

UK Chain Hotels Market Review – May 2009

Recession impact lessening

The impact of the recession on UK hotels lessened slightly in May, according to the latest **HotStats** survey by industry experts, TRI Hospitality Consulting.

The rate of decline in occupancy is slowing. For the first 5 months of this year occupancy at UK hotels was down 3.7 points but for May it was down 2.7 points. The decline in rate was slightly more but this was not enough to make the decline in RevPAR worse. RevPAR was down 10.9% in May and down 11.8% for the first 5 months. Most importantly, profit, as measured by income before fixed charges, was down 18.1% for the first 5 months but down significantly less at 12.6% for the month of May.

Despite challenging trading conditions, average room occupancy levels in London remained above 80%, achieving 81.3% in May 2009. “Strong occupancy levels confirm the resilience of the London hotel market, giving it a strong position to regain rate once market conditions improve”, says Jonathan Langston, managing director, TRI Hospitality Consulting.

London is performing significantly above levels achieved during the economic downturn of the 1990s, when average annual room occupancy levels dropped by around 12 percentage points to as low as 63%. Compared to May 2008, achieved average room rates declined by 7.4% to £109.33 due to increased discounting, which in turn drove volume.

Cumulatively, in the first 5 months of 2009, the London hotel market achieved an average room occupancy of 75.9% at an average room rate of £106.69, generating a revenue per available room approximately £10 below last year.

The effects of the recession in the provinces are more pronounced. Nevertheless, occupancy levels remain above 70%, with achieved average room rates down 8.8% on last year at £68.14. Daily profit per available room (IBFC) dropped by 15.8%, compared to a more moderate 9.6% decline for London.

Weak pound moderating drop in visitor numbers

In the three months to April 2009, the number of overseas visitors to the UK fell by 11% to 7.6 million compared to the same period a year earlier, according to latest figures released by the International Passenger Survey. North American visitors in particular remain well below 2008 levels, falling by 18% during the three-month period. Expenditure by overseas visitors during the same period was 3% lower at £4.1 billion.



According to latest information released by VisitBritain (18 June 2009), the drop in visitor numbers to the UK compares well to the first quarter of 2009. EU15 countries have seen the lowest decline (4%) due to the weakness of sterling against the euro, although sterling is currently strengthening. In addition to the weak pound, the swine flu pandemic and increasing carbon footprint awareness encourage Britons to holiday at home, supported by a multi-million pound marketing campaign by national and regional tourism authorities.

Slight improvement on recent underlying air traffic trends

The ongoing depression in hotel accommodation demand is reflected in the continuing decline in the number of passengers at major UK airports. In May 2009, BAA, reported a 7.3% fall in passenger numbers compared to 2008. Overall, long haul flights show a slight improvement on recent underlying trends and also European scheduled traffic is relatively stable. We understand from information provided by VisitBritain that besides two cancelled routes by Ryanair, a number of operators have announced new flights to a number of UK airports, particularly Gatwick, which will contribute to a potential increase in passenger numbers during the peak summer months.

Heathrow Airport continues to show stronger resilience to the downturn, reporting a more moderate decline of 4% in the first five months of 2009. Passenger numbers at Gatwick declined by 10%, while Stansted suffered the biggest drop of the three BAA London Airports, reporting a fall of 15%.

For more information contact:

Jonathan Langston, managing director
020 7486 5191
jonathan.langston@trihc.com

David Bailey, deputy managing director
020 7892 2202
david.bailey@trihc.com

Charles Scudamore, director
020 7892 2211
charles.scudamore@trihc.com

Services:

For an inside view of a local or regional market place in the hotel sector, bespoke **HotStats** reports are available. Terms and conditions apply.

To view a sample report visit: <http://www.trihc.com/Home.aspx?pID=149-0>

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HotStats Briefing Data

UK Chain Hotels - Performance report

The month of May 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
74.2	84.51	62.75	105.98	27.8	41.66
81.3	109.33	88.87	126.39	24.5	59.24
70.2	68.14	47.86	94.35	30.4	31.63

UK Total
London
Provincial

The five months to May 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
68.6	84.02	57.63	97.63	30.5	33.27
75.9	106.69	80.97	116.94	26.8	49.41
64.4	68.62	44.18	86.50	33.4	23.97

The month of May 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
77.0	91.53	70.45	119.02	28.0	47.69
82.7	118.05	97.66	140.65	25.0	65.54
73.7	74.67	55.04	106.77	30.3	37.58

UK Total
London
Provincial

The five months to May 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
72.3	90.34	65.34	110.43	30.0	40.64
78.9	114.71	90.50	131.98	26.4	58.36
68.5	74.22	50.87	98.04	32.8	30.46

Movement for the month of May

Occ	ARR	RevPAR	TrevPAR	Payroll	IBFC PAR
-2.7	-7.7%	-10.9%	-11.0%	0.2	-12.6%
-1.4	-7.4%	-9.0%	-10.1%	0.5	-9.6%
-3.5	-8.8%	-13.1%	-11.6%	-0.1	-15.8%

UK Total
London
Provincial

Movement for the five months to May

Occ	ARR	RevPAR	TrevPAR	Payroll	IBFC PAR
-3.7	-7.0%	-11.8%	-11.6%	-0.5	-18.1%
-3.0	-7.0%	-10.5%	-11.4%	-0.4	-15.3%
-4.2	-7.5%	-13.1%	-11.8%	-0.6	-21.3%

EDITORS NOTES:

The UK Chain Hotels currency within this report is shown in pounds Sterling.

The UK Chain Hotels sample is composed of 489 hotels with an average hotel size of 185 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, Dubai and Madrid.

Occupancy (Occ %) is that proportion of the bedrooms available during the period which are occupied during the period.

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 hotel 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.

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

Data Sample TRI amends 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 in last year's monthly report because the data is based on a differing hotel sa

