

UK CHAIN HOTELS MARKET REVIEW June 2011

London hoteliers record yet another month of huge profitability growth

June 2011 represents the 19th month of year-on-year profitability growth for London hoteliers since the collapse of Lehman Brothers triggered the current economic downturn in September 2008, according to the latest **HotStats** survey of approximately 550 full-service hotels across the UK by TRI Hospitality Consulting.

This month hoteliers in the capital recorded a growth in Gross Operating Profit per Available Room (GOPPAR) of 17.6% to £94.12 from £80.02, which was primarily driven by a 15.1% increase in Revenue per Available Room (RevPAR) to £132.05. This represented the highest margin of GOPPAR growth in the capital since September 2010.

It is easy to forget that in the first six months of 2009 hotels in London suffered a year-on-year decline in profit per room of 14.1%. However, a growth of 12% in the first half of 2010 on top of the year-to-date growth of 10% in 2011 leaves London hoteliers well ahead of pre-recession performance levels.

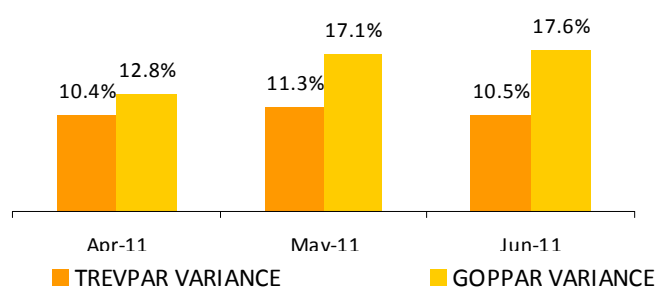
"London hoteliers seem to be infallible at the moment. They have now convincingly shrugged off the recession to hit new heights," said Jonathan Langston, managing director of TRI Hospitality Consulting.

The revenue growth this month was primarily driven by a 12.6% increase in average room rate to £147.81 from £131.31 and whilst pressure remains on price in the commercial sector across the majority of the UK, hotels in the capital recorded significant levels of growth in both the corporate (+11.2%) and conference (+25.5%) segments.

Once again, in addition to the strong growth in volume and price, profit levels in the capital were boosted by a 1.7 percentage point reduction in payroll as a percentage of total revenue, with hoteliers in the capital recording a payroll level of just 20.4% of total revenue in June. In the first half of the year, at 24.8%, payroll levels as a percentage of total revenue at London hotels are 0.6 percentage points below the same period last year, which is a further streamlining of this cost following the 1.2 percentage point decrease during the same period in 2010.

"Whilst the ONS has reported another quarter of limited economic growth in the UK, the growth in revenue and profitability at London hotels has been leveraged by the multi-national origin of both business and leisure visitors to the capital. Added to which, the packed summer season of events in the city continued with accommodation demand derived from major events including Wimbledon, Hard Rock Calling, Taste of London and Royal Ascot," said Langston.

LONDON LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats London Main KPIs

LONDON	Jun '11				YTD '11			
	Jun '11	Jun '10	Var b/w	▲	YTD '11	YTD '10	Var b/w	▲
Occ %	89.3	87.4	1.9	▲	79.2	79.2	0.0	◀
ARR	147.81	131.31	12.6%	▲	129.65	117.67	10.2%	▲
RevPAR	132.05	114.72	15.1%	▲	102.63	93.16	10.2%	▲
TrevPAR	173.20	156.76	10.5%	▲	140.74	131.55	7.0%	▲
Payroll %	20.4	22.1	1.7	▲	24.8	25.4	0.6	▲
GOP PAR	94.12	80.02	17.6%	▲	65.70	59.75	10.0%	▲

Profit levels grow for Provincial hoteliers but not everybody is smiling

Whilst the Provincial hotel market achieved an increase in profitability levels of 5.3% in June, the overall growth belies the pain which some city markets continue to suffer, according to the latest **HotStats** survey of approximately 550 full-service hotels across the UK.

The overall performance for Provincial hoteliers in June was strong, with a 3.5% year-on-year increase in Total Revenue per Available Room (TrevPAR) levels to £101.47, boosted by a 5.5% increase in RevPAR and a 3% increase in food and beverage revenue.

This is the first month in which the Provincial hotel market has recorded an increase in profitability levels since January and the 5.3% year-on-year growth in GOPPAR to £35.42 was in spite of a continued decline in both room hire revenue per available room (-4.5%) and leisure club revenue per available room (-2.3%).

Whilst the growth in profitability in the Provinces was primarily driven by an increase in RevPAR, the contribution to growth from certain markets was significant as others continued to record negative results. The markets in which the greatest margin of growth was achieved included Bristol (+10.3%), Edinburgh (+13.2%) and Manchester (+29.9%). Meanwhile, those cities which suffered RevPAR declines included Glasgow (-11.7%), Liverpool (-9.9%) and Cambridge (-5.4%).

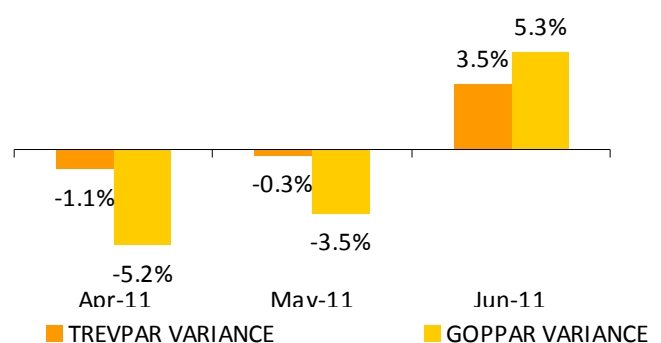
In Manchester a 13.7 percentage point increase in room occupancy in addition to a growth in average room rate of 6.5% resulted in the staggering RevPAR increase. The growth in average room rate at Man-

chester hotels was driven in large part by a 10.4% increase in the achieved rate in the non-discounted 'best available rate' sector, typically associated with peak periods and major events, to £80.83.

The strong demand levels in Manchester were boosted by music-related events including eight nights of sell-out crowds to see Take That at the City of Manchester stadium, as well as high ticket-price artists such as Bon Jovi, playing one of only four dates in the UK, and the Kings of Leon.

"Despite the growth in June, year-to-date profit per room levels remain approximately 1.7% behind the same period in 2010 and whilst we are keen to toast the successes of Provincial hotel performance and hope that June is the catalyst for a return to growth, we are all too aware that it is entirely possible that the strong performance this month may just be a blip in the right direction," added Langston.

PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



HotStats Provinces Main KPIs

PROVINCES	Jun '11				YTD '11				
	Jun '10	Var b/w	YTD '10	Var b/w	YTD '10	Var b/w			
Occ %	77.1	74.7	2.4	▲	Occ %	67.5	66.8	0.7	▲
ARR	70.93	69.42	2.2%	▲	ARR	67.86	67.21	1.0%	▲
RevPAR	54.71	51.83	5.5%	▲	RevPAR	45.82	44.87	2.1%	▲
TrevPAR	101.47	98.00	3.5%	▲	TrevPAR	86.56	85.89	0.8%	▲
Payroll %	29.6	30.2	0.6	▲	Payroll %	33.3	33.0	-0.3	▼
GOP PAR	35.42	33.64	5.3%	▲	GOP PAR	24.26	24.68	-1.7%	▼

Editors Notes:

The UK Chain Hotels sample is composed of 551 hotels with an average hotel size of 182 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.

For more information contact:

TRI Hospitality Consulting	HotStats
Jonathan Langston, Managing Director 0207 892 2201 jonathan.langston@trihc.com	Mark Dickens, Managing Director HotStats 0207 892 2207 mark.dickens@hotstats.com
Ben Livingstone, Senior Consultant 0207 862 2205 ben.livingstone@trihc.com	David Stephens, Senior Operations Analyst 0207 486 2217 David.stephens@hotstats.com

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