

UK CHAIN HOTELS MARKET REVIEW October 2011

London hoteliers record a decline in RevPAR for the first time in 2011

Despite continued growth in achieved average room rate, hotels in London suffered a 0.7% decline in Revenue per Available Room (RevPAR) this month as year-on-year room occupancy levels dropped by 2.4 percentage points, according to the latest HotStats survey of approximately 550 full-service hotels across the UK by TRI Hospitality Consulting.

In addition to the decline in rooms revenue, hotels in London endured unfamiliar declines across all ancillary departments, including a 7.9% drop in food and beverage revenue to £30.23 per available room and a 4.6% decline in meeting room hire revenue to £7.64 per available room.

Whilst Total Revenue per Available Room (TrevPAR) levels for the month remain approximately 10% above the year-to-date average (£145.77), illustrating the strength that remains in the London hotel market at this time of year, as a result of the downward departmental movement, total revenue levels in the capital dropped by 2.2% during October to £159.46.

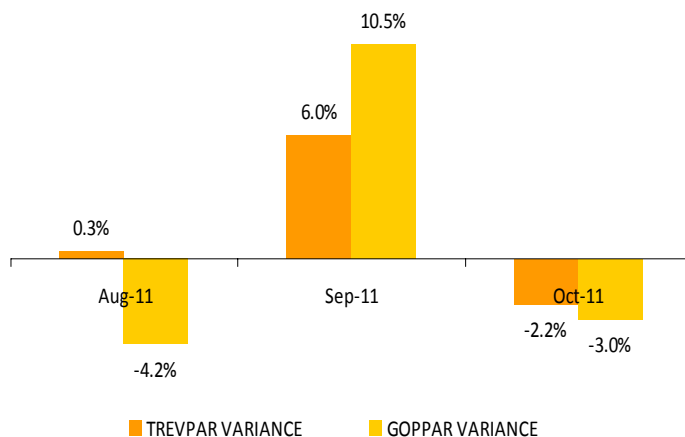
In line with the decline in TrevPAR, year-on-year profitability levels in London dropped by 3% this month to £80.87 from £83.41 during the same period in 2010. This is only the second month in 2011 in which profit per room has declined in the capital, with the first being August.

“Although a decline in profit levels for the city could not be ruled out following the 16% year-on-year increase in profit per room in October 2010, it goes against the robust performance in the city last month when Gross Operating Profit per Room (GOPPAR)

grew by 10.4%,” said Jonathan Langston, managing director of TRI Hospitality Consulting.

Despite the increase in achieved average room rate in October, London hoteliers were faced with another unfamiliar situation of a softening in both the achieved rate in the corporate (-0.9%) and leisure (-0.3%) sectors. The decline in these segments this month are in contrast to an increase in achieved sector rates of 5.4% in the corporate sector and a 5% increase in the leisure sector in the previous nine months.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats London Main KPIs

LONDON	Oct '11	Oct '10	Var b/w	YTD '11	YTD '10	Var b/w
	Occ %	85.5	87.9	-2.5 ▼	82.2	82.5
ARR	134.34	131.56	2.1% ▲	131.40	121.44	8.2% ▲
RevPAR	114.83	115.69	-0.7% ▼	107.95	100.17	7.8% ▲
TrevPAR	159.46	163.10	-2.2% ▼	145.77	138.54	5.2% ▲
Payroll %	22.5	22.8	0.3 ▲	24.0	24.4	0.4 ▲
GOP PAR	80.87	83.41	-3.0% ▼	70.04	65.44	7.0% ▲

Profitability falls as Provincial hoteliers struggle to control escalating costs

Profitability levels in the Provincial hotel market declined by 7.9% this month as a disappointing decline in total revenue levels was further exacerbated by rising costs, according to the latest HotStats survey of approximately 550 full-service hotels across the UK.

Whilst rooms revenue levels for October remained broadly similar to the same period in 2010 at £51.10, Provincial hoteliers suffered declines in food and beverage (-4.1%), leisure (-2.1%) and meeting room hire (-7.3%) revenue per available room. The impact of the decline in ancillary departments resulted in a 1.9% drop in TrevPAR of to £94.84 from £96.65 in 2010.

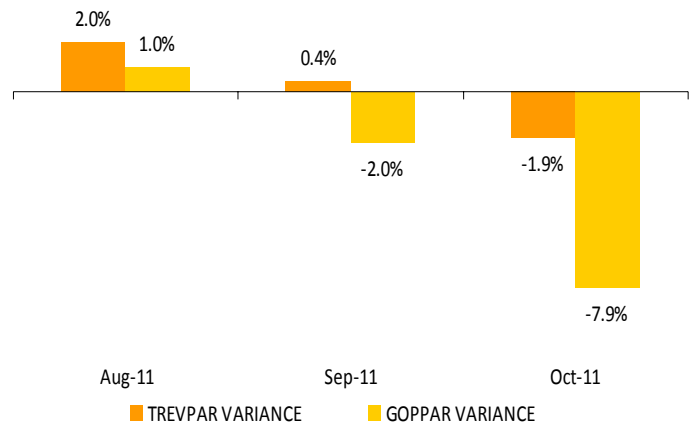
Echoing the results of the HotStats Confidence Monitor for Q4 2011, which highlighted the opinion of more than 500 general managers in the UK that hoteliers are to become more reliant on web-based technologies, this month's unique HotStats survey revealed an increasing proportion of high-commission third party bookings as year-on-year travel agency commission levels per available room increased by 16.7% to £3.27 per room sold from £2.80 per room sold during the same period in 2010. This is equivalent to a net cost of 6.4% of rooms revenue for the month of October.

"Despite general managers in the UK remaining torn as to whether the high cost of third party websites is offset by the elevated profile which is achieved through their use, it is clear that Provincial hoteliers are more reliant than ever before on this booking channel and this is only set to increase in future," said Langston.

Further cost increases this month were suffered in property and maintenance expenses (+3.8%), utility costs, which increased by 7.7% to £4.20 from £3.90 per available room during the same period in 2010 and payroll, which increased by 0.9 percentage points to 31.4% of total revenue from 30.5%.

"Whilst Provincial hoteliers have made a brave comeback in 2011 with growth in all revenue measures, they are at serious risk of suffering a fourth consecutive year of profitability decline having achieved only two months of growth in profit per room during 2011. And with the Bank of England reporting a risk of stagnation until the middle of 2012, Provincial hoteliers will continue to face challenging trading conditions," added Langston.

PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats Provinces Main KPIs

PROVINCES	Oct '11	Oct '10	Var b/w		YTD '11	YTD '10	Var b/w	
	Occ %	73.6	73.5		0.1	▲	70.8	
ARR	69.40	69.48	-0.1%	▼	68.55	67.86	1.0%	▲
RevPAR	51.10	51.08	0.0%	▲	48.55	47.59	2.0%	▲
TrevPAR	94.84	96.65	-1.9%	▼	90.37	89.98	0.4%	▲
Payroll %	31.4	30.5	-0.8	▼	32.3	31.9	-0.4	▼
GOP PAR	29.86	32.42	-7.9%	▼	27.04	27.74	-2.5%	▼

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 October 2011			The Calendar year to October 2011			The twelve months to October 2011			
	Oct '11	Oct '10	Var b/w	YTD '11	YTD '10	Var b/w	Rolling '11	Rolling '10	Var b/w	
TOTAL UK	Occ %	77.9	78.7	-0.8	74.9	74.6	0.3	73.9	73.6	0.3
	ARR	94.76	94.24	0.6%	93.27	89.10	4.7%	93.55	89.20	4.9%
	RevPAR	73.78	74.14	-0.5%	69.85	66.43	5.1%	69.16	65.66	5.3%
	TrevPAR	117.83	120.36	-2.1%	110.23	107.38	2.7%	110.76	107.87	2.7%
	Payroll %	27.1	26.8	-0.3	28.3	28.4	0.1	28.2	28.1	-0.1
	GOP PAR	48.01	50.62	-5.2%	42.46	41.25	2.9%	42.95	41.70	3.0%
LONDON	Occ %	85.5	87.9	-2.5	82.2	82.5	-0.3	81.8	82.1	-0.2
	ARR	134.34	131.56	2.1%	131.40	121.44	8.2%	131.45	121.21	8.4%
	RevPAR	114.83	115.69	-0.7%	107.95	100.17	7.8%	107.54	99.47	8.1%
	TrevPAR	159.46	163.10	-2.2%	145.77	138.54	5.2%	147.04	139.24	5.6%
	Payroll %	22.5	22.8	0.3	24.0	24.4	0.4	23.9	24.1	0.2
	GOP PAR	80.87	83.41	-3.0%	70.04	65.44	7.0%	71.18	66.37	7.2%
PROVINCES	Occ %	73.6	73.5	0.1	70.8	70.1	0.7	69.5	68.9	0.6
	ARR	69.40	69.48	-0.1%	68.55	67.86	1.0%	68.59	67.89	1.0%
	RevPAR	51.10	51.08	0.0%	48.55	47.59	2.0%	47.68	46.76	2.0%
	TrevPAR	94.84	96.65	-1.9%	90.37	89.98	0.4%	90.46	90.33	0.1%
	Payroll %	31.4	30.5	-0.8	32.3	31.9	-0.4	32.2	31.6	-0.6
	GOP PAR	29.86	32.42	-7.9%	27.04	27.74	-2.5%	27.15	27.91	-2.7%