

UK CHAIN HOTELS MARKET REVIEW December 2011

London hoteliers record a 4.7% increase in profit per room in 2011

A difficult end to the year has not stopped hoteliers in London recording a second consecutive year of profitability growth, according to the latest HotStats survey of approximately 550 full-service hotels across the UK by TRI Hospitality Consulting.

The 4.7% increase in profit per room in the capital in 2011 was primarily due to a 6.1% increase in Revenue per Available Room (RevPAR), which was led by a 7.0% increase in the achieved average room rate for London hotels to £131.03 from £122.45 during the same period in 2010.

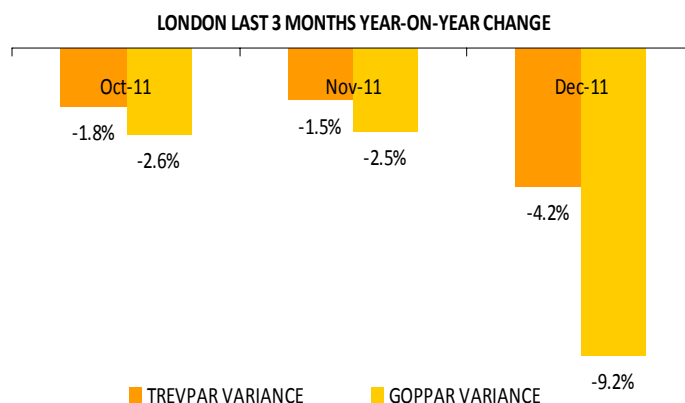
“Despite a challenging economic backdrop, London hotels have again outperformed expectations by showing profit growth in 2011. While the profit growth was more moderate than in 2010, it shows that hotels can buck the economic trends,” said Jonathan Langston, managing director of TRI Hospitality Consulting.

The 13.9% increase in profitability levels achieved in 2010 was always going to be a hard act to follow, but London hoteliers have managed to exceed expectations, primarily due to a strong period of operation during the second quarter of the year.

However, the annual increase for hotels in the capital was tainted by the 9.2% decline in profit per room in the city in December, which represented the third consecutive month of year-on-year profit decline for London hoteliers in 2011 and was the greatest monthly year-on-year drop in this measure for hotels in the capital since August 2009.

Furthermore, hotels in the capital have struggled to increase ancillary spends during 2011 with declines suffered in food and beverage (-5.5%) and meeting room hire revenue (-4.2%) per available room. As a result, Total Revenue per Available Room (TrevPAR) in the city increased by just 3.8% to £145.58 from £140.25 in 2010.

“Following a strong start to the year, London hotels limped to the finish line with a 4.6% decline in profitability recorded in the fourth quarter of 2011. And whilst industry commentators will continue to speculate about the forecasted performance for London hotels during 2012, it is increasingly evident that the loss of demand due to postponed and cancelled business and regular visitors to the city choosing an alternative destination, will be offset by the considerable demand created by major events in the capital throughout the year, including the Queen’s Jubilee, the Farnborough Air Show, and of course the Olympics,” said Langston.



HotStats London Main KPIs

| LONDON | Dec '11 | | | Var b/w | YTD '11 | | | YTD '10 | Var b/w |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Dec '11 | Dec '10 | Var b/w | | YTD '11 | YTD '10 | Var b/w | | |
| Occ % | 73.3 | 76.2 | -2.9 | ▼ | 81.4 | 82.1 | -0.7 | ▼ | |
| ARR | 125.77 | 125.60 | 0.1% | ▲ | 131.03 | 122.45 | 7.0% | ▲ | |
| RevPAR | 92.17 | 95.67 | -3.7% | ▼ | 106.71 | 100.54 | 6.1% | ▲ | |
| TrevPAR | 134.59 | 140.44 | -4.2% | ▼ | 145.58 | 140.25 | 3.8% | ▲ | |
| Payroll % | 25.9 | 25.3 | -0.6 | ▼ | 23.9 | 24.2 | 0.3 | ▲ | |
| GOP PAR | 62.95 | 69.32 | -9.2% | ▼ | 70.13 | 67.01 | 4.7% | ▲ | |

Provincial hoteliers suffer a fourth successive year of profit decline

Whilst growth in both occupancy and average room rate contributed to a 1.5% increase in RevPAR, overall profit per room for Provincial hoteliers declined by 3.2% during 2011, according to the latest HotStats survey of approximately 550 full-service hotels across the UK.

Provincial hoteliers faced a number of challenges in 2011, which began with the country blanketed in snow and were sustained by the economic uncertainty which has shrouded the UK for much of the year.

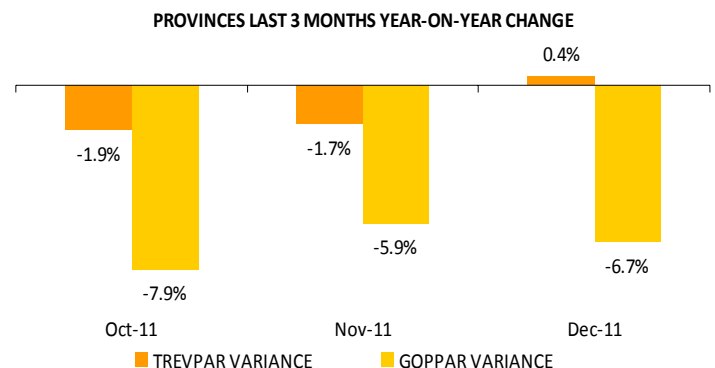
“The hangover from ‘The Big Freeze’ in December 2010 and the fresh snowfall in February 2011 meant that Provincial hoteliers failed to get started this year. And with the timing of the Royal Wedding and the Easter break there was little chance for them to create any sort of momentum,” said Langston.

As a result of a 0.7 percentage point increase in room occupancy, to 69.6%, and a 0.6% increase in achieved average room rate, Provincial hoteliers were once again able to achieve an increase in RevPAR levels in 2011. But for the second consecutive year, the growth in achieved average room rate was primarily due to increases in the Best Available Rate (+2.8%), leisure (+0.2%) and group (+2.6%) segments, with further declines suffered in the corporate (-0.3%) and conference (-1.7%) segments, highlighting the challenges which remain in the commercial sector.

The unique HotStats survey by TRI Hospitality Consulting revealed the growth in RevPAR shields a static TrevPAR performance reflecting declines in ancillary departments over the last 12 months, such as leisure (-2.3%) and meeting room hire revenue (-5.6%) per available room. TrevPAR has remained flat at £90.35, compared with £90.13 in 2010.

As a consequence, during the same period, increasing costs have hampered profitability levels at hotels in the Provincial UK, exemplified by a 0.3 percentage point increase in payroll levels to 32.2% of total revenue. Further cost increases for the year were suffered in property and maintenance (+3.8%) and sales and marketing direct expenses, which increased by 6.9% to £3.10 from £2.90 per available room during the same period in 2010.

“Despite the overall decline in headline performance levels across the Provinces, there continues to be some good news in primary locations such as Manchester, Brighton and Edinburgh, which all finished the year with positive results. Whilst Provincial hoteliers will continue to face challenges, it is hoped that 2012 will provide the opportunity to recover some lost ground,” added Langston.



HotStats Provinces Main KPIs

| PROVINCES | Dec '11 | Dec '10 | Var b/w | | YTD '11 | YTD '10 | Var b/w | |
|------------------|--------------|---------|---------|-----|---------|---------|---------|-----|
| | Occ % | 57.4 | 56.4 | 1.0 | ▲ | 69.6 | 68.9 | 0.7 |
| ARR | 65.33 | 66.94 | -2.4% | ▼ | 68.40 | 68.01 | 0.6% | ▲ |
| RevPAR | 37.48 | 37.77 | -0.8% | ▼ | 47.61 | 46.88 | 1.5% | ▲ |
| TrevPAR | 88.02 | 87.70 | 0.4% | ▲ | 90.35 | 90.13 | 0.2% | ▲ |
| Payroll % | 31.7 | 31.8 | 0.1 | ▲ | 32.2 | 31.9 | -0.3 | ▼ |
| GOP PAR | 24.34 | 26.10 | -6.7% | ▼ | 26.85 | 27.73 | -3.2% | ▼ |

Editors Notes:

The UK Chain Hotels sample is composed of 551 hotels with an average hotel size of 182 bedrooms. 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 three and four-star sectors.

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.

| | |
|--------------------------------|--|
| 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. |

TRI Hospitality Consulting provides a wide range of services to clients in the hotel sector. It has offices in London, Dubai and Barcelona.

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HotStats Briefing Data

UK Chain Hotels - Performance report
Currency: £ Sterling

| | The month of December 2011 | | | The Calendar year to December 2011 | | | The twelve months to December 2011 | | | |
|------------------|----------------------------|---------|---------|------------------------------------|---------|---------|------------------------------------|-------------|---------|-------|
| | Dec '11 | Dec '10 | Var b/w | YTD '11 | YTD '10 | Var b/w | Rolling '11 | Rolling '10 | Var b/w | |
| TOTAL UK | Occ % | 63.1 | 63.6 | -0.5 | 73.8 | 73.6 | 0.2 | 73.8 | 73.6 | 0.2 |
| | ARR | 90.68 | 92.46 | -1.9% | 93.08 | 89.69 | 3.8% | 93.08 | 89.69 | 3.8% |
| | RevPAR | 57.25 | 58.80 | -2.7% | 68.72 | 66.04 | 4.1% | 68.72 | 66.04 | 4.1% |
| | TrevPAR | 104.85 | 106.86 | -1.9% | 110.08 | 108.03 | 1.9% | 110.08 | 108.03 | 1.9% |
| | Payroll % | 29.0 | 28.7 | -0.3 | 28.3 | 28.3 | 0.0 | 28.3 | 28.3 | 0.0 |
| | GOP PAR | 38.29 | 41.80 | -8.4% | 42.31 | 41.76 | 1.3% | 42.31 | 41.76 | 1.3% |
| LONDON | Occ % | 73.3 | 76.2 | -2.9 | 81.4 | 82.1 | -0.7 | 81.4 | 82.1 | -0.7 |
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| | RevPAR | 37.48 | 37.77 | -0.8% | 47.61 | 46.88 | 1.5% | 47.61 | 46.88 | 1.5% |
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| | GOP PAR | 24.34 | 26.10 | -6.7% | 26.85 | 27.73 | -3.2% | 26.85 | 27.73 | -3.2% |