

UK CHAIN HOTELS MARKET REVIEW MARCH 2011

Profit per room at London hotels now more than 2.5 time their Provincial cousins

London hotels achieved profit levels 2.5 times higher than hotels in the Provinces during March, according to the latest HotStats survey of approximately 550 full-service hotels across the UK from TRI Hospitality Consulting.

At £65.31, Gross Operating Profit per Available Room (GOPPAR) at London hotels in March was only slightly below the rolling 12 month average for the capital at £67.78, but was significantly above the profit per room achieved in the Provinces, at £25.92. Furthermore, at 46.9%, the profit conversion of hotels in the capital was considerably above those in the Provinces, at 29.6% of total revenue.

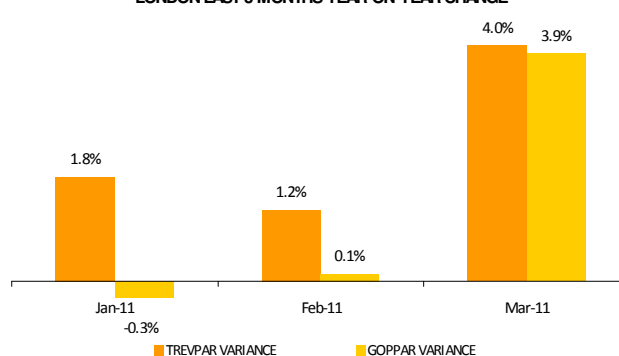
Although ancillary (food and beverage, meeting room hire, leisure etc) spends suffered an overall decline in March 2011, the four per cent growth in TrevPAR levels was driven by increases in average room rates across all sectors, including the corporate (+5.6%), conference (+12.9%) and leisure (6.9%) segment.

The 6.8% growth in average room rate for the month suggests that London is showing no signs of being negatively impacted by the economic situation in the wider UK, which during March included unemployment figures rising to its highest level since 1994, inflation rates creeping up to 4.4% and the Budget 2011 encouraging considerable belt tightening.

Whilst historically the first quarter is the most challenging period of trading throughout the year due to a reduction in the level of activity in both the commercial and leisure sectors, evident in the 2.2 percentage point decline in room occupancy levels in the period, hotels in London have successfully achieved year-on-year growth in both Total Revenue per Available Room (TrevPAR) (+2.5%) and GOPPAR (+1.6%) levels.

“Despite the strong performance of the capital during this period, London hoteliers will be glad to see the back of the first quarter of the year. Whilst hoteliers were fortunate not to have the challenges of the snow this year, profitability levels remained more than 20% below the rolling 12 month average. Moreover, whereas London hotels will typically achieve a profit conversion of approximately 48% of total revenue, in Q1 hotels in the capital were left languishing at approximately 43%,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats London Main KPIs

LONDON	Mar '11			Var b/w	▲	YTD '11			YTD '10	Var b/w	▼
	Mar '11	Mar '10	Var b/w			YTD '11	YTD '10	Var b/w			
Occ %	79.9	79.6	0.3	▲	Occ %	74.0	76.2	-2.2	▼		
ARR	124.07	116.19	6.8%	▲	ARR	121.53	112.74	7.8%	▲		
RevPAR	99.11	92.54	7.1%	▲	RevPAR	89.92	85.91	4.7%	▲		
TrevPAR	139.23	133.82	4.0%	▲	TrevPAR	126.74	123.69	2.5%	▲		
Payroll %	24.5	24.4	-0.1	▼	Payroll %	27.0	26.6	-0.4	▼		
GOP PAR	65.31	62.86	3.9%	▲	GOP PAR	54.15	53.30	1.6%	▲		

Cost increases put Provincial profitability into negative territory

Whilst hotels in the Provinces enjoyed a third consecutive month of total revenue growth, underlying cost issues revealed further year-on-year declines in profitability levels, according to the latest **HotStats** survey of approximately 550 full-service hotels across the UK.

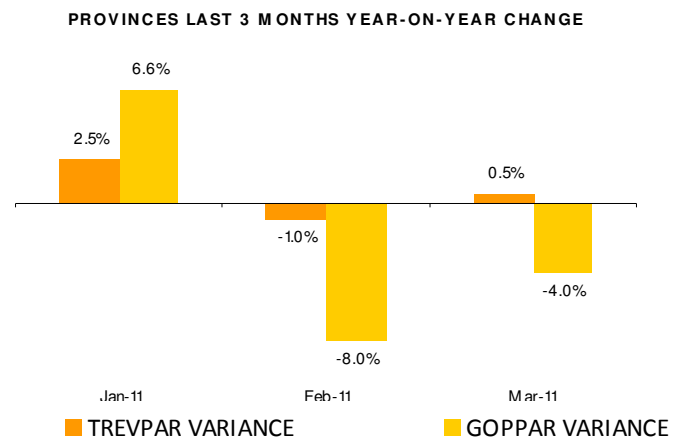
Q1 2011 marked the first year since 2007 that Provincial hoteliers achieved a first period increase (of 0.6%) in TrevPAR to £79.71 from £79.25 during the challenging first quarter. However, in line with the first quarter performance in recent years, GOPPAR suffered a decline of 3.6%. Although this is an improvement on declines of 5.3% (Q1 2010) and 19.9% (Q1 2009), this is the first year in which high costs have resulted in such a swing from a positive to a negative position.

For the month, the achieved TrevPAR growth of 0.5% to £87.47 from £87.00 was quickly diminished by increases in cost levels in both payroll (0.9 percentage point increase to 32.3 per cent of total revenue) and total overheads (1.0 percentage point increase to 24.2 per cent of total revenue). As a result of the increase in costs, year-on-year GOPPAR levels for March declined by 4% to £25.92 from £27.01.

Despite the decline in overall profitability levels, TRI's latest **HotStats** survey suggests that Provincial hoteliers appear to be more effectively managing one of the major challenges of 2010, conference rates, with the average rate in this sector stabilising at £76.22.

However, consumers continue to seek discounts in other parts of the conference package and Provincial hoteliers have obliged by reducing ancillary spends and more specifically room hire charges. This has resulted in a decline in meeting room revenue per available room of 12.9% in March to £4.61 from £5.29 during the same period in 2010, which has subsequently impacted total revenue levels.

“A lack of business demand and fewer leisure travellers typically means the first quarter of the year is a challenge for Provincial hoteliers and the timing of the school holidays and the Easter break will mean that those challenges will remain for at least another month. Further consideration will also need to be given to the impact of the 0.5% increase in National Insurance contributions next month,” added Langston.



HotStats Provinces Main KPIs

PROVINCES	Q1 2011			Var b/w	YTD 2011			Var b/w
	Mar '11	Mar '10	YTD '11		YTD '10			
Occ %	68.2	67.1	62.6	1.1	62.6	62.2	0.4	
ARR	67.76	67.31	66.93	0.7%	66.93	66.02	1.4%	
RevPAR	46.20	45.17	41.91	2.3%	41.91	41.09	2.0%	
TrevPAR	87.47	87.00	79.71	0.5%	79.71	79.25	0.6%	
Payroll %	32.3	31.5	35.5	-0.8	35.5	34.8	-0.7	
GOP PAR	25.92	27.01	19.09	-4.0%	19.09	19.80	-3.6%	

Editors Notes:

The UK Chain Hotels sample is composed of 551 hotels with an average hotel size of 182 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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HotStats Briefing Data

UK Chain Hotels - Performance report

Currency: £ Sterling

	The month of March 2011				The Calendar year to March 2011				The twelve months to March 2011						
	Mar '11	Mar '10	Var b/w		YTD '11	YTD '10	Var b/w		Rolling '11	Rolling '10	Var b/w				
TOTAL UK	Occ %	72.4	71.7	0.7	▲	Occ %	66.7	67.3	-0.6	▼	Occ %	73.5	72.5	1.0	▲
	ARR	90.38	87.08	3.8%	▲	ARR	88.74	85.07	4.3%	▲	ARR	91.14	86.71	5.1%	▲
	RevPAR	65.47	62.41	4.9%	▲	RevPAR	59.21	57.22	3.5%	▲	RevPAR	67.01	62.87	6.6%	▲
	TrevPAR	106.32	104.05	2.2%	▲	TrevPAR	96.65	95.25	1.5%	▲	TrevPAR	109.01	105.02	3.8%	▲
	Payroll %	28.6	28.1	-0.5	▼	Payroll %	31.5	31.0	-0.5	▼	Payroll %	28.5	28.5	0.0	▼
	GOP PAR	40.27	40.06	0.5%	▲	GOP PAR	31.72	31.86	-0.4%	▼	GOP PAR	42.04	39.86	5.5%	▲
LONDON	Occ %	79.9	79.6	0.3	▲	Occ %	74.0	76.2	-2.2	▼	Occ %	81.5	81.0	0.5	▲
	ARR	124.07	116.19	6.8%	▲	ARR	121.53	112.74	7.8%	▲	ARR	125.56	114.27	9.9%	▲
	RevPAR	99.11	92.54	7.1%	▲	RevPAR	89.92	85.91	4.7%	▲	RevPAR	102.33	92.56	10.6%	▲
	TrevPAR	139.23	133.82	4.0%	▲	TrevPAR	126.74	123.69	2.5%	▲	TrevPAR	142.29	131.89	7.9%	▲
	Payroll %	24.5	24.4	-0.1	▼	Payroll %	27.0	26.6	-0.4	▼	Payroll %	24.4	24.9	0.5	▲
	GOP PAR	65.31	62.86	3.9%	▲	GOP PAR	54.15	53.30	1.6%	▲	GOP PAR	67.78	61.17	10.8%	▲
PROVINCES	Occ %	68.2	67.1	1.1	▲	Occ %	62.6	62.2	0.4	▲	Occ %	69.0	67.6	1.4	▲
	ARR	67.76	67.31	0.7%	▲	ARR	66.93	66.02	1.4%	▲	ARR	68.18	67.81	0.6%	▲
	RevPAR	46.20	45.17	2.3%	▲	RevPAR	41.91	41.09	2.0%	▲	RevPAR	47.06	45.87	2.6%	▲
	TrevPAR	87.47	87.00	0.5%	▲	TrevPAR	79.71	79.25	0.6%	▲	TrevPAR	90.20	89.63	0.6%	▲
	Payroll %	32.3	31.5	-0.8	▼	Payroll %	35.5	34.8	-0.7	▼	Payroll %	32.1	31.5	-0.6	▼
	GOP PAR	25.92	27.01	-4.0%	▼	GOP PAR	19.09	19.80	-3.6%	▼	GOP PAR	27.51	27.66	-0.5%	▼