



HotTopic – A TRI Hospitality Consulting Opinion Survey

The Trading Outlook for UK Chain Hotels in 2008

The majority of the UK’s chain hoteliers are optimistic that 2008 will be a better year than 2007, according to an exclusive opinion survey conducted by TRI Hospitality Consulting.

More than four out of five (83 per cent) hoteliers surveyed expect their rooms revpar to increase in 2008 compared to 2007.

“The general high level of confidence amongst UK’s hoteliers is surprising, given that most indicators are telling us that 2008 will be a much tougher year for the UK economy than 2007,” said Mark Dickens, managing director - HotStats, TRI Hospitality Consulting.



Note: Inflation in 2008 is forecast at 2.2 per cent; source HM Treasury Forecasts for the UK Economy; January 2008

Given the recent stream of negative news and forecasts from the financial markets, retail and property sectors what can explain this high level of confidence amongst the UK’s chain hoteliers?

One potential explanation is that over the last two years corporate demand for branded accommodation has been particularly strong in commercial locations. Many UK branded hotel operators have been accustomed to turning away business throughout the working week.

“The hoteliers in our sample anticipate some reduction in corporate travel and accommodation budgets this year. But even a fall by as much as four per cent in corporate mid-week demand is unlikely to have much impact on rooms revpar growth,” said Dickens.

Hotel operating executives at head office level are the most confident, with no anticipation of decline at all. Our survey also includes responses from advisers to the hotel sector and bankers with specialist hotel/leisure divisions. This group are the least positive with nearly half expecting decline or stagnation for this year.

The survey found that the majority of respondents consider that UK-based consumer spending will be the most important influence on hotel performance in 2008. This response reflects a recognition that with levels of consumer spending forecast to fall this year, finding ways to maintain or increase leisure demand will be a significant challenge.

“For the branded chain hotelier, the volume of leisure demand is not as great as corporate demand. But a drop in the discretionary spending power of the UK consumer is seen as a cause for greater concern by hoteliers than the overall health of the UK economy, given that domestic-based corporate demand is expected to hold reasonably steady,” said Dickens.

The results of the survey have informed TRI’s forecasts for rooms revpar performance in 2008 (see table below). Like the largest groups of hotelier respondents in our sample, we are predicting rooms revpar growth at approximately half the levels enjoyed in 2007 (versus 2006).

Occupancy Growth (year-on-year)			
	2006 Actual Growth (% points)	2007 Actual Growth (% points)	2008 Forecast Growth (% points)
London	5.4	0.1	0.0
Provinces	0.7	0.1	-0.1
UK	2.2	0.1	0.0
Average Room Rate Growth (year-on-year)			
	2006 Actual Growth (%)	2007 Actual Growth (%)	2008 Forecast Growth (%)
London	7.6	9.6	4.8
Provinces	2.9	3.7	2.7
UK	5.2	6.5	3.7
Rooms RevPAR Growth (year-on-year)			
	2006 Actual Growth (%)	2007 Actual Growth (%)	2008 Forecast Growth (%)
London	15.1	9.6	4.8
Provinces	3.9	3.7	2.6
UK	8.4	6.6	3.6

TRI Hospitality Consulting's 'HotTopic' Opinion Survey 2008 took place in January 2008. Respondents were contacted either by telephone or email. A total of 111 respondents participated. A majority of the major branded hotel operators in the UK are represented in the survey.

The above press release is extracted from TRI Hospitality Consulting's: "Trading Outlook for UK Chain Hotels in 2008".

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