Statistics Austria, WIFO).

Year	Value Added (in million €)	% of GDP	% Change
2011	42,025	13.6	3.3
2012	42,876	13.5	2.0
2013	43,438	13.5	1.3
2014	44,123	13.4	1.6
2015	45,749	13.5	3.7

Source: Statistics Austria, WIFO (without business travel)

In 2015, Austria registered 39.4 million arrivals (+4.9%) and 135.2 million overnight stays (+2.5%) with an average length of stay of 3.4 days. Austria ranks among the TOP 15 countries worldwide in terms of international tourism arrivals.



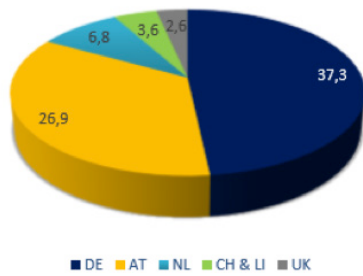
Source: Statistik Austria

Since 2011, tourist arrivals have increased by 3.3% p.a. and overnight stays by 1.8% (CAGR). About 51% of all overnight stays were registered in the summer months from 1 May to 31 October. However, the share of overnight stays in the winter season has increased continuously over the past decades. More frequent trips but shorter stays result in a slightly decreasing average length of stay, especially for the domestic market which accounts for about 27% of all overnight stays.

Almost three-quarter of all overnight stays are from international guests whereby Germany remains the most important source market with 37.3% of all overnight stays.

Other important source markets are the Netherlands with a market share of 6.8%, followed by Switzerland (including Liechtenstein) with 3.6% and the United Kingdom with 2.6%. The fastest growing markets in 2015 were Taiwan (+51%), China (+44%) and India (+40%) as Austria is becoming increasingly popular in Asia and the Middle East in general. In addition, holidays at home are again very popular and almost 50% of holiday trips by local travellers are spent in Austria. The domestic market accounts for the most arrivals but due to the shorter average length of stay of 2.9 days, German guests account for more overnight stays despite fewer arrivals, staying for 4.1 days on average. Dutch guests stay the longest (5.3 days) followed by Belgian guests (5.1 days) and guests from Luxemburg (5 days).

Austria's Source Markets - 2015



Source: Statistik Austria

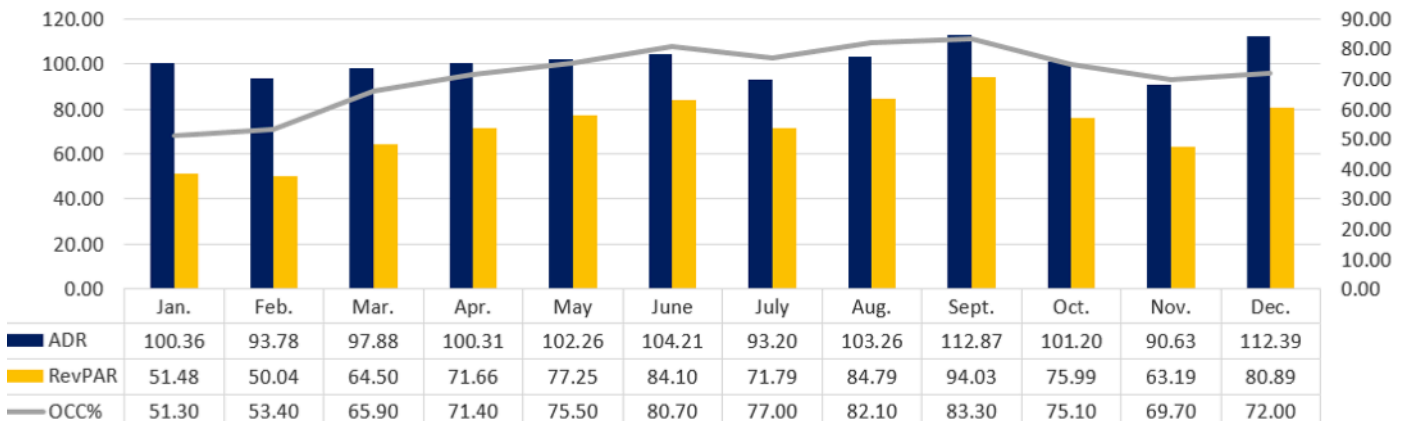
The performance of Austrian hotels is very strong with further potential in terms of ADR when compared to other Western European markets.

In 2015, Austrian hotels achieved a RevPAR of €72.24 (+6.7%) with an average occupancy of 71.7% and an average rate of €100.83 (STR Global). Despite the strong growth and above average occupancy levels, RevPAR remains below the Western European average with €83.47 at an average rate of €119.92. This shows the upside potential in RevPAR by further driving average rates as demand is continuing to grow meeting high-quality hotel supply.

Monthly data shows that September is the strongest month in terms of RevPAR followed by August and June. January and February remain the months with the lowest occupancy whereby this strongly depends on the location. In many winter and thermal spa destinations these months are high season with significant revenue contributions.

Austria has about 15.000 hotels and similar accommodations which account for two-third of all overnight stays in Austria.

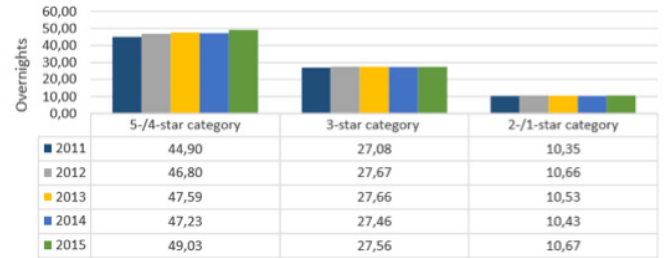
Austria's KPI in 2015



Source: STR Global, Horwath HTL Research

The 5/4-star category accounts for 49 million overnight stays and is the fastest growing with an increase of 3.8% in 2015 and a CAGR of 2.2% since 2011. Overnight stays in the 3-star category also developed positively, while demand in the 2/1-star category has remained stable, confirming the overall trend towards quality tourism.

Development overnights by hotel category (in millions)



Source: Statistik Austria

Supply in terms of bed capacities remained fairly stable in 2015 with a growth of +0.3 % in the 5/4-star segment, +0.4 % in the 2/1-star segment and a slight decline of -0.3% in the 3-star segment. In the five-year period from 2011 to 2015, bed supply in 5-star hotels increased by 1.9% p.a. but declined in the 3-star segment (-0.6%) and 2/1-star segment (-1.1%). This again reflects the demand shift towards higher quality accommodations.

Vienna, Salzburg and Innsbruck: Austrian cities are benefitting from strong demand and achieving record levels of overnight stays.

The most popular cities in Austria are Vienna as the capital and economic centre, Salzburg as the city of culture and Mozart, and Innsbruck with the famous golden roof surrounded by the mountains of the Nordkette.

Overnight Stays in Austrian Cities

City	2011	2015	CAGR (%)	ALoS
Vienna	11,405,048	14,328,261	5.9	2.17
Salzburg	2,293,208	2,710,471	4.3	1.74
Innsbruck	1,340,946	1,574,973	4.1	1.68
Graz	907,964	1,080,409	4.4	1.79
Linz	741,886	777,292	1.2	1.65
Klagenfurt	410,515	419,061	0.5	1.99
Bregenz	309,841	356,759	3.6	1.78
St. Pölten	148,437	140,715	-1.3	2.04
Eisenstadt	59,445	55,681	-1.6	1.99

Source: Statistics Austria, WIFO (without business travel)

Vienna ranks among the TOP 10 most visited cities in Europe and in the latest Mercer Report, Vienna was again ranked first as the city with the highest quality of living in the world. This is not only to the benefit of the inhabitants but it also attracts an increasing number of tourists who are exploring the fascinating culture and architecture or simply enjoy the Viennese way of life. Also business travel benefits tremendously with more companies and businesses opening branches in the Austrian capital. In addition, Vienna attracts many conferences and meetings. With 279 events in 2015, it was the fourth most popular destination for international congresses worldwide according to UIA and ICCA, only behind Brussels, Singapore and Seoul.

Vienna has also achieved the strongest growth in overnight stays since 2011 with a CAGR of 5.9% p.a. Also Salzburg, famous for its ancient city centre and the Salzburg Festival, shows a strong average growth of 4.3% p.a., however with a shorter average length of stay compared to Vienna. Salzburg is especially popular for leisure travellers but also identified the MICE business (Meeting, Incentive, Conventions and Events) as a highly profitable market which is strongly promoted to balance demand throughout the year.

The city of Innsbruck with the famous ski-jump ranks third in Austria, also benefitting from its location close to many popular winter resorts. Graz with its famous historic city centre has also shown strong growth (4.4% p.a.). Klagenfurt with its surrounding lakes and Bregenz with the Festival are generally more popular during the summer months. For these cities it is important to create additional offers for the winter season. Overall, Austrian cities are attractive year-round tourist and business destinations with

balanced demand and low seasonality unlike some of the leisure resorts.

Austria also offers beautiful nature with many lakes, mountains and thermal resorts, making it one of the top leisure destinations in Europe, in summer and winter. About 85% of all overnight stays in Austria are spent in the leisure resorts outside of the larger cities.

The most successful destinations in Austria have invested significantly in recent years to develop additional infrastructure and attract guests all-year round. Especially many winter resorts have successfully diversified their offering to hiking, mountain biking, cycling and other nature or fitness related activities in the summer months. As a result, most of the top winter destinations are now also among the top summer destinations, four of them even in the top 10 in both seasons (highlighted in yellow below). Among the Top 10 tourist destinations in Austria by total annual overnight stays are mainly destinations which are attractive in summer and winter. Due to the lower seasonality, RevPAR levels are very strong, which makes them attractive investment markets. Except for Sölden (-1,6%) and Ischgl (-9.7%), all top 10 destinations experienced a growth in the last winter season.

Top 10 Destinations 2015/16 by Overnight Stays

Destination	Winter 2015/2016	Summer 2015	Total
Sölden	2,041,603	433,049	2,474,652
Saalbach-Hinterglemm	1,567,091	643,454	2,210,545
Mittelberg	816,240	792,026	1,608,266
Schladming	973,308	611,552	1,584,860
Zell am See	778,376	753,651	1,532,027
Ischgl	1,342,874	136,492	1,479,366
Mayrhofen	878,276	594,661	1,472,937
Sankt Anton am Arlberg	1,005,690	159,030	1,164,720
Flachau	840,405	319,704	1,160,109
Seefeld in Tirol	531,524	618,064	1,149,588

Source: Österreich Werbung

Austria consists of nine federal provinces whereby Tyrol with 45.3m and Salzburg with 26.2m overnight stays in 2015, together account for 52% of all overnight stays in Austria. Carinthia attracted 12.2m and Styria 11.8m overnight stays in 2015.

Tyrol, home to many famous ski resorts in the Alps such as Sölden, Kitzbühel and Ischgl, is also among the Top 20 tourist regions in the EU and attracted 10.9m guests or 27.7% of all arrivals in Austria in 2015.

Spa and health tourism is very popular in Austria, especially among domestic tourists, and accounts for approx. 15% of all overnight stays.

About 1,200 hotels and similar accommodations are related to health tourism, whereby one third of all hotel beds in Burgenland and approx. one of four hotel beds in Styria, Tyrol and Vorarlberg are related to health tourism. Most accommodations in the wellness segment can be found in Western Austria, while Alpine wellness is mainly focused on Salzburg and medical wellness on Salzburg and Styria.

More than 95% of all overnight stays in health tourism are in 5/4-star hotels and guests usually stay longer and spend more.

Furthermore, Austria currently has 41 thermal spas with about 140 hotels directly connected or within close vicinity. Half of the spas are located in Styria (11) and Lower Austria (7) as thermal tourism is mainly concentrated in the Eastern part of Austria with Styria, Burgenland and Lower Austria. A few are fully owned and operated by private investors, most thermal spas have public shareholders with varying levels of participation.

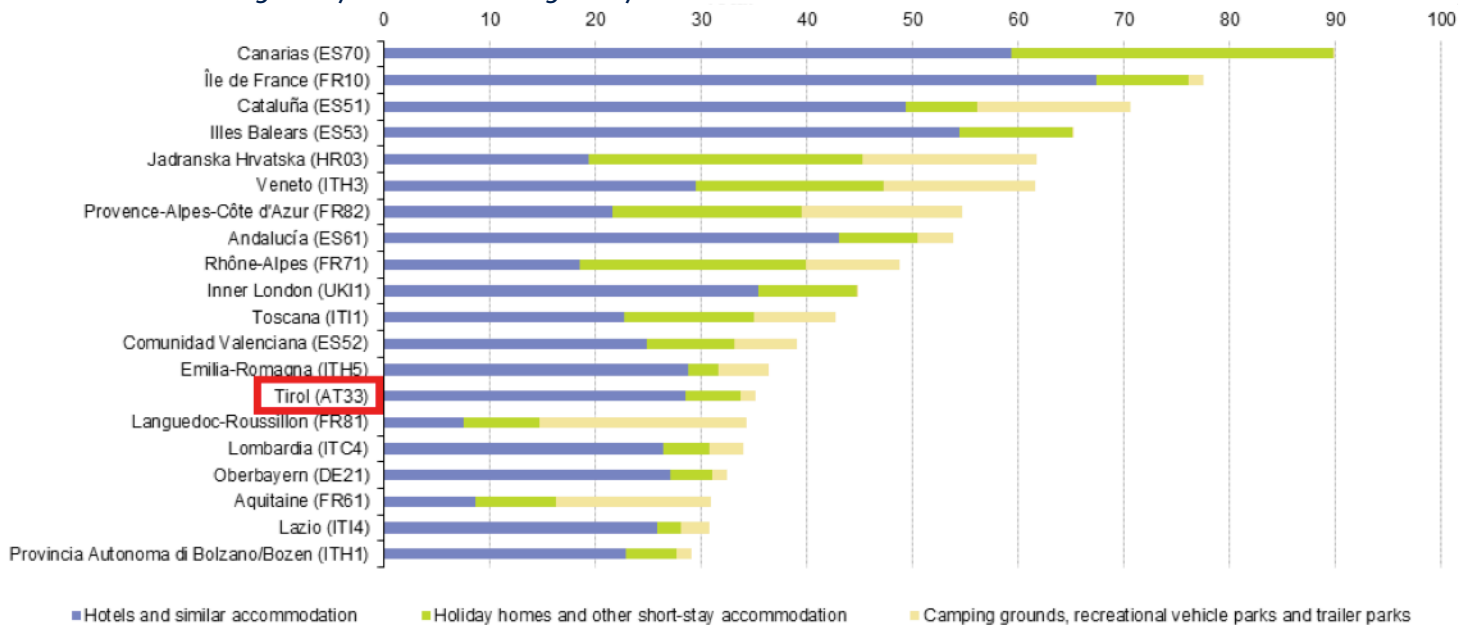
Most thermal spas are located in remote regions with limited economic and tourism infrastructure, hence representing the lead enterprise in the region and an important economic factor. While other regions struggle to attract guests during the off-season, thermal spas are year-round operations and attractive independent of weather conditions.

Austria’s tourism industry offers very attractive investment opportunities, not only in Vienna but also smaller cities like Salzburg and Innsbruck as well as in many leisure destinations.

Location remains the most important factor and Austria offers a number of very interesting tourist destinations with year-round demand, international guest structure, excellent accessibility, a well-developed and diversified offering and attractive tourism infrastructure. Horwath HTL research indicates that the performance of professionally managed resort and leisure hotels in the top tourist destinations is comparable to city hotels in key markets. Interest from international investors and operators is growing as professionally managed and branded resort hotels are still underrepresented providing attractive market opportunities.

The tourism outlook for Austria is very positive despite a number of external risks affecting the travel industry in general.

TOP 20 EU tourist regions by number of overnight stays in tourist accommodations



Source: Österreich Werbung, based on Statistik Austria

In the first half of 2016, Austria registered another increase in tourism arrivals (+4.4%) and overnight stays (+4.2%) whereby commercial and private holiday apartments as well as 5/4-star hotels registered the strongest growth. In the light of recent acts of terrorism in France, Belgium and Germany and political instability in Turkey, Egypt and several other Arabic countries, Austria benefits from its image as a safe and secure tourist destination in the Alps, although this cannot be taken for granted. This year's summer season has already shown some shifts in travel patterns. Many Austrians prefer to spend their holidays at home while many European travellers rather drive to close-by destinations than book flight packages to long-haul destinations. Thereby, Austria strongly benefits from its geographic location, excellent accessibility and diverse tourism offer in the heart of Europe.

WRITTEN BY:

HERIBERT GANGL
Managing Partner
Horwath HTL Austria
email: hgangl@horwathhtl.com

Heribert joined Horwath HTL Austria as Managing Director in December 2015. He has 15 years of experience in the hospitality industry working in hotel operations, consulting and asset management.

His main expertise is in the following areas:

- Hotel Asset Management
- Hotel Real Estate Management
- Operator and Investor Search
- Acquisition and Development
- Renovation and Refurbishment
- Business Recovery and Turnaround
- Operator Agreements (leases and management)
- Concept and Business Development

He is a regular speaker at industry events and conferences as well as author of various industry articles and publications.

Heribert holds an MBA from CEU Business School in Budapest, Hungary and graduated from Hawaii Pacific University with a BSc in Travel Industry Management. He also studied at the University of Vienna, Austria and at the NYU Stern School of Business in New York, USA.

HORWATH HTL AUSTRIA

Franz-Hinterholzer-Kai 2A/2
A-5020 Salzburg
+43 662 83 26 00

www.horwathhtl.at
www.horwathhtl.com



Hotel, Tourism and Leisure

ASIA PACIFIC

AUCKLAND, NEW ZEALAND
auckland@horwathhtl.com

BANGKOK, THAILAND
ischweder@horwathhtl.com

BEIJING, CHINA
beijing@horwathhtl.com

HONG KONG, SAR
hongkong@horwathhtl.com

JAKARTA, INDONESIA
jakarta@horwathhtl.com

KUALA LUMPUR, MALAYSIA
kl@horwathhtl.com

MUMBAI, INDIA
vthacker@horwathhtl.com

SHANGHAI, CHINA
shanghai@horwathhtl.com

SINGAPORE, SINGAPORE
singapore@horwathhtl.com

SYDNEY, AUSTRALIA
rdewit@horwathhtl.com

TOKYO, JAPAN
tokyo@horwathhtl.com

AFRICA

ABIDJAN, IVORY COAST
cspecht@horwathhtl.com

KIGALI, RWANDA
fmustaff@horwathhtl.com

CAPE TOWN, SOUTH AFRICA
capetown@horwathhtl.com

EUROPE

AMSTERDAM, NETHERLANDS
amsterdam@horwathhtl.com

ANDORRA LA VELLA, ANDORRA
vmarti@horwathhtl.com

BARCELONA, SPAIN
vmarti@horwathhtl.com

BELGRADE, SERBIA
slovreta@horwathhtl.com

BUDAPEST, HUNGARY
mgomola@horwathhtl.com

DUBLIN, IRELAND
ireland@horwathhtl.com

BERLIN, GERMANY
germany@horwathhtl.com

ISTANBUL, TURKEY
merdogdu@horwathhtl.com

LISBON, PORTUGAL
vmarti@horwathhtl.com

LIMASSOL, CYPRUS
cmichaelides@horwathhtl.com

LONDON, UK
eheiberg@horwathhtl.com

MADRID, SPAIN
vmarti@horwathhtl.com

MOSCOW, RUSSIA
mohare@horwathhtl.com

OSLO, NORWAY
oslo@horwathhtl.com

PARIS, FRANCE
pdoizelet@horwathhtl.com

ROME, ITALY
zbacic@horwathhtl.com

SALZBURG, AUSTRIA
austria@horwathhtl.com

WARSAW, POLAND
dfutoma@horwathhtl.com

ZAGREB, CROATIA
stopalovic@horwathhtl.com

ZUG, SWITZERLAND
hwehrle@horwathhtl.com

LATIN AMERICA

BUENOS AIRES, ARGENTINA
cspinelli@horwathhtl.com

SÃO PAULO, BRAZIL
mschnurle@horwathhtl.com

MEXICO CITY, MEXICO
mjgutierrez@horwathhtl.com

DOMINICAN REPUBLIC
speralta@horwathhtl.com

SANTIAGO, CHILE
cspinelli@horwathhtl.com

BOGOTA, COLOMBIA
mjgutierrez@horwathhtl.com

NORTH AMERICA

ATLANTA, USA
pbreslin@horwathhtl.com

DENVER, USA
jmontgomery@horwathhtl.com

MIAMI, USA
acohan@horwathhtl.com

MONTREAL, CANADA
pgaudet@horwathhtl.com

NEW YORK, USA
pbreslin@horwathhtl.com

TORONTO, CANADA
pgaudet@horwathhtl.com