

UK Chain Hotels Market Review – June 2009

Volume holds up at the expense of rate

Hotel occupancy in June proved relatively robust, according to the latest **HotStats** survey by industry experts, TRI Hospitality Consulting.

Occupancy levels in London for June 2009 reached 84.1%, only one percentage point below last year. June is traditionally the best performing month in the capital, driven by strong corporate demand, leisure tourism and major events such as Wimbledon, which attracts over half a million visitors to London.

In order to drive volume, London hoteliers continued to discount room rates, which dropped by 8.8% in June 2009 compared to last year.

“Whilst occupancy levels remain high, achieved average room rates have fallen further in June, partly attributable to the tough comparables of the previous highs in June in past years”, says David Bailey, deputy managing director, TRI Hospitality Consulting.

In the six months to June 2009, average occupancy levels in London dropped by 2.7 percentage points to 77.3%, while achieved average room rates were down 7.3% at £108.39, compared to the six months a year earlier. The London hotel market moderated the pace in occupancy decline but further extended the performance gap in achieved average room rate compared to last year.

“During previous recessions, once we have seen occupancy flatten out, it takes a few more months before rate steadies. It is too early to say we are at the beginning of the end of the recession for hotels but I believe we can be certain that it is the end of the beginning,” added Bailey.

The provinces also enjoyed a relatively strong performance in June, achieving an average occupancy of 72.5% at an average room rate of £71.41. Whilst occupancy levels in the provinces for June were down slightly more than London, achieved average room rates dropped by 7.8%, one percentage point less than the capital. Cumulatively, the provinces stabilised the decrease in achieved average room rates in the six months to June 2009 and marginally improved the rate of decline in volume compared to the same period in 2008.

The UK hotel market not only narrowed the decline in occupancy and average room rate levels but also succeeded in keeping costs under control, resulting in a less steep decline in daily profit per available room (IBFC).



Stronger resilience of the budget Sector

Since the UK hotel market performance turned negative in September 2008, total room nights sold in the UK have dropped by 2.7%, which is partly attributable to an increase in bedroom stock of around five per cent.

Although the budget sector experienced the strongest growth in supply of over nine per cent, compared to less than one per cent for the full-service sector, total room nights sold only marginally dropped by 1.5%, compared to four per cent for the full-service sector. This highlights the relative resilience of budget hotels to the economic downturn.

Due to limited discounting, rooms revenue in the budget sector remained stable, as opposed to a drop of over nine per cent in the full-service sector, which further widened the performance gap between the two sectors.

Underlying airport traffic trends improving

BAA reports the highest UK traffic volume since September 2008, with June passenger numbers declining by 5.9 per cent and a cumulative 7.5 per cent (six months to June) compared to last year.

BAA London passenger numbers were down 7.4% compared to June 2008, with London Heathrow benefiting from a more modest decline of 3.1% due to its hub status. Stansted passenger numbers for June dropped by 11.5%, a cumulative 14.4% fall for the six months to June 2009.

Passenger numbers are expected to decline even further, as a number of operators, including Ryanair, have announced extensive flight suspensions for the winter period. The reduction in volume in passengers is expected to be made worse, particularly for long-haul, thanks to imminent increases in UK air passenger duty tax in November.



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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 June 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
76.8	89.45	68.73	114.05	26.4	47.76
84.1	115.69	97.27	138.17	22.8	68.80
72.5	71.41	51.80	99.75	29.4	35.29

UK Total
London
Provincial

The six months to June 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
70.0	85.05	59.53	100.43	29.7	35.68
77.3	108.39	83.80	120.63	26.0	52.78
65.8	69.16	45.48	88.73	32.6	25.78

The month of June 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
78.5	97.33	76.44	127.22	26.3	54.03
85.1	126.90	108.03	154.33	22.5	76.34
74.6	77.41	57.78	111.20	29.5	40.84

UK Total
London
Provincial

The six months to June 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
73.4	91.61	67.23	113.29	29.3	42.84
80.0	116.95	93.52	135.84	25.6	61.46
69.6	74.80	52.04	100.26	32.1	32.08

Movement for the month of June

Occ	ARR	RevPAR	TrevPAR	Payroll	GOP PAR
-1.7	-8.1%	-10.1%	-10.3%	-0.1	-11.6%
-1.1	-8.8%	-10.0%	-10.5%	-0.3	-9.9%
-2.1	-7.8%	-10.4%	-10.3%	0.1	-13.6%

UK Total
London
Provincial

Movement for the six months to June

Occ	ARR	RevPAR	TrevPAR	Payroll	GOP PAR
-3.4	-7.2%	-11.5%	-11.4%	-0.4	-16.7%
-2.7	-7.3%	-10.4%	-11.2%	-0.4	-14.1%
-3.8	-7.5%	-12.6%	-11.5%	-0.5	-19.7%

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.

GOP PAR is the Total Gross Operating Profit 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



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