

UK CHAIN HOTELS MARKET REVIEW December 2010

The full year 2010 shows strong profit growth in London but stagnation in the provinces.

London hotels showed a double-digit increase in profits, according to the 2010 figures in the latest HotStats survey from TRI Hospitality Consulting.

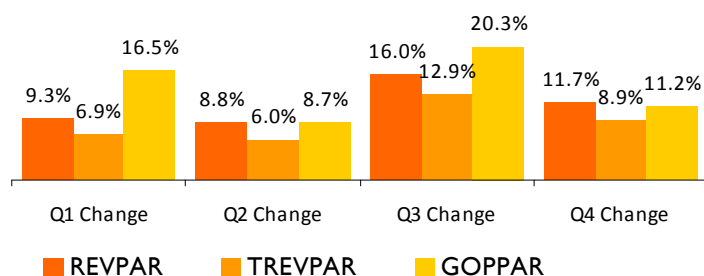
The performance in the provinces, however, was less robust with Gross Operating Profit per Available Room (GOPPAR) dropping by 1.4%. This compares to the 13.9% rise in London.

“Although the Provincial hotel performance is subdued, it is still creditable given the underlying economic conditions in the last year. In contrast, the London performance is astonishing and surpassed 2008 levels, which bodes well for the next 12 months, particularly as the city still has growth associated with the Royal Wedding and Olympic Games to look forward to,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

The falling profitability in the provinces occurred even though Revenue per Available Room (RevPAR) showed a modest increase of 1.5%. London RevPAR increased by 11.6%. Average room rate in London was up 8.9% but it fell 0.9% in the provinces.

“It is important to delve deeper into the statistics to understand what is really going on. Even though RevPAR rose in the provinces, falling rate and rising costs led to falling profitability,” added Langston.

LONDON QUARTERS YEAR-ON-YEAR CHANGE

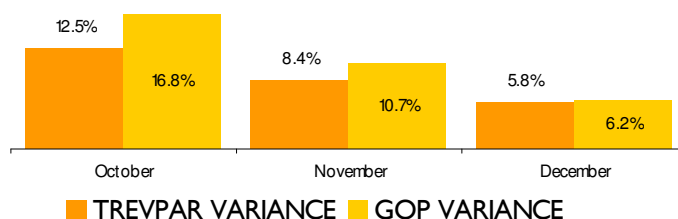


The big freeze fails to cool London hotel performance in December

Despite being blanketed in snow and suffering sub-zero temperatures during the ‘coldest December since records began,’ hoteliers in the capital recorded an eighth consecutive month of profitability growth.

GOPPAR for the month increased by 6.2% to £71.08 from £66.92 during the same period in 2009, which is primarily attributed to a 5.8% increase in Total Revenue per Available Room (TrevPAR) to £142.33. A result which is only slightly below the overall level achieved in the market during 2010, at £142.78.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



However, headline performance levels across the city were mixed and whilst hotels in central locations, such as the West End and Westminster, were impacted by visitors to London being discouraged by the ongoing student protests, tube strikes, poor weather conditions and travel disruption, the overall London market was buoyed by hotels located in proximity to major transport hubs.

At Heathrow, hotels served as a haven for thousands of stranded passengers whose flights were cancelled due to heavy snow and thick ice on the runway, which made flying conditions impossible. The unexpected boost in volume caused a spike in GOPPAR more than 22 per cent above the same period in 2009 as RevPAR levels at hotels located in proximity to the world’s busiest international airport increased by 31.3%, which undoubtedly buoyed the overall performance in the capital.

During an icy month, the only slip in the London hotel market was in staffing, as payroll levels increased by one percentage points to 25.1% of total revenue.

HotStats London Main KPIs

LONDON	Dec '10			Var b/w	YTD '10			YTD '09	Var b/w
	Dec '10	Dec '09	Var b/w		YTD '10	YTD '09	Var b/w		
Occ %	76.4	76.4	0.0	82.2	80.3	2.0			
ARR	126.6	116.4	8.8%	124.2	114.0	8.9%			
RevPAR	96.7	89.0	8.7%	102.1	91.5	11.6%			
TrevPAR	142.3	134.5	5.8%	142.8	131.3	8.8%			
Payroll %	25.1	24.1	-1.0	24.3	25.2	0.9			
GOP PAR	71.1	66.9	6.2%	68.3	60.0	13.9%			

Provincial hoteliers left exposed to the cold weather

As the harsh wintry weather disrupted the entire UK transport network and brought commerce to a grinding halt, Provincial hoteliers were reminded of the poor trading of January 2010. This month, year-on-year profitability levels at Provincial hotels dropped by 8.6%, according to the latest HotStats survey.

Despite a one per cent growth in achieved average room rate to £67.06, a drop in volume as well as a decrease in food and beverage revenues, resulted in a Provincial TrevPAR decline of more than four per cent to £89.70. Last year, the Christmas period allowed hoteliers to achieve above average TrevPAR levels fuelled by corporate and social Christmas events. However, whilst temperatures in some provincial locations dropped to minus 19.6 degrees Celsius, functions were postponed or cancelled throughout the month.

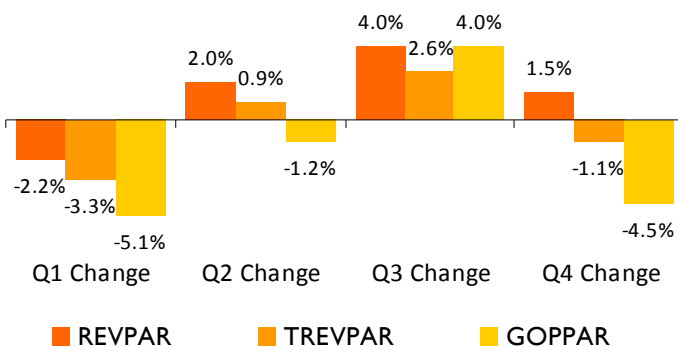
The unique insight from TRI's HotStats survey revealed the impact of the poor weather on food and beverage revenues at Provincial hotels during December 2010, as this measure declined by an average of 6.7% across the market to £38.85 per available room at three and four-star hotels.

The drop in TrevPAR meant that payroll levels soared to 31.9% from 29.2% of total revenue during the same period in 2009 as hoteliers took on extra staff to accommodate the busy Christmas period and subsequently hoteliers were vulnerable to events being cancelled.

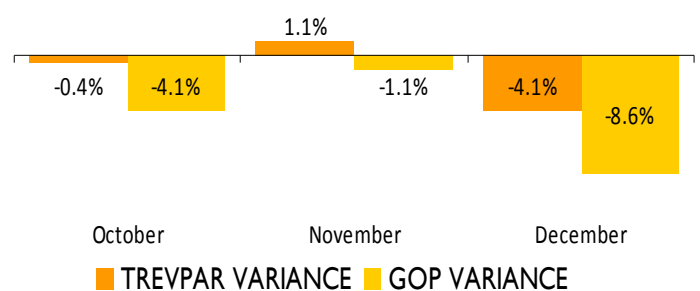
Edinburgh was one location which was hit worst during the lead up to Hogmanay. In addition to the loss of food and beverage trade, international arrivals to join the festivities were significantly reduced by the closure of the airport and hotels in the city were left helpless. As a result of a 10.2% decline in rooms revenue and an 18.1% decline in food and beverage revenue, GOPPAR at full-service hotels dropped by 26.5% in the Scottish capital to £20.12.

“For Provincial hoteliers the year didn’t start well and hasn’t ended well and has been extremely tough in between. That said, headline performance levels have remained reasonably static and GOPPAR declined by just 1.4%. The next 12 months will undoubtedly be challenging for Provincial hoteliers,” added Langston.

PROVINCES QUARTERS YEAR-ON-YEAR CHANGE



PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats Provinces Main KPIs

PROVINCES	Dec '10			Var b/w		YTD '10			YTD '09	Var b/w	
	Dec '10	Dec '09	Var b/w			YTD '10	YTD '09	Var b/w			
Occ %	57.2	58.7	-1.5	▼	Occ %	69.5	67.9	1.6	▲		
ARR	67.1	66.4	1.0%	▲	ARR	68.2	68.9	-0.9%	▼		
RevPAR	38.4	38.9	-1.5%	▼	RevPAR	47.4	46.8	1.5%	▲		
TrevPAR	89.7	93.5	-4.1%	▼	TrevPAR	92.0	92.1	-0.1%	▼		
Payroll %	31.9	29.2	-2.7	▼	Payroll %	31.9	31.3	-0.6	▼		
GOP PAR	26.8	29.3	-8.6%	▼	GOP PAR	28.2	28.6	-1.4%	▼		

HotStats Briefing Data

UK Chain Hotels - Performance report

Currency: £ Sterling

	The month of December 2010			The Calendar year to December 2010			The twelve months to December 2010			
	Dec '10	Dec '09	Var b/w	YTD '10	YTD '09	Var b/w	Rolling '10	Rolling '09	Var b/w	
TOTAL UK	Occ %	64.4	65.3	-0.9	74.2	72.5	1.8	74.2	72.5	1.8
	ARR	93.5	88.2	6.1%	91.1	87.3	4.3%	91.1	87.3	4.3%
	RevPAR	60.2	57.6	4.7%	67.6	63.2	6.9%	67.6	63.2	6.9%
	TrevPAR	109.4	108.8	0.6%	110.7	106.5	3.9%	110.7	106.5	3.9%
	Payroll %	28.5	26.8	-1.7	28.3	28.5	0.2	28.3	28.5	0.2
	GOP PAR	43.4	43.3	0.2%	42.9	40.1	7.0%	42.9	40.1	7.0%
LONDON	Occ %	76.4	76.4	0.0	82.2	80.3	2.0	82.2	80.3	2.0
	ARR	126.6	116.4	8.8%	124.2	114.0	8.9%	124.2	114.0	8.9%
	RevPAR	96.7	89.0	8.7%	102.1	91.5	11.6%	102.1	91.5	11.6%
	TrevPAR	142.3	134.5	5.8%	142.8	131.3	8.8%	142.8	131.3	8.8%
	Payroll %	25.1	24.1	-1.0	24.3	25.2	0.9	24.3	25.2	0.9
	GOP PAR	71.1	66.9	6.2%	68.3	60.0	13.9%	68.3	60.0	13.9%
PROVINCES	Occ %	57.2	58.7	-1.5	69.5	67.9	1.6	69.5	67.9	1.6
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	TrevPAR	89.7	93.5	-4.1%	92.0	92.1	-0.1%	92.0	92.1	-0.1%
	Payroll %	31.9	29.2	-2.7	31.9	31.3	-0.6	31.9	31.3	-0.6
	GOP PAR	26.8	29.3	-8.6%	28.2	28.6	-1.4%	28.2	28.6	-1.4%

Editors Notes:

The UK Chain Hotels sample is composed of 519 hotels with an average hotel size of 184 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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