

UK Chain Hotels Market Review – October 2009

London records second highest occupancy of 2009

With a year-on-year increase of 1.5 percentage points in October 2009, to 85.1%, the London hotel market recorded the second highest occupancy performance for the capital in 2009, according to the latest **HotStats** survey by industry experts TRI Hospitality Consulting.

In addition to demand created by visitors to the capital attracted by the ongoing strength of the Euro against the Pound and the long-forgotten ‘Indian Summer’, room occupancy levels in London in October were boosted by a catalogue of major events including the 53rd Film Festival.

The staggering London room occupancy, as well as a year-on-year decrease in average room rate of less than five per cent, helped to reduce the margin of decline in Revenue Per Available Room (RevPAR) to its lowest level since July 2008, at only 3.2%.

“Although we are dealing with softer comparables in the fourth quarter of 2008, the continued improvements in headline performance in London are encouraging,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

London also showed continuing signs of improvement in the profitability of its hotels. Despite hoteliers struggling to manage payroll costs as effectively as in September 2009, the year-on-year margin of decline in Gross Operating Profit per available room (GOP PAR) was reduced to 4.5% for the month of October.

Decline in business travellers confirmed by IPS

Following an occupancy of 75.7% in September 2009, a room occupancy of approximately 73.6% in October continued a strong autumnal period for hoteliers in the UK provinces. In addition, provincial average room rate in the month of October 2009 experienced its smallest margin of decline (7.6%) since the beginning of the year to £69.29, from £74.95 in 2008.

However, the rate gap remains an issue and may be primarily attributed to the continued decline in the number of high-yielding business travellers to the UK. According to VisitBritain, using data from the latest International Passenger Survey, of the eight per cent fewer visitors to the UK, inbound business travel was down by 23% in the nine months to September 2009. In contrast, the number of lower yielding inbound leisure visitors increased by three per cent during the same period.



In the nine months to September 2009, figures from VisitBritain show that outbound visits by UK residents were down by 15% compared to the same period in 2008. It is clear that the appetite for domestic autumnal short breaks remains as provincial occupancy levels in October have been boosted by primary tourism locations such as Bath (+6.5%), Brighton (+4.1%) and Plymouth (+5.8%).

According to the latest **HotStats** survey, this is helping the provincial UK hotel market to reduce the year-on-year margin of GOP PAR decline with a decrease of 10.5% in October. This is compared to a difference of -14.3% in September 2009.

“UK hoteliers have sacrificed room rate whilst successfully managing volume and costs and as a result, provincial GOP PAR declines are the lowest they have been since September 2008,” added Langston.

Key UK airports return to growth

Having experienced a slight decline in September 2009, key UK airports returned to a period of growth in passenger numbers in October. This was led by a 1% year-on-year increase in passenger numbers at Heathrow and a 1.8% growth at Gatwick.

In contrast, a 40% cutback in the capacity of their winter programme by Ryanair has been the primary contributor to a 10.1% decline in passenger numbers at Stansted Airport, as the overall capacity of the airport was reduced by 11.7%. Conversely, the low cost carrier announced this month that it will launch ten new routes from Bristol, Liverpool, Edinburgh and Glasgow in February 2010.

Following a 3.8% year on year increase in passenger numbers in October 2009, Edinburgh remains the only airport in the UK which has experienced growth (0.9%) in passenger numbers in 2009. Scotland's primary airport handled approximately 825,000 passengers in October 2009, compared to approximately 794,000 in October 2008.

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HotStats Briefing Data

UK Chain Hotels - Performance report

Currency: £ Sterling

The month of October 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
77.8	87.67	68.22	115.12	26.5	47.65
85.1	115.14	97.96	142.00	22.6	70.36
73.6	69.29	51.00	99.57	29.7	34.51

The ten months to October 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
73.1	85.19	62.27	103.73	28.9	38.57
80.3	109.50	87.93	124.46	25.2	56.39
68.9	68.73	47.36	91.69	31.8	28.21

The month of October 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
77.9	93.07	72.46	123.31	26.4	51.43
83.6	121.03	101.21	150.04	22.7	73.71
74.5	74.95	55.85	107.88	29.4	38.57

The ten months to October 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
75.5	92.07	69.49	115.68	28.6	45.07
81.8	118.39	96.88	138.43	25.0	64.13
71.8	74.69	53.62	102.50	31.4	34.03

Movement for the month of October

Occ	ARR	RevPAR	TrevPAR	Payroll	GOP PAR
-0.1	-5.8%	-5.9%	-6.6%	-0.1	-7.4%
1.5	-4.9%	-3.2%	-5.4%	0.1	-4.5%
-0.9	-7.6%	-8.7%	-7.7%	-0.3	-10.5%

Movement for the ten months to October

Occ	ARR	RevPAR	TrevPAR	Payroll	GOP PAR
-2.4	-7.5%	-10.4%	-10.3%	-0.3	-14.4%
-1.5	-7.5%	-9.2%	-10.1%	-0.2	-12.1%
-2.9	-8.0%	-11.7%	-10.5%	-0.4	-17.1%

EDITORS NOTES:

The UK Chain Hotels sample is composed of 485 hotels with an average hotel size of 186 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 (Occ %) is that proportion of the bedrooms available during the period which are occupied during the period.

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 hotel 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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