

HotStats™

UK Chain Hotels Market Review – December 2007

London hotels enjoy double-digit profit growth

The profitability of chain hotels in the UK increased at a slightly higher rate than sales during 2007, according to the full-year figures from TRI Hospitality's monthly HotStats survey.

Income before fixed charges (also known as gross operating profit) increased by 7.6 per cent to £44.14 per available room, compared to a 7.1 per cent increase in room revpar to £66.51.

The overall picture of strong profit growth in the UK was predominantly due to the London hotels in the sample that, on average, enjoyed an upswing in profit of 12.8 per cent to £64.04 per available room.

With no change in occupancy, it was a 10.2 per cent increase in average room rate to £112.81, and a firm grip on payroll costs, that enabled London hoteliers to turn in a very healthy profit performance in 2007.

“The capital's magnetism as a corporate and leisure destination and its extremely high occupancies meant there was minimal scope for hoteliers to increase volume in 2007. This put a great emphasis on rate growth. Indeed, the fact that demand for quality, branded accommodation continued to exceed supply enabled London hoteliers to put in a sparkling rate performance in 2007, and boost their profits accordingly” said Jonathan Langston, managing director, TRI Hospitality Consulting.

At chain hotels in the rest of the UK (referred to as the provinces), profit increased by 2.2 per cent to £33.02 per available room during the full year. Room revpar and total revpar increased at 4.1 per cent and 7.3 per cent respectively. Further profit growth was hampered by payroll costs edging up to 31.6 per cent of total revenue.

Aberdeen increases profit the most in 2007

TRI's unique profit-and-loss sample of more than 450-full service hotels across the country shows that in terms of profit growth, Aberdeen was the stand out performer of last year with IBFC up by 22 per cent to £42.93 per available room. Edinburgh also had a good year with IBFC up by eight per cent to £42.76.

“2008 looks set to be another good year for Aberdeen hoteliers since it is not until 2009 that a large swathe of new bedrooms will open and fundamentally alter the supply-demand dynamics of the city's hotel market,” said Langston.

From Monday to Thursday, demand in Aberdeen from the oil and gas industries has been far in excess of its branded hotel supply, encouraging some hoteliers to push their rates as high as £250.00.

“Apart from the shining examples north of the border, most provincial hotel markets put in a steady performance in 2007. This year in large UK city centres, we expect business demand to stay relatively buoyant, especially given that it continues to outstrip supply in certain key commercial markets. The main concern in 2008 is likely to be a drop in consumer-spending. Finding ways to maintain or increase leisure demand could be a significant challenge for UK chain hoteliers this year,” said Langston.

Visitor numbers show moderate growth

In the 12 months to the end of November 2007 overseas visitors to the UK increased by one per cent, according to the latest figures from National Statistics.

Visitors from North America fell by four per cent, visitors from Europe were up by three per cent and visitors from ‘other countries’ increased by one per cent. Thanks largely to growth in Asia, there were more visitors from ‘other countries’ than from North America during the 12 month period. Spending by overseas tourists increased by one per cent to £16.2 billion.

At BAA’s seven UK airports, including Heathrow and Gatwick, total passenger traffic for the full year of 2007 increased by 1.6 per cent, taking the total to just under 150 million passengers.

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HotStats Briefing Data

UK Chain Hotels - performance report

The Month of December 2007

| UK TOTAL HOTELS | | 2007 | 2006 | Movement |
|-----------------|---|-------|-------|------------|
| Occupancy | % | 66.6 | 66.4 | 0.3 points |
| Room rate | £ | 88.05 | 82.16 | 7.2% |
| Room Revpar | £ | 58.68 | 54.53 | 7.6% |
| Total Revpar | £ | 3,711 | 3,548 | 4.6% |
| IBFC PAR | £ | 42.35 | 40.62 | 4.3% |
| Payroll | % | 29.1 | 28.9 | 0.2 points |

| LONDON HOTELS | | 2007 | 2006 | Movement |
|---------------|---|--------|--------|------------|
| Occupancy | % | 75.1 | 74.7 | 0.4 points |
| Room rate | £ | 113.78 | 104.28 | 9.1% |
| Room Revpar | £ | 85.45 | 77.93 | 9.6% |
| Total Revpar | £ | 4,338 | 4,015 | 8.0% |
| IBFC PAR | £ | 60.99 | 55.83 | 9.2% |
| Payroll | % | 25.4 | 26.4 | -1 points |

| UK PROVINCIAL HOTELS | | 2007 | 2006 | Movement |
|----------------------|---|-------|-------|------------|
| Occupancy | % | 61.7 | 61.6 | 0.1 points |
| Room rate | £ | 69.82 | 66.85 | 4.4% |
| Room Revpar | £ | 43.09 | 41.19 | 4.6% |
| Total Revpar | £ | 3,352 | 3,290 | 1.9% |
| IBFC PAR | £ | 31.49 | 31.94 | -1.4% |
| Payroll | % | 31.8 | 30.5 | 1.3 points |

EDITORS NOTES:

The UK Chain Hotels sample is composed of 456 hotels with an average hotel size of 175 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 hotels, tourism and leisure sectors. 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 differing hotel sample

HotStats Briefing Data

UK Chain Hotels - performance report

The Twelve Months to December 2007

| UK TOTAL HOTELS | | 2007 | 2006 | Movement |
|-----------------|---|--------|--------|-------------|
| Occupancy | % | 75.4 | 75.5 | -0.1 points |
| Room rate | £ | 88.20 | 82.28 | 7.2% |
| Room Revpar | £ | 66.51 | 62.10 | 7.1% |
| Total Revpar | £ | 42,722 | 39,225 | 8.9% |
| IBFC PAR | £ | 44.14 | 41.03 | 7.6% |
| Payroll | % | 28.5 | 28.6 | -0.1 points |

| LONDON HOTELS | | 2007 | 2006 | Movement |
|---------------|---|--------|--------|-------------|
| Occupancy | % | 82.7 | 82.7 | 0 points |
| Room rate | £ | 112.81 | 102.41 | 10.2% |
| Room Revpar | £ | 93.27 | 84.70 | 10.1% |
| Total Revpar | £ | 49,953 | 45,144 | 10.7% |
| IBFC PAR | £ | 64.04 | 56.76 | 12.8% |
| Payroll | % | 24.4 | 25.1 | -0.8 points |

| UK PROVINCIAL HOTELS | | 2007 | 2006 | Movement |
|----------------------|---|--------|--------|-------------|
| Occupancy | % | 71.3 | 71.5 | -0.1 points |
| Room rate | £ | 72.28 | 69.35 | 4.2% |
| Room Revpar | £ | 51.57 | 49.56 | 4.1% |
| Total Revpar | £ | 38,577 | 35,946 | 7.3% |
| IBFC PAR | £ | 33.02 | 32.30 | 2.2% |
| Payroll | % | 31.6 | 31.0 | 0.5 points |

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