

UK Chain Hotels Market Review – March 2008

Early Easter contributes to drops in occupancy and profit

UK Chain hotels recorded an overall drop in occupancy and profit in the first quarter of 2008, according to the latest HotStats survey by TRI Hospitality Consulting.

The sample of 520 properties is dominated by business hotels and the performance data was affected by Easter arriving in March this year compared to April in 2007.

“Although some chain hoteliers enjoy an increase in leisure demand during Easter, it tends not to compensate for the losses in rate and volume from the corporate market,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

Despite growth in January and February, the early Easter has caused overall declines in the first quarter figures for provincial hotels. Daily income before fixed charges (IBFC) fell by 8.8 per cent to £25.10 per available room in the first quarter. A 1.6 point drop in average occupancy to 65.1 per cent and weak rate growth resulted in revpar down by 1.3 per cent to £46.93.

A few city markets bucked the overall trend of lower demand for branded hotel accommodation in the first quarter. In Leeds, occupancy rose by three percentage points to 71 per cent, in Sheffield by 3.2 points to 68.3 per cent and in Cambridge by 1.8 points to 69.6 per cent.

London three-star hotels are the most resilient

In London, the year-to-date trend is much more resilient with occupancy levels holding up and average achieved room rate increasing by 4.5 per cent to £111.50. This resulted in room revpar growth of 4.3 per cent to £85.94 over the three month period, and IBFC up by 1.7 per cent to £54.28 per available room.

Within the full-service sample, three-star London hotels appear to be performing much better than their four and five-star counterparts. With the same revpar growth trend continuing smoothly through March the three-star London market did not seem to be adversely affected by either the Easter break or the economic slowdown.

“Although we note some weakening in hotel performance due to the slowing economy, the latest figures have been distorted by the early Easter break. We will need to wait to the end of April to gain a truly accurate picture. Ignoring the holiday period, the first two months of 2008 showed a revpar increase of seven per cent in London and 1.6 per cent in the provinces. Going forward, we expect the growth trends to stay around these levels,” said Langston.



Sharp increase in long-haul visitors

In the three months to February, total overseas visitors to the UK increased by six per cent to 7.3 million. The numbers from North America dropped by two percent to 800,000 and visitors from Europe rose by five per cent to 5.46 million. The increase in long-haul arrivals from the rest of the world was particularly strong, rising by 17 per cent to 1.05 million.

BAA, the operator of seven UK airports including Heathrow and Gatwick, recorded a total of 12 million passengers in March, an increase of 1.2 per cent on the same month a year earlier.

Because most school holidays fall in April BAA said the figures were not affected by the earlier Easter holiday. However a number of cancellations due to severe crosswinds and the chaos surrounding the opening of Terminal 5 on 27 March influenced the relatively weak growth.

North Atlantic services carried 0.8 per cent more passengers, other long haul routes recorded an increase of 1.9 per cent and European scheduled traffic was up by three per cent. Domestic traffic saw a six per cent drop in comparison with March last year.

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HotStats Briefing Data

UK Chain Hotels - performance report

The Month of March 2008

UK TOTAL HOTELS		2008	2007	Movement
Occupancy	%	72.3	74.5	-2.2 points
Room rate	£	86.32	86.55	-0.3%
Room Revpar	£	62.43	64.51	-3.2%
Total Revpar	£	3,367	3,527	-4.5%
IBFC PAR	£	38.97	44.89	-13.2%
Payroll	%	30.0	28.2	1.7 points

LONDON HOTELS		2008	2007	Movement
Occupancy	%	80.5	81.2	-0.7 points
Room rate	£	109.71	108.88	0.8%
Room Revpar	£	88.27	88.36	-0.1%
Total Revpar	£	4,116	4,243	-3.0%
IBFC PAR	£	57.69	62.21	-7.3%
Payroll	%	26.1	25.0	1.1 points

UK PROVINCIAL HOTELS		2008	2007	Movement
Occupancy	%	68.0	71.0	-3 points
Room rate	£	71.56	72.82	-1.7%
Room Revpar	£	48.65	51.68	-5.9%
Total Revpar	£	2,975	3,154	-5.7%
IBFC PAR	£	28.99	35.57	-18.5%
Payroll	%	32.8	30.5	2.3 points

EDITORS NOTES:

The UK Chain Hotels sample is composed of 520 hotels with an average hotel size of 175 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 Three Months to March 2008

UK TOTAL HOTELS		2008	2007	Movement
Occupancy	%	69.2	70.3	-1.1 points
Room rate	£	87.18	84.75	2.9%
Room Revpar	£	60.32	59.58	1.2%
Total Revpar	£	9,330	9,216	1.2%
IBFC PAR	£	35.12	36.46	-3.7%
Payroll	%	31.3	30.6	0.7 points

LONDON HOTELS		2008	2007	Movement
Occupancy	%	77.1	77.3	-0.2 points
Room rate	£	111.50	106.66	4.5%
Room Revpar	£	85.94	82.41	4.3%
Total Revpar	£	11,424	11,054	3.3%
IBFC PAR	£	54.28	53.37	1.7%
Payroll	%	26.9	26.7	0.2 points

UK PROVINCIAL HOTELS		2008	2007	Movement
Occupancy	%	65.1	66.6	-1.6 points
Room rate	£	72.12	71.34	1.1%
Room Revpar	£	46.93	47.53	-1.3%
Total Revpar	£	8,233	8,257	-0.3%
IBFC PAR	£	25.10	27.52	-8.8%
Payroll	%	34.5	33.4	1.1 points

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