

UK Chain Hotels Market Review – August 2008

Provincial profit down by 3.7 per cent

Profitability dropped at provincial UK chain hotels during August, according to the latest HotStats survey from TRI Hospitality Consulting.

Daily income before fixed charges (IBFC) – also known as gross operating profit – declined by 3.7 per cent to an average annualised figure of £28.42 per available room compared to the same month a year earlier. Lower profit was caused by a drop in demand and weak average rate growth of 0.5 per cent to £69.55, resulting in total sales down by 2.4 per cent.

“Even in August business demand remains crucial for branded chain hotels, which reported a significant year-on-year reduction in corporate and conference room lets. With British families taking fewer short breaks too, leisure demand was never going to compensate for the revenue shortfall,” said David Bailey, deputy managing director, TRI Hospitality Consulting.

There were some regional bright spots, however, with average occupancy increasing by 7.2 percentage points to 73.1 per cent in Liverpool thanks to the Capital of Culture events, which included an international Beatles festival and youth football tournament. Average occupancy edged up in Newcastle by 1 percentage point to 80.1 per cent, but in other major UK cities the occupancy trend was negative.

London growth holds steady

After the boost provided by the Farnborough Air show in July, the London market returned to the more moderate year-on-year growth levels reported in May and June. Daily IBFC increased by 2.1 per cent to £49.69 per available room, driven by a 5.2 per cent increase in achieved average room rate to £105.89.

“Changes in global financial markets are becoming increasingly volatile and dramatic. Given London’s maximum exposure to such events, hotel performance has remained remarkably steady over recent months. Although down on last year, average rate growth is still ahead of 2005 and 2006 levels,” said Bailey.

In the 8 months to the August 2008, achieved average room rate in London increased by 6.7 per cent year-on-year, compared to 10.5 per cent growth in 2007, 6.1 per cent in 2006 and 3.8 per cent in 2005.



Overseas spend increases

In the three months to July 2008 there were 9 million overseas visitors to the UK, according to the latest International Passenger Survey, representing no change on the same period a year earlier. Visitors from North America dropped by 9 per cent to 1.35 million, while those from Europe increased by 1 per cent to 6.28 million. Visitors from the rest of the world increased by 5 per cent to 1.36 million. Expenditure by overseas visitors increased by 3 per cent to £4.57 million for the three-month period.

Looking at more recent data for August, BAA, the operator of seven UK airports including Gatwick and Heathrow, handled a total of 14.9 million passengers in August, a year-on-year drop of 1.7 per cent. BAA reported an increase in North Atlantic long haul traffic (+1.3 per cent) versus stagnation in European activity (-1.0 per cent) and in domestic traffic (-6.5 per cent). The August results mirror the year-to-date trend and BAA commented that in light of the toughening economic backdrop, the reduction in passenger volumes so far could be seen as modest.

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HotStats Briefing Data

UK Chain Hotels - performance report

The Month of August 2008

| UK TOTAL HOTELS | | 2008 | 2007 | Movement |
|------------------------|---|-------------|-------|-------------|
| Occupancy | % | 76.6 | 77.8 | -1.2 points |
| Room rate | £ | 83.60 | 81.19 | 3.0% |
| Room Revpar | £ | 64.00 | 63.15 | 1.3% |
| Total Revpar | £ | 3,118 | 3,126 | -0.3% |
| IBFC PAR | £ | 35.85 | 36.15 | -0.8% |
| Payroll | % | 31.1 | 31.0 | 0.1 points |

| LONDON HOTELS | | 2008 | 2007 | Movement |
|----------------------|---|-------------|--------|-------------|
| Occupancy | % | 84.8 | 85.5 | -0.8 points |
| Room rate | £ | 105.89 | 100.67 | 5.2% |
| Room Revpar | £ | 89.75 | 86.10 | 4.2% |
| Total Revpar | £ | 3,572 | 3,465 | 3.1% |
| IBFC PAR | £ | 49.69 | 48.67 | 2.1% |
| Payroll | % | 27.9 | 27.8 | 0.1 points |

| UK PROVINCIAL HOTELS | | 2008 | 2007 | Movement |
|-----------------------------|---|-------------|-------|-------------|
| Occupancy | % | 72.2 | 73.7 | -1.5 points |
| Room rate | £ | 69.55 | 69.23 | 0.5% |
| Room Revpar | £ | 50.19 | 51.01 | -1.6% |
| Total Revpar | £ | 2,871 | 2,942 | -2.4% |
| IBFC PAR | £ | 28.42 | 29.52 | -3.7% |
| Payroll | % | 33.2 | 33.0 | 0.2 points |

EDITORS NOTES:

The UK Chain Hotels sample is composed of 508 hotels with an average hotel size of 178 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 hotel sector. 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 a differing hotel sample

HotStats Briefing Data

UK Chain Hotels - performance report

The Eight Months to August 2008

| UK TOTAL HOTELS | | 2008 | 2007 | Movement |
|-----------------|---|--------|--------|-------------|
| Occupancy | % | 74.5 | 74.9 | -0.4 points |
| Room rate | £ | 89.77 | 86.23 | 4.1% |
| Room Revpar | £ | 66.92 | 64.60 | 3.6% |
| Total Revpar | £ | 27,022 | 26,207 | 3.1% |
| IBFC PAR | £ | 42.19 | 41.52 | 1.6% |
| Payroll | % | 29.2 | 29.2 | 0 points |

| LONDON HOTELS | | 2008 | 2007 | Movement |
|---------------|---|--------|--------|-------------|
| Occupancy | % | 81.9 | 81.6 | 0.3 points |
| Room rate | £ | 116.74 | 109.38 | 6.7% |
| Room Revpar | £ | 95.60 | 89.23 | 7.1% |
| Total Revpar | £ | 32,700 | 30,807 | 6.1% |
| IBFC PAR | £ | 62.33 | 58.38 | 6.8% |
| Payroll | % | 25.2 | 25.5 | -0.3 points |

| UK PROVINCIAL HOTELS | | 2008 | 2007 | Movement |
|----------------------|---|--------|--------|-------------|
| Occupancy | % | 70.6 | 71.3 | -0.7 points |
| Room rate | £ | 72.88 | 71.85 | 1.4% |
| Room Revpar | £ | 51.44 | 51.23 | 0.4% |
| Total Revpar | £ | 23,933 | 23,711 | 0.9% |
| IBFC PAR | £ | 31.33 | 32.36 | -3.2% |
| Payroll | % | 32.2 | 31.8 | 0.4 points |

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