

## UK Chain Hotels Market Review – July 2008

### London profit heads skywards thanks to Farnborough Airshow

The Farnborough Airshow contributed to strong profit growth for London's chain hotels during July, according to the latest HotStats survey from TRI Hospitality Consulting.

Income before fixed charges (IBFC) – also known as gross operating profit – increased by 19.8 per cent to a daily figure of £80.27 per available room compared to the same month a year earlier. With little year-on-year change in average occupancy, it was the impressive 15.2 per cent jump in achieved average room rate to £131.27 that fueled higher profits.

The biennial Farnborough Air Show celebrated its 60<sup>th</sup> anniversary this year and ran from 14 to 20 July. The exhibition attracted 132,636 business visitors and 153,000 public visitors, an overall 5.8 per cent increase on turnout to the same event in 2006.

“As the aviation industry and public gathered to watch the latest fighter planes scream over the Hampshire countryside, profit levels also took off for London's chain hotels. The healthy boost Farnborough gave to rates was particularly welcome in this uncertain economic climate,” said Charles Scudamore, director, TRI Hospitality Consulting.

Total sales in London were up by 14 per cent helping payroll as a percentage of total revenue drop by 1.9 points to 22.1 per cent. Farnborough also had a positive effect on London's year-to-date figures with IBFC growth at 7.3 per cent outstripping total revenue growth of 6.7 per cent.

### Provincial profit down by 3 per cent

In the rest of the UK – referred to as the provinces – the impact of rising costs was notable for the second consecutive month. The sample of 401 chain hotels reported a 3.2 per cent fall in daily IBFC to £36.26 per available room despite total sales edging up by 0.3 per cent.

The drop in profit was the result of reduced demand and weak rate growth which caused a 0.3 per cent dip in room sales. The figures reveal an improvement on the previous month, however, when IBFC fell by 6.9 per cent and total sales by 1.1 per cent.

“Despite ongoing inflationary pressures, operators have reacted to the sudden increases in daily running costs and taken measures to stem their impact on profitability,” said Scudamore.

Better cost control was achieved despite annual inflation, as measured by the Consumer Prices Index, increasing to 4.4 per cent in July, up from 3.8 per cent in June. The 0.6 per cent rise in the annual rate was the highest change since records began in 1997, said the Office for National Statistics. The largest upward pressure again came from food and non-alcoholic beverages, which rose from an annual rate of 9.5 per cent in June to 12.3 per cent in July.

### **Overseas spend edges up despite falling visitor numbers**

In the three months to June, the number of overseas visitors to the UK dropped by 4 per cent to 8.4 million according to the latest International Passenger Survey. Visitors from North America were down year-on-year by 7 per cent to 1.2 million, while those from Europe dropped by 4 per cent to 6 million. Visitors from the rest of the world increased by 1 per cent to 1.1 million. Despite the overall drop in overseas visitors, the amount they spent while in the UK increased by 1 per cent to £4.1 billion during the three-month period.

Looking at more recent data for July, BAA, the operator of seven UK airports including Gatwick and Heathrow, handled a total of 14.8 million passengers, a year-on-year decrease of 1.7 per cent. Among key markets UK Domestic passenger numbers were down by 4.5 per cent and passengers on European flights dropped by 1.4 per cent. BAA said that the stimulus of the Open Skies deal helped North Atlantic traffic increase by 0.6 per cent, but other long haul routes saw a collective decline of 0.8 per cent.

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# HotStats Briefing Data

UK Chain Hotels - performance report

## The Month of July 2008

<b>UK TOTAL HOTELS</b>		<b>2008</b>	2007	Movement
Occupancy	%	80.2	81.1	-0.8 points
Room rate	£	95.94	88.36	8.6%
Room Revpar	£	76.97	71.64	7.4%
Total Revpar	£	3,714	3,504	6.0%
IBFC PAR	£	51.72	47.85	8.1%
Payroll	%	26.8	27.6	-0.9 points

<b>LONDON HOTELS</b>		<b>2008</b>	2007	Movement
Occupancy	%	88.4	88.2	0.3 points
Room rate	£	131.27	114.00	15.2%
Room Revpar	£	116.09	100.51	15.5%
Total Revpar	£	4,722	4,144	14.0%
IBFC PAR	£	80.27	66.99	19.8%
Payroll	%	22.1	23.9	-1.9 points

<b>UK PROVINCIAL HOTELS</b>		<b>2008</b>	2007	Movement
Occupancy	%	75.8	77.2	-1.4 points
Room rate	£	73.62	72.45	1.6%
Room Revpar	£	55.79	55.95	-0.3%
Total Revpar	£	3,167	3,156	0.3%
IBFC PAR	£	36.26	37.45	-3.2%
Payroll	%	30.6	30.3	0.3 points

### EDITORS NOTES:

The UK Chain Hotels sample is composed of 510 hotels with an average hotel size of 177 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 hotel sector. It has offices in London and Dubai.

**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 a different hotel sample.

# HotStats Briefing Data

## UK Chain Hotels - performance report

### The Seven Months to July 2008

UK TOTAL HOTELS		2008	2007	Movement
Occupancy	%	74.2	74.5	-0.3 points
Room rate	£	90.70	87.00	4.3%
Room Revpar	£	67.34	64.82	3.9%
Total Revpar	£	23,848	23,057	3.4%
IBFC PAR	£	43.11	42.29	2.0%
Payroll	%	29.0	28.9	0 points

LONDON HOTELS		2008	2007	Movement
Occupancy	%	81.5	81.0	0.5 points
Room rate	£	118.39	110.70	6.9%
Room Revpar	£	96.43	89.66	7.6%
Total Revpar	£	29,116	27,296	6.7%
IBFC PAR	£	64.11	59.73	7.3%
Payroll	%	24.8	25.2	-0.3 points

UK PROVINCIAL HOTELS		2008	2007	Movement
Occupancy	%	70.3	71.0	-0.6 points
Room rate	£	73.36	72.25	1.5%
Room Revpar	£	51.61	51.27	0.7%
Total Revpar	£	20,986	20,755	1.1%
IBFC PAR	£	31.75	32.78	-3.1%
Payroll	%	32.0	31.6	0.4 points

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