

UK Chain Hotels Market Review – May 2008

Occupancy steady but overall profit dips

UK chain hotels recorded an overall drop in profit during May despite average occupancy holding steady, according to the latest HotStats survey from TRI Hospitality Consulting.

Average daily income before fixed charges (IBFC) – also known as gross operating profit – dropped by 1.5 per cent to £46.27 per available room, yet there was no year-on-year change in average occupancy which remained at 76.7 per cent.

The drop in profit was the result of relatively weak rate, and consequently, revpar growth of 2.3 per cent. On average, however, room sales account for less than two thirds of the total sales of a UK full-service hotel. Our unique HotStats service looks beyond just revpar to focus on total sales and profit, thereby providing a full understanding of hotel market performance.

Due to the increasing cost of sales of food & beverage and other non-rooms departments, total sales growth, at 1.8 per cent, was even lower than room sales growth.

“Although increasing, neither room nor total sales growth is keeping pace with the rate of inflation. Hoteliers are also struggling with rising costs and flat or stagnating occupancy, so the pressure on profitability is inevitable,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

Inflation, as measured by the Consumer Prices Index, increased from three per cent in April to 3.3 per cent in May, above the Government’s target range. The largest upward pressure resulted from the rising prices of meat, vegetables and non-alcoholic drinks.

London profit grows by two per cent

The London hotels in the survey, however, reported an increase in average occupancy of 1.4 per cent to 82.9 per cent. Yet despite the extremely high absolute occupancies in the capital, profit growth was modest with daily IBFC increasing by two per cent to £65.95 per available room.

“Demand for branded full-service accommodation in London remained extremely strong in May. Hoteliers were therefore still able to increase achieved average room rates, but the more competitive environment that now exists is reflected in how growth has moderated compared with previous years,” said Langston.

Achieved average room rate in London increased by 3.7 per cent this May compared to the 10.7 per cent year-on-year growth last May, and 6.9 per cent a year earlier.



The data from the provinces reveals a starker picture with a dip in occupancy and revpar contributing to a 4.7 per cent decline in daily IBFC to £36.16 per available room.

Looking back in time, the moderation in provincial average room rate growth is also notable: 0.5 per cent growth this May compared to 2.7 per cent year-on-year growth recorded last May, and 3.6 per cent growth a year earlier.

Overseas visitor spend drops

In the three months to April there was no change in the total number of overseas visitors to the UK, although the amount they spent while here declined by two per cent to £3.31 billion, according to official Government figures.

The number of visitors originating from North America dropped by two per cent to 870,000. At 5.77 million, there was no change in the number of visitors from Europe, while visitors from the rest of the world were up by five per cent to 860,000.

BAA, the operator of seven UK airports including Gatwick and Heathrow, reported a 0.5 per cent drop in passenger traffic during May. BAA said that the marginal decrease was due to a 5.3 per cent fall in UK domestic passengers and 2.5 per cent decrease in European Charter passengers.

Other key markets recorded modest increased with European scheduled passenger numbers up by 0.9 per cent, North Atlantic passengers by 0.5 per cent and other long haul passengers up by 1.2 per cent.

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HotStats Briefing Data

UK Chain Hotels - performance report

The Month of May 2008

UK TOTAL HOTELS		2008	2007	Movement
Occupancy	%	76.7	76.7	0 points
Room rate	£	89.73	87.68	2.3%
Room Revpar	£	68.84	67.27	2.3%
Total Revpar	£	3,547	3,486	1.8%
IBFC PAR	£	46.27	46.99	-1.5%
Payroll	%	28.1	27.0	1.1 points

LONDON HOTELS		2008	2007	Movement
Occupancy	%	82.9	81.6	1.4 points
Room rate	£	117.95	113.79	3.7%
Room Revpar	£	97.82	92.82	5.4%
Total Revpar	£	4,222	4,046	4.3%
IBFC PAR	£	65.95	64.65	2.0%
Payroll	%	24.7	23.2	1.5 points

UK PROVINCIAL HOTELS		2008	2007	Movement
Occupancy	%	73.5	74.2	-0.7 points
Room rate	£	73.38	73.03	0.5%
Room Revpar	£	53.95	54.21	-0.5%
Total Revpar	£	3,196	3,195	0.0%
IBFC PAR	£	36.16	37.96	-4.7%
Payroll	%	30.5	29.5	1 points

EDITORS NOTES:

The UK Chain Hotels sample is composed of 513 hotels with an average hotel size of 177 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.

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.

Payroll % is the payroll for all hotels in the sample as a percentage of total revenue.

IBFC PAR is the Income Before Fixed Charges for the period divided by the total available rooms during the period

Data Sample TRI amend 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 years monthly report because the data is based on differing hotel sample

HotStats Briefing Data

UK Chain Hotels - performance report

The Five Months to May 2008

UK TOTAL HOTELS		2008	2007	Movement
Occupancy	%	72.1	71.9	0.2 points
Room rate	£	88.33	85.29	3.6%
Room Revpar	£	63.71	61.34	3.8%
Total Revpar	£	16,312	15,631	4.4%
IBFC PAR	£	39.16	38.37	2.1%
Payroll	%	30.1	30.0	0.1 points

LONDON HOTELS		2008	2007	Movement
Occupancy	%	79.4	78.4	1 points
Room rate	£	114.08	108.22	5.4%
Room Revpar	£	90.58	84.87	6.7%
Total Revpar	£	19,844	18,580	6.8%
IBFC PAR	£	58.75	55.29	6.3%
Payroll	%	26.1	26.1	0 points

UK PROVINCIAL HOTELS		2008	2007	Movement
Occupancy	%	68.3	68.5	-0.2 points
Room rate	£	72.80	71.60	1.7%
Room Revpar	£	49.75	49.08	1.4%
Total Revpar	£	14,472	14,099	2.6%
IBFC PAR	£	28.98	29.54	-1.9%
Payroll	%	33.0	32.6	0.4 points

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