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INVESTMENT EFFICIENCY IN NEW HOTEL BUILDINGS IN CROATIA

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Abstract:
Abandonment of mass tourism in the late 80-ies of 20th century and attitude of humane tourism oriented to the needs and requirements of individuals, it is characterized by changes in the design and architectural design of hotel facilities. Features and functionality of hotel facilities are affected by trends in tourism demand. Tourism gets new features, which hotel companies must adapt. Individualism, humanism and hedonism are the guidelines that accompany the tourist industry in the 21st century. They determine the new considerations shaping and arranging hotel facilities, and the need for transformation of the hotel buildings designed for mass tourism in facilities for contemporary tourist who is aware of his needs, desires and aspirations. These trends should be monitored and the hotel industry in Croatia. The last decade marked by investments in reconstruction and modernization of existing hotel facilities, but investment in new hotel facilities are still minor. The reason for this is the fact that the hotel industry is low profitable activity, but also in the unfinished privatization, lack of domestic financial capital and the lack of attractiveness of the Croatia to attract foreign capital which would allow meaningful construction of new and rehabilitation of existing hotel facilities in line with trends in the tourism market. This paper critically examines the state of the hotel industry in the Republic of Croatia and its competitiveness in Europe, and it presents the results of research on the effectiveness of building a fictional hotel in Croatia, with a comparative analysis with European hotels.

Key words: Hospitality, Investment, investment efficiency.

Jel Classification: L83, G31

INTRODUCTION

Unplanned construction of hotel buildings in Croatia, resulting in aggressive action in space, which leads to a reduction in Croatian attractiveness as a tourist destination. The application of standards in the construction of hotel buildings, tracking trends in architectural design and construction of hotel buildings with orientation to the demands and needs of tourism demand are key determinants of the development of Croatian hotel industry. The hotel's facilities must be integrated into the environment and reflect

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the image destination in which they are situated. Profit should not be ahead of the interests of the community. Appropriate design and functionality of hotel facilities would contribute to improving image as a tourist destination with a highly developed awareness of tourism "on a human scale". In such circumstances, it is realistic reflection of channeling financial resources into the design and construction of new and redevelopment of existing hotel facilities that will ensure the profitability of the hotel business. It is therefore the need of research efficiency investments in new hotel facilities, taking into account factors that affect the attractiveness of the hotel facility (and the destination as a whole) and the utilization of accommodations: design and construction of hotel facilities in line with the trends, as many facilities in the hotel and resort that will satisfy discerning tastes of tourism demand, etc.

STATE OF CROATIAN HOSPITALITY

The last decade of the Croatian tourism was marked by the abandonment of the concept of mass tourism and the development of selective forms of tourism and the intensification of the investment cycle in the hotel industry. Tourist arrivals and overnight show a rising trend, and despite the improved market position of the Croatian international tourism market, the Croatian hospitality is burdened by a number of problems.

In 2011 Croatia disposed with accommodation capacity of 128,003 in 616 hotels and aparthotels, as compared to 1990 (142 917), a decrease of 10.4 %. A key feature of the structure of accommodation in Croatia is still on low level of participation of hotel accommodation in the total number of accommodations (only about 13.7% in 2011), particularly when compared with competing countries (Table 1).

Table 1. Hotel capacity and the Croatian competitors in 2011[2]

	Spain	Italy	Austria	Portugal	Slovenia	Croatia
Total number of bed accomodation	3.90	4.42	981	486	93	935
Number of bed sin hotels	1.38	2.53	594	289	45	128
Share in %	54,2	47,5	60,6	59,5	48,4	13,6
Utilization of hotels,in %	42,7	31,8	37,9	37,8	37,7	34,8

Per share of hotels and similar establishments Croatia is well below the EU-27 average (44.9 in 2010). Such a structure of accommodations is unfavorable relative to market demand, particularly in the high season, and is the "bottleneck" in increasing the whole tourist traffic and in extending the season. The results are: relatively short tourist season and the relatively low average consumption.

The structure of the hotel property inherited from the period of four decades ago, the so-called period of "investment boom" has not significantly changed Since 1998 started investment cycle in the hotel business, which in the period till 2009 intensifies. However, the economic crisis, which has globally launched in late 2008 and the recession of the national economy resulting in a reduction in investment in the Croatian hospitality for a further period. The investments are mainly focused on the

[2] Source: Made by author accordin the dana of Eurostat, http://epp.eurostat.ec.europa.eu (11.08.2012.)

reconstruction and renovation of the existing hotels, with a very small number of new hotels, mostly small and family-run hotels. Changes due to improving the quality of hotel services are noticeable in the structure of hotel facilities in the period from 2006 to 2012 (Table 2).

Table 2. Categorization of hotel facilities in 2006 and 2012 in Croatia (number of bed)[3]

Hotel facility	2006	Share in %	2012	Share in %	Index 2011/2006
5 star	5.096	4,6	9.261	8,6	181,7
4 star	15.563	13,9	36.768	34,2	236,3
3 star	66.678	59,7	45.606	42,4	68,4
2 star	23.158	20,7	15.969	14,8	69,0
1 star	1.258	1,1	-	-	-
Total	111.740	100,0	107.604	100,0	96,3

In addition to investing in improving the quality of existing facilities, the Croatian hospitality has not been significantly restructured or adapted to market requirements. Restored or reconstructed hotels usually remain in the same kind of products. Only a small number of facilities focused its investments in new products, including pushing to new market segments. There was no diversification and specialization of hotel product. Therefore, there remains a great need to create diversified hotel product.

According to research by the Institute for Tourism, the average room rate in a sample of the hundreds of hotels with the best market performance in Croatia achieved in 2009 amounted to 72.3 euros which is only about a 73% of price of a room in European hotels (99.20 euros in 2010). In 2009 the room rates at hotels with five stars were reduced in comparison to 2008 in order to maintain the hotel occupancy rate. Such policies, increased the occupancy from 40 to 44%. However, that level of occupancy of hotel capacity is below the profitability of the business, both in total for five-star hotels, as well as all types of hotels. The average occupancy rate of hotels in Europe amounts to 63.77%.[4] Period of hotel business in Croatia is 8.4 months. Period of operation and occupancy of hotel capacity results in an extremely high seasonality of the business. In the period from June to September in the hotels two thirds (over 66%) of the total annual hotel nights are accomplished.

Quality and service portfolio are not at that level in order to justify the high cost. Supply side of the Croatian tourism industry is a critical point of renewal and growth of the tourism product (Druzic and Sirotkovic 2002, 411). Quality level of infrastructure is not reached, it is one of the main problems of operating the business, with seasonality and staff. Kindness of staff in accommodation facilities, tourists evaluate with high degree of satisfaction (Institute for Tourism 2011, 61). Lack seems appropriate level of education and expertise. It is not investing enough in education and training of young people, and there is very often example of imported workforce. There are not implemented continuous professional development and continuing education, which is indispensable in tourism because of constant changes, dynamic and turbulent markets and constant technological progress. Previously set goals such as increasing the range of services and a focus on sustainable development and environmental

[3] Source: Categorization, http://www.mint.hr (28.07.2012.)

[4] European Hotel 2010 Year End and December Results, http://www.hotelnewsresource.com/artickle51748European_Hotel_Year_End_December_Results.html (4.07.2012.)

protection are not met. Focus on the tourism of middle class does not support the survival of new courses and expand markets, only fully exploited are coastal resources while the investments in the development of tourism Croatian mainland, especially Slavonia and Baranja are visibly too small.

INVESTMENT EFFICIENCY IN BUILDING OF HOTEL CAPACITY IN CROATIA

The issue of investing in Croatian hospitality

Croatian economy, especially hotel management in the preceding period, was faced with a lack of fresh capital. Prolonged stagnation of the economy in 1980-ties drained domestic sources of savings (Druzic and Sirotkovic 2002, 423), which are further aided by the wars in the first half oft he '90-ties. The period from 1990 till 1996 the overall economy including tourism are characterized by disinvestment process (ie investments are less than depreciation), which is reflected in the real decline in total investment in the Croatian economy, as well as in tourism, which is accompanied by a drop in gross domestic product. Foreign investors in the Croatian hotel industry did not see the possibility to realize the financial benefits for themselves and those who put them at the disposal of the funds.

Given the need for significant financial investment (modernization and reconstruction capacities, construction of new ancillary facilities) one of the priorities of the Croatian economic policy has been to create the conditions and incentives to attract foreign direct investment (FDI). However, they are in the Republic of Croatia, as in most European countries in transition, were below expectations. Hotels and restaurants in the period from 1993 till the end of the second quarter of 2012 attracted only 586.5 million euros in direct foreign investments, and only 2.3% of total realized direct foreign investments in Croatia (25,9 billion euros).

in million euros

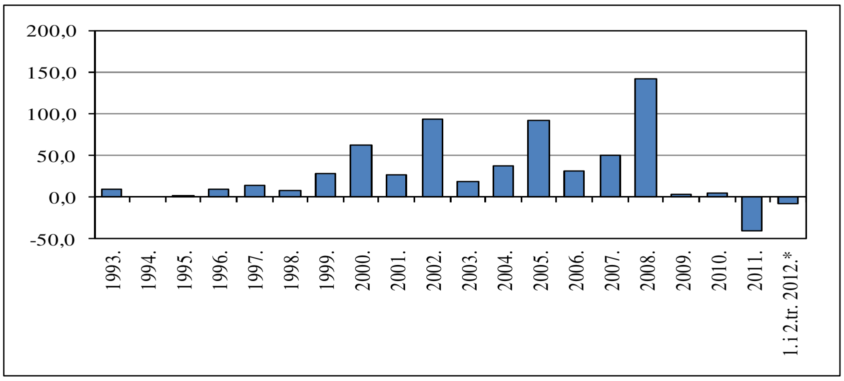

Figure 1. Movements in direct foreign investment in the hotel industry in the period from 1993 till the end of the second quarter of 2012.[5]

[5] Source: Croatian national Bank, http://www.hnb.hr (27.09.2012.)

In the period from 1996 there were some important actions to improve the investment climate in the hospitality sector. Worth to note that Croatia, as one of the seven countries in transition received an investment grade rating from international financial institutions. The entry of foreign capital is present in many tourist enterprises (eg Istraturist dd). Development that has marked the period since 2000 is the opening of the Croatian hotel investors from Eastern Europe. After 2001 and 2002 was conducted so called horizontal expansion of foreign investors of domestic origin to destinations with high rents (Porec and Dubrovnik). Cycle of eastern European/ transition takeover began with selling state-sponsored hotel "Primosten" from Primosten to Hungarian company "Diamant marina", which is the basis of the public demand issued by the Croatian Privatisation Fund came into posession of 66,82% of property. Such a concept of privatization was carried out in the case of Croatian "Jelsa", "Vodicanka" Inc. from Vodica and int he case of "Suncani Hvar". Encouraged by such transactions, closed investment fund "Sunce" 40.01, sold 40.01% of shares in the company "Baska Voda" to Lithuanian investor "no name" in tourism in 2003 Although such a move would be suitable for the state budget, it is questionable from the standpoint of developing the competitiveness within the national tourism because we do not know anything of the performance of new business owners in the tourism industry (Poljane-Boric 2004, 33).

Unlike developed hotel markets where investment activity takes place in the purchase of existing and construction of new hotels, the largest part of the investment in Croatia in recent years focused on the renovation and reconstruction of existing hotels and other accommodation facilities. This is proven by the Croatian Central Bureau of Statistics which, in five years' period from 1998 to 2002 registered around 774 million euros of investment in new fixed assets sector of hotels and restaurants, of which 67.6% was invested in the expansion, reconstruction and modernization of facilities, and 16.2% in new capacity and replacement of assets. From the said amount, the construction works are 69.5%, 29.4% goes to equipment, and other costs are 1.1%. With strong growth in the market Croatia as an attractive tourist destinations, and that started in 2000, followed by a strong rise in investment activity that was in 2002 was greater than the total investment in 2000 and 2001 together. Since that during 2003 and 2004 the numerous hotels were in the process of reconstruction (for which there are still no official figures on the amount of investments), it follows that the investment cycle started in 2002 was continued until 2006 and is still largely based on the renovation and reconstruction of the hotel facilities. In 2008 the situation is somewhat different, in fixed assets in the accommodation providers and food service was invested 4.16 billion HRK, of which in the new fixed assets was invested 1.78 billion HRK or 42.8%, while the expansion and reconstruction of the 1.7 billion HRK or 40.9%, and in exchange 612 million HRK or 16.3% (Central Bureau of Statistics 2011, 222). Hotel investments were considerably reduced in 2009 and 2010. Horwath HTL surveys on a sample of 24 tourism companies in Croatia, which include 33 hotel accommodation, show that investments in the hotel industry in 2009 decreased compared to 2008 for 38%. Research of business for about 100 hotels in Croatia which are receiving the best market performance and make 42% of categorized hotel accommodation in Croatia show that in 2009 48% of hotels in the sample invested in restoration, and invested average 3.8 million HRK at the hotel. Plans of hoteliers indicated that only 29% of hotels in the sample invest in the renovation in 2010, regarding that the few hotels that are going into heavy reconstruction, the average investment per hotel is estimated at 7.1

million HRK. (Horwath HTL 2010, 21). According the category of hotel, investments in 2009 were the lowest in 4-star hotel, the largest in a 2-star hotel. In 2010 the situation has changed; it was mostly invested in five-star hotels, and the lowest investment in two star hotels.

Croatian hotel industry is burdened with unfinished privatization, which is one of the limiting factors of investment in hotel capacity. Agency for State Property Management has shares in 153 companies in activities of "Hotels and restaurants". Its registered capital is 14.2 billion HRK, while funds belonging to the State's portfolio of 3.9 billion HRK or 27.4%. The share capital of tourism enterprises faced with the privatization, in which the state has more than 25% of the share capital of 2.1 billion HRK, and state portfolio is 1.5 billion HRK. Among them are: Hotel Medena d.d. Trogir, Hoteli Maestral d.d. Dubrovnik, Hoteli Makarska d.d. Makarska, Hoteli Plat d.d. Plat, HTP Korcula d.d. Korcula, HTP Orebic d.d., Hoteli Imperial d.d. Rab and others (Agency for State Property Management 2012, 1). Preferred rapid privatization of the state sector in order to ensure the efficiency of a company quickly, given that the state proved to be a bad businessman. The privatization of the hotel sector is a precondition for the normalization of operations of non-privatized companies.

Inefficient public administration and non-transparent legal system is still one of the main reasons why foreign investment is not common. The contempt of basic economic and technological standards on one hand, and failed holding of the investment, most hotels in Croatia are unsatisfactory physical condition, they are irrationally structured and therefore require a high cost of maintenance.

Comparative analysis of the effectiveness of investments of designed hotel with similar hotels in Europe

To the restrictive conditions of financing projects and minimizing the profitability of current operations, assessing the effectiveness of investments in the construction of hotels is given special significance. Efficiency investments in the building of hotels is explored on the example of a fictional hotel in comparison with investing in the existing hotel in Europe. Estimated value of the investment is dependent on a number of factors, the availability of the location, construction costs, which always vary, the level of hotel equipment, number of rooms, size of the hotel and categorization. Through an analysis of the competitive hotel investment that is already present in the vicinity of the site of the planned hotel can obtain approximate costs, provided that the hotel compared fits to criteria designed, similar to the age of equipment, additional offers, etc.

Basic data of fictional hotel are folloving: hotel is located on the western coast of Istria, is focused primarily on leisure, tourism, and the possible development of business tourism. Designed hotel will have 100 rooms, to be able to adapt its operations to an additional 3-5 months of operations with specialized variable supply to business tourism, tourism for the elderly and offer events within the region. The hotel will be categorized with 4 stars. Basic accommodation units are single and double rooms with a minimum area of 26 m2, which consists of 60-70% of accommodations. Size of hotel apartments is 38 m2. The hotel will also have a family room with a minimum area of 41 m2. The offer will have an indoor and outdoor pool, wellness center, a restaurant, a coffee bar, a souvenir shop. Depending on the location and size of the land it may have in its possession the sports grounds, marina for mooring boats and similar offers related to refinement geographic location and size of land. The design and colors may not deviate from the competition and the environment in which it is located. Visible elements of hotel exteriors are a combination of traditional buildings and modernism. Highlighting the historic stone as building material in Istria, combined with glass and white trendy solution for impression in the environment and easier to maintain in terms of long-term hotel products. Floor height is dependent on local regulations and obtained the location permit. The ideal situation would require 3-4 storeys in height that no hotel would stress the environment, and thus refused their disharmony in space for guests.

To estimate the cost of construction of the hotel were used data of the hotels in the immediate vicinity of the location of fictive hotel (Table 3 – calculation of author).

Table 3. The expenses oft he hotel construction until the start of works

Description	**Amount, in HRK**
Construction land	3.407,500
Municipal contributions to town Rovinj	5.455.200,00
Electricity and lease of electric power	954.712,00
The cost of water connections	2.433.750,00
Hotel construction in working condition	127.041.312,00
System heating/cooling/ventilation	3.400.000,00
Hotel landscaping, parking and access road	1.540.000,00
Incorporation of a company and its share capital	25.000,00
Kitchen	2.22.500,00
Restaurant	1.177.157,00
Coffee bar	447.820,00
Reception and entrance of the hotel	463.465,00
Rooms and suite	2.083.531,35
Pools and sport facilities	1.526.500,00
Equipment of conference halls	676.890,35
Maintenance, laundry, supervising	757.786,00
Total expenses of construction and equipment per room	**153.612.128,70**
Monthly utility bills	175.944,16
Monthly salaries	589.225,00
Total cost of construction and equipment for a room with a monthly wage bill and overheads	**154.377.297,86**
Operating reserve	2.325.507,48
Total cost of construction and equipment at a cost of one room with financial stocks	**155.937.636,18**

Investment of hotel facility to its commissioning, taking into account that the financial stock is 155.9 million HRK. From an economic standpoint, it is necessary to calculate the return of the investment oft he designed hotel. It is taken into account the data per available room in the Republic of Croatia, as well as prices of hotel rooms.

According to research Horwarth HTL average revenue per room in Croatia range from 15,583 euros to 17,456 euros (Hortvath HTL 2010, 2). This information relates to the whole Croatia, and may be taken as a framework for the correct calculation of profit of designed hotel. Prices for designed hotel are based on a survey of prices in similar hotels in Porec, Rovinj and Umag. Prices for March and November are taken as the values from the previous or next month. In the calculation of revenue per room will include a portion of rooms sold through periods of discount prices as part of which were sold in the period without them. The hotel rooms are furnished differently and different dimensions, so it is necessary to calculate the maximum price to book rooms without expensive discount prices. (Table 4 – calculation of author)

Table 4. Prices of the offers of designed hotel

	Prices of hotel rooms on the area of Porec, Rovinj and Umag	Prices of hotel rooms in designed hotel	
		20% of discount price (€/per person)	20% expensive price (€/per person)
April	48,44	58,13	67,82
May	55,38	66,46	77,54
June	78,67	94,40	110,13
July	92,90	111,48	130,06
August	95,50	114,60	133,70
September	72,14	86,57	101,00
October	53,71	64,45	75,19

Availability of hotels in Istria during 6 months of business are 82% which is more than all other Croatian tourist regions (Institute for Tourism 2010, 66). According to data from the Institute for the Croatian Tourism, occupancy of hotels in Istria from January to April was 26.8, and from October till December is 22%. Due to the needs of demands, hotels are open for the holidays or weekends, so mentioned data do not provide a realistic picture of capacity utilization. Estimated number of working days of designed hotel is 245 days or 8 months. If the calculation is reckoned that every other weekend the hotel is open to all hotel guests, from 16 weeks to a hotel would work 8 and with 3 working days, which would ultimately result additional 24 working days and in total 269 days. It is designed term of hotel working for free on demand businesses to maintain education, and private entities to hold celebrations and similar events. In the first year the hotel would only be positioned on the market to further popularized in the wider circles of the demand for hotel offer.

Revenue of catering companies in Croatia according to the proportions of financial income is largely dependent on seasonal business.

Table 5. Total revenue of designed hotel monthly in HRK (calculation of author)

Type of revenue	Revenue from room department	Revenue from food department	Revenue from beverage department	Other revenues	Total revenues
April (4,134%)	705.906,43	193.664,31	50.316,79	44.640,02	994.527,55
May (9,926%)	1.693.835,51	464.668,68	120.813,85	107.183,57	2.386.501,61
June (13,64%)	2.328.874,93	638.533,22	166.018,65	147.288,33	3.280.715,13
July (24,93%)	4.254.188,28	1.167.055,22	303.434,35	269.200,74	5.993.878,59
August (25,69%)	4.373.250,60	1.202.633,32	312.684,66	277.407,42	6.165.976,00
September (14,7%)	2.509.610,64	688.155,31	178.920,37	158.734,49	3.535.420,81
October (3,56%)	608.706,11	166.655,29	43.330,37	38.441,82	857.133,59
November (3,45%)	589.070,43	161.505,83	41.991,51	37.254,01	829.821,78
Total	17.063.442,93	4.681.328,64	1.217.145,44	1.079.826,48	24.041.743,49

Total room revenue during the eight months amounted to HRK 17,063,442.93. With a ratio of 2.43 is much lower income of restaurant than from the room there are the data that the revenue of restaurants is 7,021,999.97 HRK. Given that the restaurant has a certain level of input (food) that are not early included in the cost (and the workforce has included), you need to reduce the income for the cost of foods (1/3 of income) and restaurant income amounts to 4.681.328,64 HRK. Revenue from the restaurant is defined by bed and breakfast services. Therefore expenditure part of the restaurant had to be scaled to the number of meals served to guests throughout the hotel breakfast. As the project has defined the period of operation of 30,398 nights, it is equivalent to the number of breakfasts. Estimated cost of food for breakfast with drinks is about 12 euros per person. Deducted from revenue rooms revenue from breakfast: 364,668.00 HRK.

Revenue from department of beverages as an independent department can be viewed in two ways, through the revenue department of food and as income from an independent department. It is assumed that the restaurant loaned solely food and coffee bar incoming sector of beverages from the restaurant and the bar. Sales of beverages account less than a quarter of food revenues (26%), and the income of small groceries in the ratio of one third. Therefore, the ratio of income from beverages is not included compared to the revenue of rooms, but in relation to the revenue department of food. Revenue from beverage department of designed hotel is 1,217,145.44 HRK.

Other revenues depend on additional offer. They make up 17.3% of food revenues. Within other income from beverage there are calculated upon the orders into the room, after working hours of a coffee bar and selling of desserts. As this section makes 1/3 of other income, and an additional 1/3 the cost of groceries, the item "other income" is reduced by 1/9, which refers to foods. Of the total other income in the designed offer of hotel there are profitable departments - wellnes, tennis courts and a pool, and they all can operate independently in hotel designated as profit centers. Designed hotel will also have rooms that will be leased to outside collaborators, travel agency, gift shop, newspaper stand and hairdressing salon and will get revenue through the lease value. Other income will amount to 1,079,826.48 HRK for 8 months of the hotel business.

Financial liabilities have changing character through months of operations, which is taken into account in calculating the financial viability of the designed hotel.

Table 6. Profit/expenses per month without included loan (calculation of author)

Type of revenue	Revenue	Expenses	Profit
January	-	240.694,16	- 240.694,16
February	-	240.694,16	- 240.694,16
March	-	240.694,16	- 240.694,16
April	994.527,55	635.669,16	358.858,39
May	2.386.501,61	939.994,16	1.446.507,45
June	3.280.715,13	939.994,16	2.340.720,97
July	5.993.878,59	939.994,16	5.053.884,43
August	6.165.976,00	939.994,16	5.225.981,84
September	3.535.420,81	939.994,16	2.595.426,65
October	857.133,59	635.661,16	221.464,43
November	829.821,78	635.669,16	194.152,62
December	-	240.694,16	-240.694,16
Total	24.041.743,49	7.569.746,92	16.471.996,57

Profit before tax was 16,471,996.57 HRK and 12,946,077.14 HRK after tax Rs. Annual income is tax-free hotel 12,946,077.14 HRK. Out of this amount is allocated part of the contingency costs and maintenance in the amount of 2% of revenue and depreciation of 1% which is calculated by the value of the investment. Monthly amount of profit that can repay the loan is 1,372,666.4 HRK. Total profit of hotel on the year level is 12,535,760.66 HRK, and is used as a base to calculate whether the projected profit is sufficient to repay the loan over a project period of 20 to 25 years. The financial resources required for the three months of operations of designed hotel amounts to 155,937,636.18 HRK. Within 20 years it should repay the entire investment. The amount of the monthly installments of required loan include rate loan of 5%, fee for loan 0.6% and 1% of deposit. Monthly loan would be 1,029,119.37 HRK which is sufficient to finance the hotel fully with the loan, and without requiring the entry of a foreign investor. Growth rates could endanger the servicing of loans, and fixed rate is established with the contract. In the calculation of income are not included revenues from organizing events (events, weddings, etc.), which ultimately allows the repayment of loans with its increased interest.

Despite the profitability of the investment is necessary to emphasize that the hoteliers in the Republic of Croatia for such large investments face a lack of access to financial resources. Banks do not realize the loans in such amounts from the deposit of 1%, as in the example or no mortgage on the property.

Annual income of designed hotel would, therefore, amount (with included loan) 186,328.22 HRK. To this amount should also include the corporate income tax in the amount of 20%, which ultimately leads to get a hotel from 149,062.58 HRK.

Designed hotel has been compared with a hotel of similar characteristics within the hotel chain Accor. The goal is to obtain knowledge about the segment, hotel should increase competition in order to increase the efficiency of investment. In comparison, the hotel of Accor group with designed hotel is not taken into account the shape of the hotel property. Most hotels in the Accor group are in France (1,398). The comparative data of employees and training data are taken for the 450 hotels that are owned and in fixed leases. In other countries in Europe Accor has 880 hotels, of which 497 are owned or in fixed leases. According to data from 2010 the Accor has in its portfolio 4164 hotels spread among 15 hotel brands from high class hotels to budget class (Sofitel Luxury Hotels, Lenotre, high category: Pullman, Mercure Gran, Thalassa, Moderate Novotel, Mercure, Adagio, Ibis economic category, All Seasons, a low-budget category (1*): Etap, Formule 1, Studio 6). Imaginary designed hotel should compete middleweight hotels of Accor hotel chain, or a high level of individual hotels. Hotels are part of Accor group and they operate through five forms of property (franchises, property, fixed rent, variable lease, management). The comparison would be more relevant if they take into account the individual results of individual hotels within the Accor's. Research provides the following data:

- Degree of room occupancy in designed hotel on the projected level of the year was 41.25%, and oft he eight months period was 61.93%. Occupancy rate in the European hotel group Accor in the end of 2009 was an average of 61.5% in the medium and high category, and 65.3% in the low-budget category.
- The annual average room rate in the projected hotel is 91.56 euros, and at level of eight months period is 137 euros. Hotels from hotel chain Accor on the European market achieve € 96 of average revenue per completed room in the hotels of middle and high category in which designed hotel is included.
- RevPAR of designed hotel is within 12 months of business - 37.76 euros; for 12 months of business with a projected occupancy - 43.95 euros; through eight months of business - 84.84 euros. RevPAR for the hotels of middle and high

category in hotel chain Accor, average is 57 euros and is measurable with the equivalent of which is projected at 43.5 euros.

- EBITDAR as an indicator of revenues over expenditures is the highest in hotels that operate in ownership of Accor. About 1.5 billion euros of hotel chain Accor are rental costs, reconstruction, and depreciation. Profit before tax for each hotel within the Accor was in average, in 2009, 109,268 euros (804,482.7 HRK). Profit before taxation of designed hotel is 186,328.22 HRK.
- The ratio of revenue per room in relation to the income of the hotel of Accor group is 0.82%, and in designed hotel 0.99%.
- Loan funds needed for the construction of hotels and operating supplies for three months of business in designed hotel is 155.9 million HRK, or per one room is 1.56 million HRK (about 200,000 euros). The hotel is entirely funded by loan, and will repay the loan over the next 20 years. Comparative hotel chain Accor has a loan line of 2,030 million Euros (14.9 billion HRK), or 3.6 million HRK per hotel. From this comparison is to be taken the fact that the hotels from Accor group are partly financed from their own funds. If it was assumed that the designed hotel is partly financed by investors, with the amount of 135 million HRK and partly by loan, the ratio loan-to-income for the designed hotel would be on the level of a hotel from Accor group. In order to reach this height line of loan loan repayment period is 18 years.
  Accor - loan per hotel: 15,996,573.87 HRK; per room 141,562.60 HRK.
  Designed hotel – loan: 155,937,636.18 HRK; per room 1,559,376.38 HRK.
  Data for the new hotel are designed much bigger in terms of loan lines for any room or per m2. Loan lines within the group are used for new acquisitions or renovating existing so they can not be compared with the observed hotel. Interest on loan lines Accor's range from 4.1 to 6.45%, while the projected hotel rate of 5% upper limit of profitability of investment project loan amount.
- According to the calculation of the total number of employees (48 582) and the total number of rooms (111 262) in the group Accor are employed 0.43 workers per room (51.3 employed / in hotel). In the designed hotel will be employed per room 0.91 active as compared with a group which is compared with the group Accor unsatisfactory.

The analysis indicates that the designed hotel could be competitive on the European market. The main attributes are its positioning in the Mediterranean (the most important tourist region of the world), in the western part of Istria (the most visited tourist Croatian most visited tourist region), hence the location, climate and other advantages.

Designed hotel is located near the main outbound tourist centers, "drive-in" destination, but due to the increasing interest in low-cost airline to Pula airport can become and flight destinations. Accommodation in the most important Croatian tourist region reduces business risk and increases the possibility of hotel profitability hotel. Compared with similar hotel facilities in the major cities of Europe is less apparent profitability of investments. Such a comparison, however, is not realistic because of the different deals in town centers and higher occupancy, but may be an indicator of how geographic location affects the running of the hotel. Given that the hotel guests come mostly from Central Europe, geographic diversity is an attribute of attractiveness of hotels and destinations.

CONCLUSION

Efficiency of investment in new hotel facilities in the Republic of Croatia is lower than similar hotels in developed European destinations. In the Republic of Croatia there is a lack of hotel chains that would with its architectural appearance identify and with their effectiveness compete in the demanding environment of the tourist market. The advantage of association is reflected in increasing the efficiency and profitability of the hotel. Therefore, the purpose of better positioning of Croatian hotels on the tourist market is a need of structuring hotel chain, which in its composition have hotels located on the Adriatic coast, traditional buildings of approximately the same size, with 4 and 5 star hotels, menus, which would promote regional cuisine and destinations in which they are situated, the prescribed internal standards of operations, responsible community, which would promote tourism in the region and the Croatian general. This hotel chain would contribute to the building of the Croatian hotel brand and ultimately increase the efficiency of hotel facilities in the Republic of Croatia.

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