

UK CHAIN HOTELS MARKET REVIEW OCTOBER 2010

Growth in RevPAR hides the pain in the Provinces

A growth in rooms revenue masked the reality of hotels in the Provinces suffering the biggest drop in year-on-year profitability levels since January 2010, according to the latest HotStats survey from TRI Hospitality Consulting.

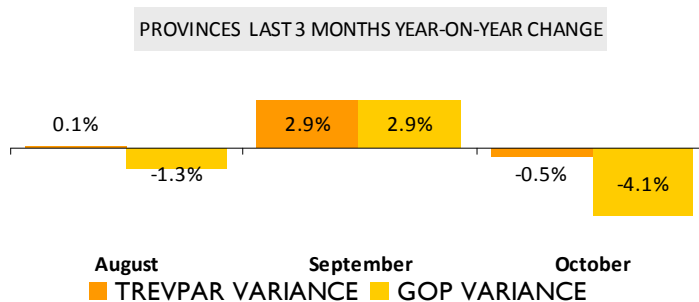
Despite a 1.6% increase in Revenue per Available Room (RevPAR) to £51.60 from £50.77, the unique insight from TRI's HotStats survey revealed that Gross Operating Profit per Available Room (GOPPAR) actually fell back by 4.1% for Provincial hoteliers during October to £32.89 from £34.31. This is the greatest margin of decline since the 18.9% drop at the beginning of the year.

Although price and volume are continuing to show signs of recovery from the declines experienced this time last year, ancillary spend in the Provinces has dropped further this month resulting in a 0.5% decline in Total Revenue per Available Room (TrevPAR) to £98.43 from £98.91. Once again, an increase in payroll levels was partly to blame for further declines in profitability.

However, it was not all doom and gloom across the Provinces and undeterred by the threat of trench foot, visitors to the Ryder Cup helped to boost profitability for hotels throughout Wales and South West England. The arrival of the event was a welcome respite during a tough year for Cardiff hoteliers, as profitability levels increased by 13.3% on the back of a 13.9% increase in RevPAR. As a result, the achieved GOPPAR for hotels in Cardiff during October (£44.08) was significantly

above the Provincial hotel market, at £32.89.

According to leading Cardiff hoteliers "2010 has, in general, been a tough year and remains challenging with fewer major events in the city than normal and little or no large city conferences; and new supply continues to materialize. The Ryder Cup gave the city an excellent boost in demand levels and above average room rates, but the outlook for 2011 is gloomy, business confidence remains low and the additional impact of any public sector cuts will be felt next year."



HotStats Provinces Main KPIs

PROVINCES	Oct '10	Oct '09	Var b/w		YTD '10	YTD '09	Var b/w		
	Occ %	74.0	73.5		0.4	▲	Occ %		70.7
ARR	69.74	69.05	1.0%	▲	ARR	68.09	68.97	-1.3%	▼
RevPAR	51.60	50.77	1.6%	▲	RevPAR	48.15	47.45	1.5%	▲
TrevPAR	98.43	98.91	-0.5%	▼	TrevPAR	91.79	91.65	0.2%	▲
Payroll %	30.6	29.7	-0.9	▼	Payroll %	31.9	31.7	-0.3	▼
GOP PAR	32.89	34.31	-4.1%	▼	GOP PAR	28.14	28.34	-0.7%	▼

Profitability in London buoyed by robust business sector

GOPPAR in London grew by 16% in October as the commercial sector continued to show signs of significant improvement, according to the latest HotStats survey.

Whilst the business sector remains a challenge for many Provincial cities, hoteliers in the capital have successfully increased the volume of demand in this segment, as well as growing achieved rate by more than eight per cent, to £153.62 from £141.93 in 2009. This is in addition to a growth of approximately 16% in the achieved rate in the conference sector to £141.83 from £121.98, confirming the reinvigorated appetite for meetings and events in the capital.

In line with recent data from the UK Companies Business Travel Barometer which suggests a year-on-year increase of 3% in business travel spending, the proportion of demand attributed to the corporate sector in the capital has so far grown by 3.3% in 2010, in addition to a 4% increase in the achieved rate in this sector.

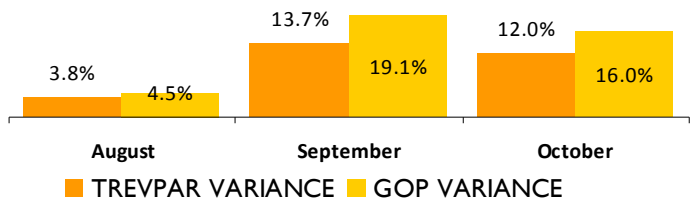
Robust demand in the business sector as well as a strong showing from the leisure sector helped London hoteliers to once again record the second highest room occupancy levels of the year, and subsequently boost achieved TrevPAR levels to approximately 17 per cent above the year-to-date average at £164.64.

“Following the levels achieved during this month in 2009, it did not seem conceivable in the current environment that room occupancy in London could grow any further, yet the return of the business visitor has allowed hoteliers in the city to boost midweek volume. And while leisure demand remains strong, we recognise that months such as this, when occupancy reaches 87.8 per cent, represent a high watermark for room occupancy levels in the capital,”

David Bailey, deputy managing director, TRI Hospitality Consulting.

And whilst it was considered a positive result during October 2009 for London hoteliers to have reduced year-on-year GOPPAR declines to just 4.5%, 12 months later the capital has recovered and significantly surpassed 2008 levels to achieve a GOPPAR of £84.06.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats LondonMain KPIs

LONDON	Month				Year-to-Date			
	Oct '10	Oct '09	Var b/w	▲/▼	YTD '10	YTD '09	Var b/w	▲/▼
Occ %	87.8	85.2	2.6	▲	82.6	80.3	2.3	▲
ARR	132.56	118.54	11.8%	▲	122.50	112.61	8.8%	▲
RevPAR	116.40	101.03	15.2%	▲	101.20	90.43	11.9%	▲
TrevPAR	164.64	147.04	12.0%	▲	140.29	128.64	9.1%	▲
Payroll %	22.9	22.9	0.0	◀	24.5	25.7	1.2	▲
GOP PAR	84.06	72.47	16.0%	▲	66.24	57.55	15.1%	▲

HotStats Briefing Data

UK Chain Hotels - Performance report
Currency: £ Sterling

		The month of October 2010			The Calendar year to October 2010			The twelve months to October 2010		
		Oct '10	Oct '09	Var b/w	YTD '10	YTD '09	Var b/w	Rolling '10	Rolling '09	Var b/w
TOTAL UK	Occ %	79.1	77.8	1.2 ▲	75.1	73.0	2.1 ▲	74.2	72.2	2.0 ▲
	ARR	95.33	88.95	7.2% ▲	90.12	86.62	4.0% ▲	90.21	87.44	3.2% ▲
	RevPAR	75.36	69.22	8.9% ▲	67.67	63.26	7.0% ▲	66.90	63.14	6.0% ▲
	TrevPAR	122.71	116.58	5.3% ▲	109.64	105.25	4.2% ▲	110.16	106.98	3.0% ▲
	Payroll %	26.8	26.5	-0.3 ▼	28.4	29.0	0.5 ▲	28.1	28.9	0.8 ▲
	GOP PAR	51.65	48.31	6.9% ▲	42.16	39.08	7.9% ▲	42.68	39.79	7.3% ▲
LONDON	Occ %	87.8	85.2	2.6 ▲	82.6	80.3	2.3 ▲	82.2	79.5	2.7 ▲
	ARR	132.56	118.54	11.8% ▲	122.50	112.61	8.8% ▲	122.28	113.58	7.7% ▲
	RevPAR	116.40	101.03	15.2% ▲	101.20	90.43	11.9% ▲	100.48	90.26	11.3% ▲
	TrevPAR	164.64	147.04	12.0% ▲	140.29	128.64	9.1% ▲	140.97	130.39	8.1% ▲
	Payroll %	22.9	22.9	0.0 ▼	24.5	25.7	1.2 ▲	24.2	25.7	1.5 ▲
	GOP PAR	84.06	72.47	16.0% ▲	66.24	57.55	15.1% ▲	67.18	58.44	15.0% ▲
PROVINCES	Occ %	74.0	73.5	0.4 ▲	70.7	68.8	1.9 ▲	69.5	68.0	1.5 ▲
	ARR	69.74	69.05	1.0% ▲	68.09	68.97	-1.3% ▼	68.12	69.62	-2.1% ▼
	RevPAR	51.60	50.77	1.6% ▲	48.15	47.45	1.5% ▲	47.35	47.31	0.1% ▲
	TrevPAR	98.43	98.91	-0.5% ▼	91.79	91.65	0.2% ▲	92.22	93.33	-1.2% ▼
	Payroll %	30.6	29.7	-0.9 ▼	31.9	31.7	-0.3 ▼	31.6	31.5	-0.1 ▼
	GOP PAR	32.89	34.31	-4.1% ▼	28.14	28.34	-0.7% ▼	28.41	28.91	-1.7% ▼

Editors Notes:

The UK Chain Hotels sample is composed of 519 hotels with an average hotel size of 184 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 Madrid.

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