

## UK CHAIN HOTELS MARKET REVIEW July 2011

### It's a record - London hoteliers achieve a room occupancy of 92.4% in July

With one year to go until London welcomes athletes to the 2012 Olympic Games, hoteliers in the capital have been breaking records of their own this month as room occupancy levels reached an extraordinary 92.4%, according to TRI Hospitality Consulting's latest HotStats survey of approximately 550 full-service hotels across the UK.

Not only did hoteliers in London successfully achieve a 0.6 percentage point year-on-year increase in room occupancy following the staggering 91.8% achieved during the same period in 2010, but room rates also soared. At £148.65 the achieved average room rate for the month is the highest recorded. This is 0.6% above the previous high, which was achieved last month.

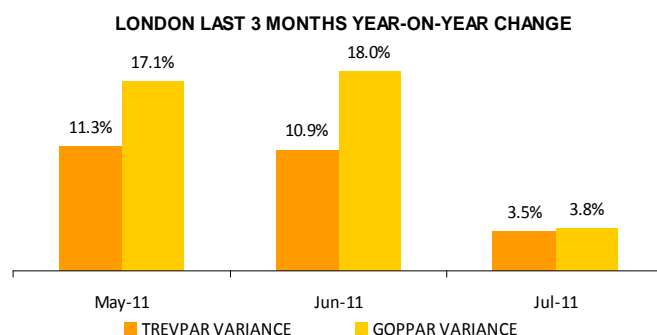
"This is way beyond forecast expectations, but who would have predicted a year-on-year increase on a plus 90% occupancy? But that's what London is all about at the moment. There is a buzz across the capital as millions of people are coming to see what the 2012 Olympic city has to offer," said Jonathan Langston, managing director of TRI Hospitality Consulting.

It was hard to imagine that an increase on the 2010 room occupancy levels was possible, particularly as the city was almost filled to capacity with visitors to the biennial Farnborough Air Show. However, the timing of Ramadan in August of this year has meant that Middle Eastern visitors who typically come to London during the summer in search of a more temperate climate have primarily travelled during July.

Whilst high net-worth individuals from the Middle East will typically use five-star hotels such as the newly-

opened Corinthia, W Hotel and the recently re-opened Four Seasons Park Lane, as well as high profile properties such as The Dorchester, The Lanesborough and the Mandarin Oriental, the overwhelming requirement for accommodation in the city has meant that demand from the upscale properties has been displaced down to four and three-star hotels, properties which are typically represented in the HotStats survey.

"With results defying expectations, it's difficult to forecast what is going to happen in London and even though there will be less demand from Middle Eastern guests due to the timing of Ramadan, further growth in London cannot be ruled out," said Langston.



### HotStats London Main KPIs

| LONDON    | Jul '11 |         |         | Var b/w | ▲ | YTD '11   |         |         | YTD '10 | Var b/w | ▲ |
|-----------|---------|---------|---------|---------|---|-----------|---------|---------|---------|---------|---|
|           | Jul '11 | Jul '10 | Var b/w |         |   | YTD '11   | YTD '10 | Var b/w |         |         |   |
| Occ %     | 92.4    | 91.8    | 0.6     |         | ▲ | Occ %     | 81.0    | 81.0    | 0.1     |         | ▲ |
| ARR       | 148.65  | 142.40  | 4.4%    |         | ▲ | ARR       | 132.76  | 121.66  | 9.1%    |         | ▲ |
| RevPAR    | 137.33  | 130.69  | 5.1%    |         | ▲ | RevPAR    | 107.58  | 98.52   | 9.2%    |         | ▲ |
| TrevPAR   | 174.79  | 168.85  | 3.5%    |         | ▲ | TrevPAR   | 145.64  | 136.87  | 6.4%    |         | ▲ |
| Payroll % | 20.6    | 20.8    | 0.3     |         | ▲ | Payroll % | 24.1    | 24.6    | 0.5     |         | ▲ |
| GOP PAR   | 94.53   | 91.04   | 3.8%    |         | ▲ | GOP PAR   | 69.82   | 64.22   | 8.7%    |         | ▲ |

### Provincial hoteliers are back under pressure as profit levels decline in July

After the brief respite of June, hotels in the Provinces are back under pressure this month as year-on-year profitability levels declined by 3.7%, according to the latest **HotStats** survey of approximately 550 full-service hotels across the UK.

Sadly the story is all too familiar for Provincial hoteliers in 2011, as a 1.6% increase in Revenue per Available Room (RevPAR) was cancelled out by a decline in ancillary spend and rising costs.

On a positive note, hotels in the Provincial UK were able to achieve an increase in RevPAR for the sixth month of the year. A 0.7 percentage point increase in room occupancy to 77.7%, resulting in levels approximately nine percentage points above the year-to-date average of 69%, in addition to a 0.7% increase in average room rate put RevPAR levels ahead of the same period last year and the improvement in July contributed to a year-to-date RevPAR increase of 2%.

However, the growth in rooms revenue was not enough to prevent a year-on-year drop of 0.1% in Total Revenue per Available Room (TrevPAR) as hoteliers suffered declines in food and beverage revenue (-2.1%), meeting room revenue (-4.6%) and leisure revenue (-3.4%) per available room.

And in addition to the 0.6 percentage point increase in payroll levels, to 30.4% of total revenue, cost increases were experienced in the 'Other Expenses' department, including property and maintenance (+5.4% per available room) and sales and marketing (+9.5% per available room).

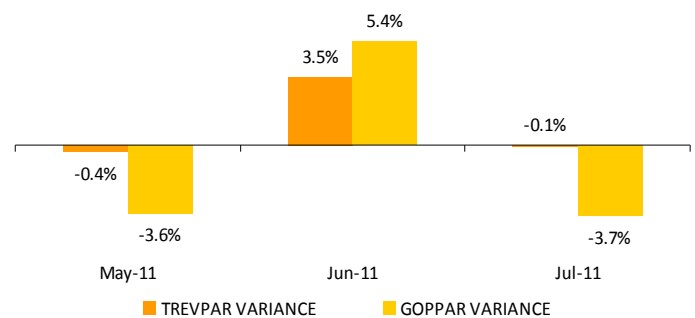
One of the regions which was hit the hardest during July was the North East, which suffered a 7.5% decline in profit per room to £33.40 from £36.11 as a 4% increase in average room rate was cancelled out by a 3.7 percentage point decline in room occupancy. The increase in sales and mar-

keting (+8.2%) and property operations costs (+16.7%) may have helped to increase average room rate but at the expense of a declining profit margin, down to 32.8% of total revenue.

In contrast there was positive news in the North West for once as hoteliers in the region were able to increase year-on-year profitability levels by 3.1% to £30.44 from £29.52. The increase in profit per room was primarily thanks to a 4.9% increase in rooms revenue and increases across a number of ancillary spend measures such as food and beverage per available room (+3.4%) and meeting room revenue per available room (+0.8%).

"Whilst the overall picture for hotels in the Provinces is not encouraging, pockets of positivity still remain. That said, with inflation levels currently at 5% and utility costs widely reported to be set for increases of up to 25%, growth in profitability levels for Provincial hoteliers is going to become even more of a challenge," added Langston

PROVINCES LAST 3 MONTHS YEAR-ON-YEAR CHANGE



### HotStats Provinces Main KPIs

| PROVINCES | Jul '11 | Jul '10 | Var b/w |   | YTD '11 | YTD '10 | Var b/w |   |
|-----------|---------|---------|---------|---|---------|---------|---------|---|
|           | Occ %   | 77.7    | 77.0    |   | 0.7     | ▲       | 69.0    |   |
| ARR       | 68.94   | 68.46   | 0.7%    | ▲ | 68.05   | 67.43   | 0.9%    | ▲ |
| RevPAR    | 53.56   | 52.74   | 1.6%    | ▲ | 46.94   | 46.00   | 2.0%    | ▲ |
| TrevPAR   | 97.69   | 97.78   | -0.1%   | ▼ | 88.18   | 87.63   | 0.6%    | ▲ |
| Payroll % | 30.4    | 29.8    | -0.6    | ▼ | 32.8    | 32.5    | -0.3    | ▼ |
| GOP PAR   | 32.61   | 33.87   | -3.7%   | ▼ | 25.48   | 26.01   | -2.0%   | ▼ |

## 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.

|                                |  |
|--------------------------------|--|
| <b>Occupancy (%)</b>           | is that proportion of the bedrooms available during the period which are occupied during the period.       |
| <b>Average Room rate (ARR)</b> | is the total bedroom revenue for the period divided by the total bedrooms occupied during the period.      |
| <b>Room Revpar (RevPAR)</b>    | is the total bedroom revenue for the period divided by the total available rooms during the period.        |
| <b>Total Revpar (TrevPAR)</b>  | is the combined total of all revenues divided by the total available rooms during the period.              |
| <b>Payroll %</b>               | is the payroll for all hotels in the sample as a percentage of total revenue.                              |
| <b>GOP PAR</b>                 | 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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# HotStats Briefing Data

UK Chain Hotels - Performance report

Currency: £ Sterling

|                  | The month of July 2011 |         |         |       | The Calendar year to July 2011 |           |         |        | The twelve months to July 2011 |             |           |        |        |       |   |
|------------------|------------------------|---------|---------|-------|--------------------------------|-----------|---------|--------|--------------------------------|-------------|-----------|--------|--------|-------|---|
|                  | Jul '11                | Jul '10 | Var b/w |       | YTD '11                        | YTD '10   | Var b/w |        | Rolling '11                    | Rolling '10 | Var b/w   |        |        |       |   |
| <b>TOTAL UK</b>  | Occ %                  | 82.9    | 82.4    | 0.6   | ▲                              | Occ %     | 73.3    | 72.8   | 0.5                            | ▲           | Occ %     | 74.0   | 73.1   | 0.8   | ▲ |
|                  | ARR                    | 100.64  | 98.20   | 2.5%  | ▲                              | ARR       | 93.90   | 89.23  | 5.2%                           | ▲           | ARR       | 93.11  | 88.40  | 5.3%  | ▲ |
|                  | RevPAR                 | 83.46   | 80.88   | 3.2%  | ▲                              | RevPAR    | 68.87   | 64.99  | 6.0%                           | ▲           | RevPAR    | 68.89  | 64.66  | 6.5%  | ▲ |
|                  | TrevPAR                | 125.21  | 123.44  | 1.4%  | ▲                              | TrevPAR   | 108.96  | 105.43 | 3.3%                           | ▲           | TrevPAR   | 110.85 | 106.80 | 3.8%  | ▲ |
|                  | Payroll %              | 25.5    | 25.4    | -0.1  | ▼                              | Payroll % | 28.6    | 28.8   | 0.2                            | ▲           | Payroll % | 28.2   | 28.2   | 0.0   | ▲ |
|                  | GOP PAR                | 54.71   | 54.51   | 0.4%  | ▲                              | GOP PAR   | 41.52   | 39.83  | 4.2%                           | ▲           | GOP PAR   | 43.17  | 41.10  | 5.0%  | ▲ |
| <b>LONDON</b>    | Occ %                  | 92.4    | 91.8    | 0.6   | ▲                              | Occ %     | 81.0    | 81.0   | 0.1                            | ▲           | Occ %     | 82.1   | 81.4   | 0.7   | ▲ |
|                  | ARR                    | 148.65  | 142.40  | 4.4%  | ▲                              | ARR       | 132.76  | 121.66 | 9.1%                           | ▲           | ARR       | 130.00 | 119.02 | 9.2%  | ▲ |
|                  | RevPAR                 | 137.33  | 130.69  | 5.1%  | ▲                              | RevPAR    | 107.58  | 98.52  | 9.2%                           | ▲           | RevPAR    | 106.71 | 96.89  | 10.1% | ▲ |
|                  | TrevPAR                | 174.79  | 168.85  | 3.5%  | ▲                              | TrevPAR   | 145.64  | 136.87 | 6.4%                           | ▲           | TrevPAR   | 146.77 | 136.41 | 7.6%  | ▲ |
|                  | Payroll %              | 20.6    | 20.8    | 0.3   | ▲                              | Payroll % | 24.1    | 24.6   | 0.5                            | ▲           | Payroll % | 24.0   | 24.4   | 0.3   | ▲ |
|                  | GOP PAR                | 94.53   | 91.04   | 3.8%  | ▲                              | GOP PAR   | 69.82   | 64.22  | 8.7%                           | ▲           | GOP PAR   | 70.92  | 64.47  | 10.0% | ▲ |
| <b>PROVINCES</b> | Occ %                  | 77.7    | 77.0    | 0.7   | ▲                              | Occ %     | 69.0    | 68.2   | 0.8                            | ▲           | Occ %     | 69.4   | 68.4   | 0.9   | ▲ |
|                  | ARR                    | 68.94   | 68.46   | 0.7%  | ▲                              | ARR       | 68.05   | 67.43  | 0.9%                           | ▲           | ARR       | 68.36  | 67.72  | 1.0%  | ▲ |
|                  | RevPAR                 | 53.56   | 52.74   | 1.6%  | ▲                              | RevPAR    | 46.94   | 46.00  | 2.0%                           | ▲           | RevPAR    | 47.44  | 46.35  | 2.3%  | ▲ |
|                  | TrevPAR                | 97.69   | 97.78   | -0.1% | ▼                              | TrevPAR   | 88.18   | 87.63  | 0.6%                           | ▲           | TrevPAR   | 90.47  | 89.99  | 0.5%  | ▲ |
|                  | Payroll %              | 30.4    | 29.8    | -0.6  | ▼                              | Payroll % | 32.8    | 32.5   | -0.3                           | ▼           | Payroll % | 32.1   | 31.5   | -0.5  | ▼ |
|                  | GOP PAR                | 32.61   | 33.87   | -3.7% | ▼                              | GOP PAR   | 25.48   | 26.01  | -2.0%                          | ▼           | GOP PAR   | 27.43  | 27.82  | -1.4% | ▼ |