

## UK CHAIN HOTELS MARKET REVIEW APRIL 2011

### Profit per room in London grew by 12.5% but not because of the Royal Wedding

Profitability levels in the capital soared in April despite major declines in headline performance levels over the Easter Bank holiday and the Royal Wedding weekend, according to the latest HotStats survey of approximately 550 full-service hotels across the UK from TRI Hospitality Consulting.

Despite the boost of an estimated half a million visitors to the capital to celebrate the marriage of Prince William and Kate Middleton, it is clear that the demand for full-service hotel accommodation during this period was not as strong as was widely anticipated.

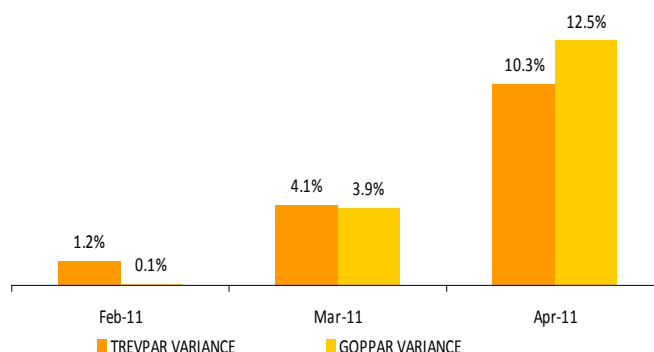
Whilst the latest HotStats survey revealed that room occupancy levels dropped to approximately 60% on the day of the Royal Wedding (29 April), the greatest margin of decline was suffered on Easter Monday when year-on-year room occupancy levels dropped by approximately 26 percentage points to just 46%.

The 12.5% growth in profit per room to £57.01 may be therefore attributed to strong year-on-year performance levels at the beginning of the month as well as a recovery from the declines in occupancy and average room rate suffered in April 2010 as the Icelandic ash cloud closed UK airspace for several days.

Whilst the increases in volume and price contributed to a 10.3% increase in Total Revenue per Available Room (TrevPAR), the growth was also due to a two per cent increase in food and beverage revenue per available room. Profitability conversion at London hotels was once again boosted by a reduction in payroll costs, to 26.7% from 27.6% of total revenue.

“It was widely anticipated that the Royal Wedding would cause a significant boost to headline performance levels for London hoteliers in April. However, whether it was due to high pricing in the full-service market or a higher than forecast proportion of day trippers, it is clear that the expected demand did not materialise,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



### HotStats London Main KPIs

| LONDON    | Apr '11 | Apr '10 | Var b/w |     | YTD '11 | YTD '10 | Var b/w |      |
|-----------|---------|---------|---------|-----|---------|---------|---------|------|
|           | Occ %   | 79.9    | 75.8    | 4.1 | ▲       | 75.5    | 76.1    | -0.6 |
| ARR       | 122.22  | 113.18  | 8.0%    | ▲   | 121.71  | 112.85  | 7.9%    | ▲    |
| RevPAR    | 97.67   | 85.78   | 13.9%   | ▲   | 91.84   | 85.88   | 6.9%    | ▲    |
| TrevPAR   | 132.16  | 119.84  | 10.3%   | ▲   | 128.08  | 122.74  | 4.4%    | ▲    |
| Payroll % | 26.7    | 27.6    | 0.9     | ▲   | 27.0    | 26.9    | -0.1    | ▼    |
| GOP PAR   | 57.01   | 50.69   | 12.5%   | ▲   | 54.86   | 52.66   | 4.2%    | ▲    |

### Provincial hoteliers get stung despite April's holiday buzz

The extraordinary string of bank holidays during April left Provincial hoteliers nursing a 5.2% decline in Gross Operating Profit per Available Room (GOPPAR) levels, according to the latest HotStats survey of approximately 550 full-service hotels across the UK.

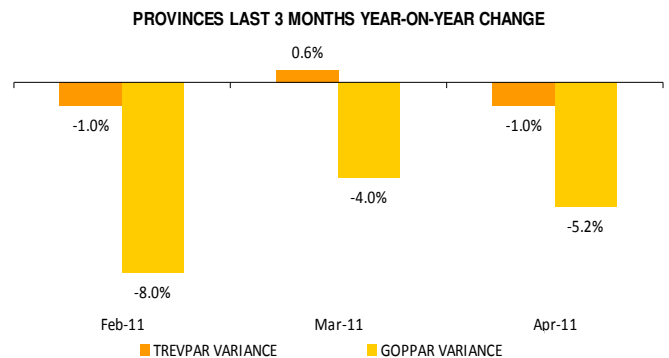
For the most part, Provincial hoteliers rely heavily on corporate demand and whilst they are accustomed to a typical period of low activity over Easter, the timing of the Easter Weekend and the May Day weekend encouraged long breaks for the corporate sector, piling the pressure on profitability levels for Provincial hoteliers.

The decline in commercial activity in the Provinces was clearly illustrated by the shift in the volume mix. As the proportion of the market mix attributed to the commercial sector declined by 2.3 percentage points to 38.9% from 41.9% of total demand, the proportion of demand attributed to the leisure sector grew by 2.6 percentage points, to 39.4% from 36.6%. Whilst there was an increase in demand from leisure sources, it was at the expense of average room rate, particularly in the leisure group segment, where the sector rate declined by 5.1% to £45.38.

Although the 5.2% decline in profit per room, to £21.22 from £22.39 during the same period in 2010, may be attributed to the abundance of bank holidays this month, this is the third year in a row that average room rate has declined during April and the seventh month in a row that provincial hoteliers have suffered a drop in profitability levels.

That said, GOPPAR increases were achieved in typical leisure destinations such as Bath (+2.8%), Brighton (+55.3%) and Edinburgh (+24.5%) but as bookings on foreign breaks in April doubled, buoyed by two successive four-day weekends, commercial demand was absent for as many as 11 days in a row. The impact of a drop in commercial activity was felt more acutely in business-led hotel markets such as Swindon (-10.1%), Newcastle (-11.3%) and Coventry (-15.5%).

“A significant number of key Provincial hotel markets rely heavily on commercial activity to drive demand for accommodation and the timing of these bank holidays has only further exacerbated the tough trading conditions for Provincial hoteliers. Our hope would be for hotels in the Provinces to have a strong operating period in May and June before the summer holidays begin in earnest,” added Langston.



### HotStats Provinces Main KPIs

| PROVINCES | APRIL   |         |         | Trend | YEAR-TO-DATE |         |         | Trend |
|-----------|---------|---------|---------|-------|--------------|---------|---------|-------|
|           | Apr '11 | Apr '10 | Var b/w |       | YTD '11      | YTD '10 | Var b/w |       |
| Occ %     | 66.9    | 66.3    | 0.6     | ▲     | 63.7         | 63.3    | 0.5     | ▲     |
| ARR       | 65.27   | 65.85   | -0.9%   | ▼     | 66.47        | 65.97   | 0.8%    | ▲     |
| RevPAR    | 43.68   | 43.69   | 0.0%    | ◀     | 42.36        | 41.73   | 1.5%    | ▲     |
| TrevPAR   | 83.04   | 83.87   | -1.0%   | ▼     | 80.54        | 80.39   | 0.2%    | ▲     |
| Payroll % | 34.9    | 34.4    | -0.5    | ▼     | 35.4         | 34.7    | -0.7    | ▼     |
| GOP PAR   | 21.22   | 22.39   | -5.2%   | ▼     | 19.62        | 20.44   | -4.0%   | ▼     |

## 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.

|                                |  |
|--------------------------------|--|
| <b>Occupancy (%)</b>           | is that proportion of the bedrooms available during the period which are occupied during the period.       |
| <b>Average Room rate (ARR)</b> | is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.      |
| <b>Room Revpar (RevPAR)</b>    | is the total bedroom revenue for the period divided by the total available rooms during the period.        |
| <b>Total Revpar (TrevPAR)</b>  | is the combined total of all revenues divided by the total available rooms during the period.              |
| <b>Payroll %</b>               | is the payroll for all hotels in the sample as a percentage of total revenue.                              |
| <b>GOP PAR</b>                 | 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 April 2011 |         |         | The Calendar year to April 2011 |         |           | The twelve months to April 2011 |             |         |   |           |        |        |       |   |
|------------------|-------------------------|---------|---------|---------------------------------|---------|-----------|---------------------------------|-------------|---------|---|-----------|--------|--------|-------|---|
|                  | Apr '11                 | Apr '10 | Var b/w | YTD '11                         | YTD '10 | Var b/w   | Rolling '11                     | Rolling '10 | Var b/w |   |           |        |        |       |   |
| <b>TOTAL UK</b>  | Occ %                   | 71.6    | 69.7    | 1.8                             | ▲       | Occ %     | 67.9                            | 67.9        | 0.1     | ▲ | Occ %     | 73.7   | 72.4   | 1.3   | ▲ |
|                  | ARR                     | 88.13   | 84.37   | 4.5%                            | ▲       | ARR       | 88.56                           | 84.90       | 4.3%    | ▲ | ARR       | 91.42  | 86.74  | 5.4%  | ▲ |
|                  | RevPAR                  | 63.10   | 58.85   | 7.2%                            | ▲       | RevPAR    | 60.17                           | 57.63       | 4.4%    | ▲ | RevPAR    | 67.36  | 62.76  | 7.3%  | ▲ |
|                  | TrevPAR                 | 100.71  | 96.83   | 4.0%                            | ▲       | TrevPAR   | 97.66                           | 95.64       | 2.1%    | ▲ | TrevPAR   | 109.32 | 104.80 | 4.3%  | ▲ |
|                  | Payroll %               | 31.0    | 31.3    | 0.3                             | ▲       | Payroll % | 31.4                            | 31.1        | -0.3    | ▼ | Payroll % | 28.5   | 28.5   | 0.1   | ▲ |
|                  | GOP PAR                 | 34.10   | 32.58   | 4.6%                            | ▲       | GOP PAR   | 32.31                           | 32.04       | 0.8%    | ▲ | GOP PAR   | 42.17  | 39.71  | 6.2%  | ▲ |
| <b>LONDON</b>    | Occ %                   | 79.9    | 75.8    | 4.1                             | ▲       | Occ %     | 75.5                            | 76.1        | -0.6    | ▼ | Occ %     | 81.8   | 80.7   | 1.2   | ▲ |
|                  | ARR                     | 122.22  | 113.18  | 8.0%                            | ▲       | ARR       | 121.71                          | 112.85      | 7.9%    | ▲ | ARR       | 126.22 | 114.72 | 10.0% | ▲ |
|                  | RevPAR                  | 97.67   | 85.78   | 13.9%                           | ▲       | RevPAR    | 91.84                           | 85.88       | 6.9%    | ▲ | RevPAR    | 103.29 | 92.54  | 11.6% | ▲ |
|                  | TrevPAR                 | 132.16  | 119.84  | 10.3%                           | ▲       | TrevPAR   | 128.08                          | 122.74      | 4.4%    | ▲ | TrevPAR   | 143.29 | 131.73 | 8.8%  | ▲ |
|                  | Payroll %               | 26.7    | 27.6    | 0.9                             | ▲       | Payroll % | 27.0                            | 26.9        | -0.1    | ▼ | Payroll % | 24.4   | 24.9   | 0.5   | ▲ |
|                  | GOP PAR                 | 57.01   | 50.69   | 12.5%                           | ▲       | GOP PAR   | 54.86                           | 52.66       | 4.2%    | ▲ | GOP PAR   | 68.29  | 61.08  | 11.8% | ▲ |
| <b>PROVINCES</b> | Occ %                   | 66.9    | 66.3    | 0.6                             | ▲       | Occ %     | 63.7                            | 63.3        | 0.5     | ▲ | Occ %     | 69.1   | 67.6   | 1.4   | ▲ |
|                  | ARR                     | 65.27   | 65.85   | -0.9%                           | ▼       | ARR       | 66.47                           | 65.97       | 0.8%    | ▲ | ARR       | 68.13  | 67.70  | 0.6%  | ▲ |
|                  | RevPAR                  | 43.68   | 43.69   | 0.0%                            | ◀       | RevPAR    | 42.36                           | 41.73       | 1.5%    | ▲ | RevPAR    | 47.06  | 45.78  | 2.8%  | ▲ |
|                  | TrevPAR                 | 83.04   | 83.87   | -1.0%                           | ▼       | TrevPAR   | 80.54                           | 80.39       | 0.2%    | ▲ | TrevPAR   | 90.13  | 89.45  | 0.8%  | ▲ |
|                  | Payroll %               | 34.9    | 34.4    | -0.5                            | ▼       | Payroll % | 35.4                            | 34.7        | -0.7    | ▼ | Payroll % | 32.1   | 31.6   | -0.6  | ▼ |
|                  | GOP PAR                 | 21.22   | 22.39   | -5.2%                           | ▼       | GOP PAR   | 19.62                           | 20.44       | -4.0%   | ▼ | GOP PAR   | 27.41  | 27.52  | -0.4% | ▼ |