

UK Chain Hotels Market Review – February 2008

No crunch on London profits

Despite the continuing turmoil in the financial markets London's chain hoteliers enjoyed a double-digit rise in profit during February thanks to continuing increases in room rates, according to the latest **HotStats** survey from TRI Hospitality Consulting.

Income before fixed charges (also known as gross operating profit) increased by 11.7 per cent in London to reach £57.74 per available room, compared to the same month a year earlier. Occupancy increased slightly, up 0.6 percentage points to 78.5 per cent, but it was the continued push on room rates that was the principal facilitator of improved profitability. Average achieved room rate increased by seven per cent to £114.54

“Given that the credit crunch started at least six months ago and visitor arrivals continue to fall, the London hotel market appears to be bearing up remarkably well. But the signs of a slowing economy are present and London's hoteliers already face a challenging environment,” said David Bailey, deputy managing director, TRI Hospitality Consulting.

Profit growth steady in the Provinces

In the rest of the UK (referred to as the provinces) profit growth stood at 2.5 per cent with IBFC increasing to £28.08 per available room. With occupancy dropping marginally by 0.4 points to 68.8 per cent, profit growth was, again, the direct result of an increase in average room rate also up by 2.5 per cent to £72.74.

After staying flat in January, February's rise in profit was just ahead of the consensus forecast of inflation (2.2 per cent) as published by HM Treasury. Overall, provincial hotel performance looked reasonably steady but inevitably some markets performed better than others.

TRI's unique full profit-and-loss sample of 522 full-service hotels across the UK showed double digit profit growth in Oxford and Cambridge, but drops in profit in Birmingham, Edinburgh and Manchester.

“In a more challenging economic environment there will be winners and losers. In February at a micro-level we know that the Oxford market benefited from an increase in public sector meetings revenue and Cambridge bucked the general trend of flat occupancy with a 9.8 percentage point rise to 76.9 per cent. One Cambridge hotelier reported a spate of last-minute weddings,” said Bailey.



Visitor arrivals data not encouraging

UKinbound, the official trade body representing the inbound tourism industry, found in its monthly survey that visitor arrivals were 3.9 per cent lower in January than in the same month a year earlier. Forward bookings were also down, by 2.6 per cent.

The organisation commented that current global economic instability was resulting in lower demand for tourism products and in such conditions price was king. In this regard the UK had an upward struggle due to its high prices which were driven by high operating costs and taxes, it said.

Airports operator BAA said that total traffic at its seven UK airports, which include Heathrow, Gatwick and Stansted, was up by 3.5 per cent on the same month last year.

However a like-for-like comparison showed that traffic during the first 28 days of the month (ie. ignoring the extra leap year day) was down by 0.5 per cent on last February.

European scheduled traffic was up by just 0.1 per cent while European Charters rose by 1.5 per cent. North Atlantic activity was 1.1 per cent lower, while traffic on other long haul routes was, in aggregate, up by 1.0 per cent.

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HotStats Briefing Data

UK Chain Hotels - performance report

The Month of February 2008

UK TOTAL HOTELS		2008	2007	Movement
Occupancy	%	72.1	72.1	0 points
Room rate	£	88.23	84.21	4.8%
Room Revpar	£	63.60	60.75	4.7%
Total Revpar	£	3,115	2,938	6.0%
IBFC PAR	£	38.17	35.65	7.1%
Payroll	%	30.5	30.7	-0.2 points

LONDON HOTELS		2008	2007	Movement
Occupancy	%	78.5	77.9	0.6 points
Room rate	£	114.54	107.05	7.0%
Room Revpar	£	89.89	83.34	7.9%
Total Revpar	£	3,770	3,425	10.1%
IBFC PAR	£	57.74	51.68	11.7%
Payroll	%	26.5	26.8	-0.3 points

UK PROVINCIAL HOTELS		2008	2007	Movement
Occupancy	%	68.8	69.2	-0.4 points
Room rate	£	72.74	70.97	2.5%
Room Revpar	£	50.04	49.10	1.9%
Total Revpar	£	2,773	2,683	3.3%
IBFC PAR	£	28.08	27.39	2.5%
Payroll	%	33.4	33.3	0.1 points

EDITORS NOTES:

The UK Chain Hotels sample is composed of 522 hotels with an average hotel size of 176 bedrooms. These hotels operate primarily in the three and four star sectors.

TRI Hospitality Consulting provides a wide range of services to clients in the hotels, tourism and leisure

Occupancy is that proportion of the bedrooms available during the period which are occupied during the period.

Room rate is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.

Room Revpar is the total bedroom revenue for the period divided by the total available rooms during the period

Total Revpar is the combined total of all hotel revenues divided by the total fixed bedroom stock.

Payroll % is the payroll for all hotels in the sample as a percentage of total revenue.

IBFC PAR is the Income Before Fixed Charges for the period divided by the total available rooms during the period

Data Sample TRI amend the above data samples each year to reflect the changes in the HotStats survey. Therefore this report will not match that of the published release data of last years monthly report because the data is based on differing hotel sample

HotStats Briefing Data

UK Chain Hotels - performance report

The Two Months to February 2008

UK TOTAL HOTELS		2008	2007	Movement
Occupancy	%	67.6	68.0	-0.5 points
Room rate	£	87.67	83.68	4.8%
Room Revpar	£	59.22	56.91	4.1%
Total Revpar	£	5,921	5,659	4.6%
IBFC PAR	£	33.10	31.88	3.9%
Payroll	%	32.1	32.1	0 points

LONDON HOTELS		2008	2007	Movement
Occupancy	%	75.2	75.1	0.1 points
Room rate	£	112.55	105.33	6.9%
Room Revpar	£	84.69	79.11	7.0%
Total Revpar	£	7,267	6,774	7.3%
IBFC PAR	£	52.42	48.48	8.1%
Payroll	%	27.5	27.8	-0.4 points

UK PROVINCIAL HOTELS		2008	2007	Movement
Occupancy	%	63.6	64.3	-0.7 points
Room rate	£	72.42	70.46	2.8%
Room Revpar	£	46.04	45.30	1.6%
Total Revpar	£	5,218	5,077	2.8%
IBFC PAR	£	23.11	23.20	-0.4%
Payroll	%	35.5	35.1	0.4 points

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