

UK Chain Hotels Market Review – September 2008

London hotels hit by banking chaos

Occupancy and profit fell at London chain hotels in September, according to the latest HotStats survey from TRI Hospitality Consulting. The sample of 108 full-service London hotels reported a 10.9 per cent fall in profit - expressed as income before fixed charges (IBFC) – to a daily figure of £66.66 per available room. Average occupancy fell year-on-year from 86.8 per cent to 82.7 per cent.

The shock collapse of Lehman Brothers and subsequent crisis in the banking sector had a negative impact on rack and corporate lets particularly for five-star hotels in Docklands and the City. This contributed to the 4.2 percentage point fall in average occupancy. In contrast, many five-star West End properties continued to enjoy buoyant, albeit seasonal, leisure demand from the Middle East.

The loss of rack and high-paying corporate bookings contributed to a 1.9 per cent drop in daily achieved average room rate to £118.20. Revenue per available room fell by 6.6 per cent to £97.74.

“September’s events were unprecedented and had a direct impact on some hotels in London’s financial district. With mounting evidence that the credit crisis is now feeding into all aspects of the global economy, competition for business is likely to intensify for all London hotels,” said Langston.

Provincial conference volume drops

In the provinces occupancy and profit fell in September, the fifth consecutive month of negative growth. Average occupancy dropped by 2.2 percentage points to 76.6 per cent and daily income before fixed charges declined by 10.2 per cent to £41.01 per available room.

Among the UK’s major cities, Liverpool and Manchester were the only markets to report increases in average occupancy, although IBFC fell in both cities.

HotStats unique rooms market segmentation analysis shows that provincial hoteliers reported a drop in the volume of conference lets from 17.2 per cent last September to 12.7 per cent this September, illustrating a tightening of corporate expenditure.



“Companies are bracing themselves for tough times. Many have already revised down this year’s travel and accommodation budgets causing an immediate impact on hotel bookings. Many are requesting a price freeze in 2009 which will make rate growth an increasing challenge next year,” said Langston.

Provincial achieved average room rate dropped by 1.1 per cent to £75.93 and revpar was down by 3.9 per cent to £58.17 per available room.

BAA passenger traffic down by 5 per cent

In the three months to August 2008 there were 9.4 million overseas visitors to the UK, according to the latest International Passenger Survey, representing no year-on-year change. Visitors from North America fell by 15 per cent to 1.3 million, while those from Europe increased by 4 per cent to 6.4 million. Long-haul visitors from the rest of the world declined by 2 per cent to 1.5 million. Total expenditure by overseas visitors was up by 3 per cent to £5.12 billion for the three-month period.

Looking at more recent data for September, BAA, the operator of seven UK airports including Gatwick and Heathrow, handled a total of 13.3 million passengers, a 5 per cent decline on the same month last year. BAA reported the largest reduction was for European charter traffic, down by 12.6 per cent partly due to the closure of XL Airways on the 12th of the month. North Atlantic traffic was down by 6.8 per cent and other long haul routes by 6 per cent. European scheduled traffic achieved the best result with a drop of just 2.2 per cent.

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HotStats Briefing Data

UK Chain Hotels - performance report

The Month of September 2008

| UK TOTAL HOTELS | | 2008 | 2007 | Movement |
|------------------------|---|-------------|-------|-------------|
| Occupancy | % | 78.8 | 81.7 | -2.9 points |
| Room rate | £ | 91.66 | 93.42 | -1.9% |
| Room Revpar | £ | 72.19 | 76.30 | -5.4% |
| Total Revpar | £ | 3,739 | 3,910 | -4.4% |
| IBFC PAR | £ | 50.10 | 56.09 | -10.7% |
| Payroll | % | 269 | 25.8 | 1.1 points |

| LONDON HOTELS | | 2008 | 2007 | Movement |
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| Occupancy | % | 82.7 | 86.8 | -4.2 points |
| Room rate | £ | 118.20 | 120.52 | -1.9% |
| Room Revpar | £ | 97.74 | 104.66 | -6.6% |
| Total Revpar | £ | 4,379 | 4,638 | -5.6% |
| IBFC PAR | £ | 66.66 | 74.83 | -10.9% |
| Payroll | % | 24.3 | 22.7 | 1.6 points |

| UK PROVINCIAL HOTELS | | 2008 | 2007 | Movement |
|-----------------------------|---|-------------|-------|-------------|
| Occupancy | % | 76.6 | 78.8 | -2.2 points |
| Room rate | £ | 75.93 | 76.80 | -1.1% |
| Room Revpar | £ | 58.17 | 60.51 | -3.9% |
| Total Revpar | £ | 3,394 | 3,516 | -3.5% |
| IBFC PAR | £ | 41.01 | 45.66 | -10.2% |
| Payroll | % | 28.8 | 28.1 | 0.7 points |

EDITORS NOTES:

The UK Chain Hotels sample is composed of 509 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 differing hotel samp

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