



UK Chain Hotels Market Review – October 2007

Profit grows across the UK and London rates reach new high

The UK's chain hoteliers continued to achieve impressive profit growth in October, with IBFC per available room increasing by 10.1 per cent to £54.06, according to the latest HotStats survey from TRI Hospitality Consulting.

In London profit growth was even greater, with daily IBFC PAR climbing to £79.53, a 15.4 per cent improvement. Such a strong rise in profitability was driven by the capital's hoteliers achieving the highest average rate ever.

Across the city average room rate soared past the £120 mark, increasing by 11.2 per cent to £122.42 compared to October 2006. This was considerably higher than our previously recorded London peak of £115.28 in November 2006.

Average occupancy also increased by 3.6 points to 87.3 per cent. The last time that London occupancy was higher was in September 2000, when it reached 87.9 per cent.

Strong rate, volume, and profit growth enabled London's chain hoteliers to reduce payroll costs by 1.3 points to 22.0 per cent of total revenue.

This outstanding performance comes at a time when the so-called 'credit crunch' and weak dollar are depressing overseas visitor numbers, who make up a vital 70 per cent of London's hotel guest mix.

"On the face of it, it makes no sense that falling overseas visitor numbers, especially from the US, should coincide with London's near-record occupancy and continuing strong profit growth. Yet, during the last economic slowdown at the start of 2001, tightening credit conditions took a few months to impact hotel performance. For now at least, London's chain hotels remain immune to any indicators of economic slowdown," said David Bailey, director, TRI Hospitality Consulting.

Birmingham profit far outstrips Provincial average

Provincial hoteliers succeeded in pushing up profit with daily IBFC PAR increasing by 5.6 per cent to £40.06. With a marginal increase in occupancy, the improved profitability was the result of rate up by 5.5 per cent to £75.10.

Chain hotels in Birmingham had a particularly good October with the IBFC PAR improvement far outstripping average provincial growth. IBFC PAR was up by a massive 29 per cent to £59.24 in

Birmingham, representing an impressive 43.5 per cent of total revenue, a 7.8 point improvement on last year.

“To solely rely on the headline indicators of occupancy, rate and revpar would leave us largely in the dark as to just how well Birmingham’s hoteliers performed in October. Only when we look at bottom line operating profit per available room can we get a truly accurate picture,” said Bailey.

While there were pockets of the country that experienced negative IBFC PAR movement, for the majority of provincial chain hotels October was a month of steady and solid profit growth.

Looking at total revpar figures, the average hotel in our sample – a 174-bedroom unit - generated total sales of £814,494 in London, and £581,334 in the provinces in October. The provincial total represents 71.4 per cent of the London hotel’s total revenue.

Total overseas visitor numbers and spend in decline

The latest available official Government statistics show that in the three months to the end of September the total number of overseas visitors to the UK fell by 10 per cent to 7.83 million and the amount they spent dropped by four per cent to £5.2 billion. On a quarterly basis, this is the first time that overall visitor numbers to the UK have fallen since the third quarter of 2003.

There have been fewer North American visitors throughout the year to date, but while visits from Europe and the rest of the world increased in the first half of the year, they also both declined by 10 per cent in the third quarter.

UKinbound, the trade organisation representing the inbound tourism industry, described September as “another difficult month.” It said that overall, the key third quarter of 2007 had seen a fall in visitor numbers of 4.5 per cent compared to 2006 and forward bookings dropping by 4.2 per cent.

Stephen Dowd, chief executive, UKinbound, commented: “With demand from our two biggest markets [Europe and the US] almost certain to fall in the short term, our members face stiff competition in the coming months.”

Air traffic volumes increased by 3.5 per cent in October, according to BAA the operator of seven (Heathrow, Gatwick, Stansted, Glasgow, Edinburgh, Aberdeen and Southampton) UK airports.

Among key markets there was a notable acceleration in the rate of growth of North Atlantic traffic, from an increase of 4.1 per cent in September to 8.9 per cent in October, driven by Brits taking advantage of the favourable dollar to pound exchange rate. Other long haul traffic also improved with an 8.5 per cent increase in the month.

In contrast UK domestic traffic continued its recent decline with a drop of 2.4 per cent in October. European scheduled traffic was up by 4.3 per cent but European charters were 3.2 per cent lower. All individual airports except Glasgow (-1.8 per cent) recorded increases in October.

For more information contact:

David Bailey, director
020 7486 5191
david.bailey@trihc.com

Ben Walker, research manager
020 7892 2240
ben.walker@trihc.com

Claire King, marketing manager
020 7892 2237
claire.king@trihc.com

HotStats Briefing Data

UK Chain Hotels - performance report

The Month of October 2007

UK TOTAL HOTELS		2007	2006	Movement
Occupancy	%	80.5	78.9	1.6 points
Room rate	£	93.31	85.91	8.6%
Room Revpar	£	75.11	67.82	10.8%
Total Revpar	£	3,819	3,498	9.2%
IBFC PAR	£	54.06	49.11	10.1%
Payroll	%	26.2	26.9	-0.7 points

LONDON HOTELS		2007	2006	Movement
Occupancy	%	87.3	83.7	3.6 points
Room rate	£	122.42	110.08	11.2%
Room Revpar	£	106.87	92.09	16.0%
Total Revpar	£	4,681	4,116	13.7%
IBFC PAR	£	79.53	68.91	15.4%
Payroll	%	22.0	23.2	-1.2 points

UK PROVINCIAL HOTELS		2007	2006	Movement
Occupancy	%	76.7	76.3	0.4 points
Room rate	£	75.10	71.15	5.5%
Room Revpar	£	57.63	54.29	6.2%
Total Revpar	£	3,341	3,156	5.8%
IBFC PAR	£	40.06	37.95	5.6%
Payroll	%	29.5	29.5	0 points

EDITORS NOTES:

The UK Chain Hotels sample is composed of 467 hotels with an average hotel size of 174 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.

Definitions:

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 shown per available room.

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 Ten Months to October 2007

UK TOTAL HOTELS		2007	2006	Movement
Occupancy	%	76.1	76.2	-0.1 points
Room rate	£	87.55	81.65	7.2%
Room Revpar	£	66.63	62.20	7.1%
Total Revpar	£	34,520	31,957	8.0%
IBFC PAR	£	44.01	42.76	2.9%
Payroll	%	28.6	28.5	0.1 points

LONDON HOTELS		2007	2006	Movement
Occupancy	%	83.2	83.2	0 points
Room rate	£	111.44	100.90	10.4%
Room Revpar	£	92.71	83.99	10.4%
Total Revpar	£	40,881	36,733	11.3%
IBFC PAR	£	63.32	55.68	13.7%
Payroll	%	24.5	25.3	-0.8 points

UK PROVINCIAL HOTELS		2007	2006	Movement
Occupancy	%	72.2	72.3	-0.1 points
Room rate	£	72.24	69.35	4.2%
Room Revpar	£	52.13	50.11	4.0%
Total Revpar	£	30,983	29,323	5.7%
IBFC PAR	£	33.25	32.53	2.2%
Payroll	%	31.6	31.1	0.5 points

EDITORS NOTES:

The UK Chain Hotels sample is composed of 467 hotels with an average hotel size of 174 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.

Definitions:

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 shown per available room.

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