

UK CHAIN HOTELS MARKET REVIEW October 2012

Profit growth in London remains strong as corporate and leisure demand returns

Growth in volume and price across all market sectors kept London hoteliers on a high in October as corporate travellers returned to the city and leisure visitors continued to flock to the capital, according to the latest HotStats survey of approximately 560 full-service hotels across the UK by TRI Hospitality Consulting.

With the culmination of the Paralympic Games in September, for the first time in what seems like a long time, Londoners have not had a party to attend this month. However, with the return to business as usual, hotels in London achieved a 5.9% increase in (Revenue per Available Room) RevPAR as growth was achieved in both room occupancy (+2.2 percentage points) and achieved average room rate (+3.2%).

The growth this month is in contrast to the poor performance in October 2011, when hotels in London suffered their first declines in both RevPAR and Gross Operating Profit per Available Room (GOPPAR) for the year in what turned out to be a tough period of trading in Q4 2011.

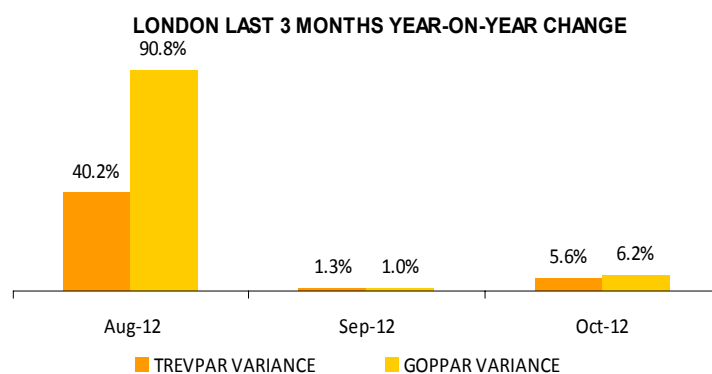
However, aside from the pre-Olympic blip during the months of June and July, as a result of the strong performance in Q1 and the absence of a post-Olympic hangover, year-to-date growth in profit per room was recorded at 6.5% in the ten months to October. And a stable finish to the year could result in the overall 2012 performance exceeding the 2011 GOPPAR increase of 4.7%.

“The London hotel market is truly remarkable and is continuing to enjoy a purple patch, which may well enable a third consecutive year of profit growth.

Last month you would have been hard-pressed to find anyone to commit to the notion that October would be such a positive month of performance, yet at £86.96, hotels in London achieved the second highest profit per room of the year in October, so far only bettered by July,” said Jonathan Langston, managing director at TRI.

Whilst a slight decline was noted in the proportion of demand attributed to the corporate and conference sectors, significant rate growth was achieved across nearly all segments, including corporate (+6.7%), residential conference (+2.1%), leisure (+5.3%) and groups (+4.4%).

Strong growth was also achieved in food and beverage revenue per available room (+7.0%), which contributed to the 5.6% increase in Total Revenue per Available Room (TrevPAR) this month.



HotStats London Main KPIs

LONDON	Oct '12 vs Oct '11				YTD '12 vs YTD '11			
	Oct '12	Oct '11	Var b/w	Trend	YTD '12	YTD '11	Var b/w	Trend
Occ %	87.7	85.5	2.2	▲	81.7	82.1	-0.4	▼
ARR	139.87	135.54	3.2%	▲	138.56	131.98	5.0%	▲
RevPAR	122.71	115.87	5.9%	▲	113.24	108.39	4.5%	▲
TrevPAR	170.53	161.55	5.6%	▲	153.63	146.57	4.8%	▲
Payroll %	22.0	22.4	0.4	▲	23.5	23.8	0.4	▲
GOP PAR	86.96	81.86	6.2%	▲	74.98	70.39	6.5%	▲

Profit growth in October is the strongest recorded in the Provinces in 2012

Provincial hoteliers had only achieved two months of profit growth in 2012 before October, yet this month the regions recorded a 4.7% increase in GOPPAR, which was by far the greatest year-on-year margin of profit growth of the year, according to the latest HotStats survey.

Furthermore, the increase was the greatest recorded since June 2011, when Provincial hoteliers were buoyed by the standout performance of a number of individual markets, such as Manchester, Bristol and Edinburgh.

This time around the common theme was the strong performance in Bristol, as the city recorded a 20.4% year-on-year increase in profit per room, which was led by an 8.7% increase in RevPAR, as hoteliers successfully achieved a 5.1 percentage point increase in room occupancy.

But for every market which achieved a strong increase in profit per room during October, including Birmingham (+8.2%), Cardiff (+18.8%), Cambridge (+12.8%), Aberdeen (+34.8%) and Edinburgh (+10.2%), poor performances were noted in a number of regional cities, including Newcastle (-19.3%), Manchester (-12%), Nottingham (-6.9%) and Swindon (-9.7%), highlighting the mix of performances across the UK.

Overall, the increase in profit in the Provincial UK this month was driven by growth in total revenue and, for once, cost savings.

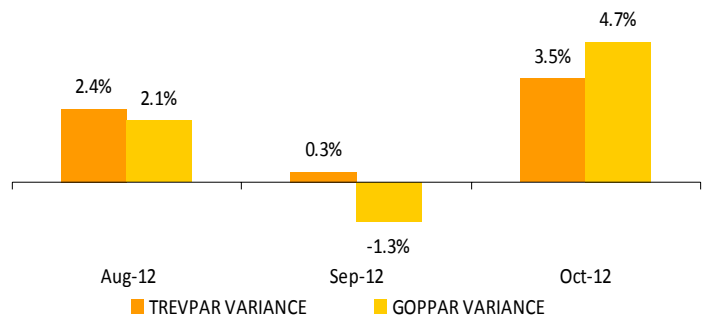
“It is important not to underestimate the significance of the growth in profit per room in the Provinces this month. Whilst it is too soon to say that Provincial hoteliers have turned a corner, it is the first time in a long time that they have been able to successfully control costs to leverage profit growth above the increase in total revenue.

Furthermore, the increase goes against the doom mongering by industry professionals on the current shape, and future outlook, of the UK economy. Another couple of months of such strong growth and 2012 could well be a positive outcome for hotels in the Provinces as well as London – let’s hope they can achieve it!” said Langston.

The primary source of revenue growth for Provincial hoteliers was in the rooms department as a 4.3% year-on-year increase in RevPAR was achieved as a result of a 1.8 percentage point increase in room occupancy and a growth of 1.8% in achieved average room rate to £70.59.

In addition to the increase in TrevPAR, Provincial hoteliers achieved a 0.4 percentage point reduction in payroll as a percentage of total revenue, as well as a decrease in travel agents’ commissions as a proportion of room revenue, to 6.8% from 6.9% during the same period in 2011.

PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats Provinces Main KPIs

PROVINCES	Oct '12			Var b/w	▲	YTD '12			YTD '11	Var b/w	▲
	Oct '12	Oct '11	Var b/w			YTD '12	YTD '11	Var b/w			
Occ %	76.3	74.5	1.8	▲	Occ %	71.5	70.8	0.7	▲		
ARR	70.59	69.34	1.8%	▲	ARR	69.87	69.46	0.6%	▲		
RevPAR	53.86	51.66	4.3%	▲	RevPAR	49.94	49.16	1.6%	▲		
TrevPAR	100.43	97.05	3.5%	▲	TrevPAR	93.18	92.41	0.8%	▲		
Payroll %	31.0	31.4	0.5	▲	Payroll %	32.5	32.4	-0.1	▼		
GOP PAR	31.73	30.30	4.7%	▲	GOP PAR	26.67	27.26	-2.1%	▼		

Editors Notes:

The UK Chain Hotels sample is composed of 557 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 Barcelona.

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HotStats Briefing Data

UK Chain Hotels - Performance report
Currency: £ Sterling

	The month of October 2012				The Calendar year to October 2012				The twelve months to October 2012						
	Oct '12	Oct '11	Var b/w		YTD '12	YTD '11	Var b/w		Rolling '12	Rolling '11	Var b/w				
TOTAL UK	Occ %	80.4	78.4	2.0	▲	Occ %	75.1	74.8	0.3	▲	Occ %	74.1	73.8	0.2	▲
	ARR	97.47	95.03	2.6%	▲	ARR	96.51	93.96	2.7%	▲	ARR	96.25	94.21	2.2%	▲
	RevPAR	78.33	74.51	5.1%	▲	RevPAR	72.51	70.31	3.1%	▲	RevPAR	71.28	69.54	2.5%	▲
	TrevPAR	125.34	120.01	4.4%	▲	TrevPAR	114.74	111.75	2.7%	▲	TrevPAR	114.42	112.15	2.0%	▲
	Payroll %	26.6	27.1	0.5	▲	Payroll %	28.2	28.4	0.2	▲	Payroll %	28.2	28.3	0.2	▲
	GOP PAR	51.36	48.65	5.6%	▲	GOP PAR	43.90	42.66	2.9%	▲	GOP PAR	43.70	43.07	1.4%	▲
LONDON	Occ %	87.7	85.5	2.2	▲	Occ %	81.7	82.1	-0.4	▼	Occ %	81.1	81.8	-0.7	▼
	ARR	139.87	135.54	3.2%	▲	ARR	138.56	131.98	5.0%	▲	ARR	137.77	132.01	4.4%	▲
	RevPAR	122.71	115.87	5.9%	▲	RevPAR	113.24	108.39	4.5%	▲	RevPAR	111.73	107.93	3.5%	▲
	TrevPAR	170.53	161.55	5.6%	▲	TrevPAR	153.63	146.57	4.8%	▲	TrevPAR	153.10	147.78	3.6%	▲
	Payroll %	22.0	22.4	0.4	▲	Payroll %	23.5	23.8	0.4	▲	Payroll %	23.5	23.8	0.3	▲
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	ARR	70.59	69.34	1.8%	▲	ARR	69.87	69.46	0.6%	▲	ARR	69.60	69.47	0.2%	▲
	RevPAR	53.86	51.66	4.3%	▲	RevPAR	49.94	49.16	1.6%	▲	RevPAR	48.82	48.21	1.3%	▲
	TrevPAR	100.43	97.05	3.5%	▲	TrevPAR	93.18	92.41	0.8%	▲	TrevPAR	92.95	92.34	0.7%	▲
	Payroll %	31.0	31.4	0.4	▲	Payroll %	32.5	32.4	-0.1	▼	Payroll %	32.5	32.4	-0.1	▼
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