

UK Chain Hotels Market Review – September 2009

Buoyant occupancy slows profit decline

London hoteliers successfully improved profitability and boosted total revenue per available room (TrevPAR), according to the latest **HotStats** survey by industry experts TRI Hospitality Consulting.

While payroll levels remained relatively stable, the London hotel market has seen an uplift in Gross Operating Profit per available room (GOP PAR) by almost 43 per cent compared to last month. GOP PAR in August was down 12.4% and in September this improved to 3.9% below 2008 levels, resulting in an increased year-to-date GOP PAR of £54.85. Average room occupancy levels in London increased to 83.4% in September, exceeding levels achieved last year by 1.3 percentage points.

“The strong volume achieved in the capital, continuing cost control and softer comparables in 2008 have combined to stem declines in profitability,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

The collapse of Lehman Brothers and the subsequent crisis in the banking sector resulted in a drop in business demand in September 2008. This demand has been successfully replaced by discounted leisure demand, allowing hoteliers to maintain occupancy levels at the expense of average room rates. Following the leisure-driven summer months, which were dominated by highly discounted rates and strong volume, business travellers are now returning.

According to Visit London, the capital welcomes around 3.5 million business travellers per year, including conference and exhibition delegates. Business travellers not only boost volume, but also spend three times the amount of leisure travellers. Given the capital’s role as a global financial centre, London benefits from over 50% of total business visitor spend in the country.

Achieved average room rates in London increased by around 13% compared to August, a month that is driven by discounted leisure related demand. Average room rate levels are now 4.8% below the same period last year and 7.8% below levels achieved year-to-date (nine months to September), a further improvement on last month.

The provinces also enjoyed strong occupancy levels of 75.7% for September, 1.5 percentage points below levels achieved last year. Year-to-date figures (nine months to September) reveal that provincial hoteliers were able to further decrease the drop in volume to 3.0%.



Provincial hoteliers continue to rely on heavy discounting in order to drive volume. As a result, the achieved average room rate of £70.50 for September remains 8.8% below last year. For the nine months to September, achieved average room rates are down 8.1% on last year.

“Strengthening occupancy levels in the provinces and strong volume in the capital are a sign of increased UK and Eurozone consumer confidence and a pick up in business demand after the summer holiday months,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

The favourable exchange rate continues to drive leisure demand, particularly from Eurozone countries such as France and Germany. According to latest information from Visit Britain, the pound costs travellers from the Eurozone around 30% less than two years ago, which not only drives visitor numbers, but also boosts average spend.

Given the relatively strong volume, increased rates and stable payroll costs, the provincial hotel market slightly improved its year on year performance. RevPAR is now down 11.9% on last year (nine months to September) while TrevPAR marginally improved to 10.8% below 2008 levels. As a result, GOP PAR improved by 0.5 percentage points compared to last month and is 17.9% below 2008 levels.

BAA reports signs of recovery

Despite a slight drop in traffic in September, passenger numbers at Heathrow Airport remained stable due to improved load factors, according to latest traffic figures by BAA. Edinburgh Airport enjoyed a growth in passenger numbers (3.8%) for the sixth consecutive month as a result of new scheduled European services by low cost carriers. Gatwick Airport recorded the best performance since May 2008, although the Open Skies agreement has encouraged US airlines to relocate to Heathrow.

BAA reports signs of recovery as year on year results are improving. While most major markets continue to record a decrease, demand from long-haul destinations such as India, the Middle East and South America increased significantly. Overall, BAA handled a total of around 13.0 million passengers in September, a drop of 2.6% compared to last year. Year-to-date figures declined to around 107 million passengers, down 5.7% on last year.

Ryanair and EasyJet have announced reduced operations during this winter season compared to last year. And Glasgow Airport is considering the temporary closure of its Terminal 2 building in order to control costs given the anticipated drop in volume during the winter period. Furthermore, Air Passenger Duty is due to increase from November, which will particularly impact long haul travellers.



On the brighter side, Eurostar reports a 7% increase in volume of inbound passengers for Quarter 3. And looking ahead, international low cost carriers have announced new flights to Gatwick, Manchester and Doncaster Sheffield starting in 2010.

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HotStats Briefing Data

UK Chain Hotels - Performance report

Currency: Sterling

The month of September 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
78.6	87.28	68.57	113.14	26.6	46.46
83.4	112.92	94.16	132.16	23.4	63.66
75.7	70.50	53.38	101.84	29.1	36.25

The nine months to September 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
72.6	84.80	61.57	102.42	29.1	37.51
79.8	108.84	86.82	122.52	25.5	54.85
68.5	68.57	46.94	90.78	32.0	27.47

The month of September 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
79.1	93.23	73.70	122.73	27.0	51.19
82.1	118.63	97.40	139.65	24.6	66.27
77.2	77.27	59.69	112.73	28.7	42.28

The nine months to September 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
75.2	91.90	69.09	114.73	28.8	44.29
81.6	118.09	96.40	137.14	25.2	63.06
71.4	74.61	53.30	101.78	31.7	33.44

Movement for the month of September

Occ	ARR	RevPAR	TrevPAR	Payroll	GOP PAR
-0.5	-6.4%	-7.0%	-7.8%	0.3	-9.2%
1.3	-4.8%	-3.3%	-5.4%	1.2	-3.9%
-1.5	-8.8%	-10.6%	-9.7%	-0.4	-14.3%

Movement for the nine months to September

Occ	ARR	RevPAR	TrevPAR	Payroll	GOP PAR
-2.6	-7.7%	-10.9%	-10.7%	-0.3	-15.3%
-1.9	-7.8%	-9.9%	-10.7%	-0.2	-13.0%
-3.0	-8.1%	-11.9%	-10.8%	-0.3	-17.9%

EDITORS NOTES:

The UK Chain Hotels sample is composed of 488 hotels with an average hotel size of 185 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.

