



## **UK Chain Hotels Market Review – April 2007**

### **Rate increases hit occupancy**

A focus on room rates by chain hotels in the UK during April has caused occupancy to drop, according to the latest HotStats survey from TRI Hospitality Consulting.

The month of April 2007 saw occupancy in London dip below 80 per cent, hitting 79.7 per cent, compared to the same month a year earlier when it was 81.8 per cent.

Similarly, occupancy in the provinces was down by 2.3 points to reach 67.8 per cent, taking it below 70 per cent.

“The drop in occupancy is not alarming in the context of one month alone but it demonstrates that the strong room rate increases being pushed through by hoteliers, particularly in London, may be meeting resistance among guests,” said Jonathan Langston, managing director of TRI Hospitality Consulting.

Room rates in London were up a strong 17.5 per cent, taking them through the £100 barrier to hit £106.41. In the provinces the increase was more subdued, up 2.8 per cent to reach £69.75.

The combined effects of rate and occupancy movement left London with an impressive 14.1 per cent increase in revenue per available room to £84.78 but in the provinces it dropped by 1.3 per cent to £47.28.

“A small drop in occupancy will not concern London hoteliers given the robust rate performance. Outside of the UK capital, however, April was a more challenging month,” said Langston.

### **Year-to-date figures buoyant in London**

The first four months of 2007 show that London hotels enjoyed a 13.0 per cent increase in revpar to £83.21, thanks entirely to rising room rates which were up 13.5 per cent. Occupancy dipped slightly, down 0.3 points.

Revpar in the provinces was much more subdued but still keeping just ahead of the rate of inflation with a 3.2 per cent increase to £46.53. The increase was again driven by improved rates.

“If London is once again to defy expectations and deliver a double digit increase in revpar in 2007, hoteliers will have to work hard maintaining occupancy as they push up rates,” said Langston.

Visitor arrivals into the UK for the three months to the end of March were up three per cent in the official statistics from the UK Government. The main rise came from the recent 12 new entrants to the EU which delivered a 25 per cent increase in visitors.

By contrast, visitors from North America dropped by seven per cent to reach 750,000. This is only 70,000 ahead of the number of visitors from the 12 new EU entrants and much below the 3.9 million visitors that come from the other 14 EU countries. Visitors from countries outside of the EU and North America numbered 770,000.

Despite the fall in high spending North American visitors, overall spending by overseas visitors was up three per cent to hit £2.835bn.

The trade organisation for the inbound tourism industry, UKinbound, found in its monthly Business Barometer that visitor arrivals were up 5.2 per cent in March, year-on-year. Forward bookings were up 2.1 per cent.

UKinbound commented that March proved better than expected and noted that growth came predominately from within the EU thanks to the strength of the euro. These EU source markets typically prefer low-cost, short-stay, city breaks, added UKinbound.

BAA, the operator of seven UK airports including Heathrow and Gatwick, suffered a 1.6 per cent fall in traffic volumes during April. North Atlantic traffic was down 2.1 per cent while European scheduled traffic was up 0.1 per cent.

“The weakness of the US dollar is changing the type of leisure guests arriving in UK hotels. Most chain hotels, however, attract the bulk of their custom from business travellers and the absence of North American tourists will not be felt until the summer months,” said Langston.

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# HotStats Briefing Data

## UK Chain Hotels - performance report

### The Month of April 2007

<b>UK TOTAL HOTELS</b>		<b>2007</b>	2006	Movement
Occupancy	%	72.0	74.6	-2.6 points
Room rate	£	84.26	76.64	9.9%
Room Revpar	£	60.71	57.17	6.2%
Total Revpar	£	2,962	2,873	3.1%

<b>LONDON HOTELS</b>		<b>2007</b>	2006	Movement
Occupancy	%	79.7	82.0	-2.3 points
Room rate	£	106.41	90.59	17.5%
Room Revpar	£	84.78	74.29	14.1%
Total Revpar	£	3,533	3,201	10.4%

<b>UK PROVINCIAL HOTELS</b>		<b>2007</b>	2006	Movement
Occupancy	%	67.8	70.6	-2.8 points
Room rate	£	69.75	67.87	2.8%
Room Revpar	£	47.28	47.91	-1.3%
Total Revpar	£	2,642	2,697	-2.0%

#### EDITORS NOTES:

The UK Chain Hotels sample is comprised of 487 hotels with an average hotel size of 170 bedrooms. These hotels operate primarily in the three and four star sectors.

TRI Hospitality Consulting provides a wide range of services to clients in the hotels, tourism and leisure sectors. It has offices in London and Dubai.

#### Definitions:

**Occupancy** is that proportion of the bedrooms available during the period which are occupied during the period.

**Room rate** is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

**Room Revpar** is the total bedroom revenue for the period divided by the total available rooms during the period.

**Total Revpar** is the combined total of all hotel revenues divided by the total fixed bedroom stock.

**Data Sample** TRI update the above data samples each year to reflect the changes in the HotStats survey, therefore this report will not match that of the published release data of last year's monthly report necessarily.

# HotStats Briefing Data

UK Chain Hotels - performance report

## The Four Months to April 2007

<b>UK TOTAL HOTELS</b>		<b>2007</b>	2006	Movement
Occupancy	%	70.5	70.7	-0.2 points
Room rate	£	84.38	77.93	8.3%
Room Revpar	£	59.47	55.08	8.0%
Total Revpar	£	12,328	11,408	8.1%

<b>LONDON HOTELS</b>		<b>2007</b>	2006	Movement
Occupancy	%	78.4	78.7	-0.3 points
Room rate	£	106.16	93.56	13.5%
Room Revpar	£	83.21	73.64	13.0%
Total Revpar	£	14,612	13,089	11.6%

<b>UK PROVINCIAL HOTELS</b>		<b>2007</b>	2006	Movement
Occupancy	%	66.2	66.4	-0.2 points
Room rate	£	70.32	67.95	3.5%
Room Revpar	£	46.53	45.09	3.2%
Total Revpar	£	11,049	10,502	5.2%

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