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UK Chain Hotels Market Review – November 2008

UK hotel profit drops by 14 per cent

The UK chain hotel market reported a 14.1 per cent fall in profit this November, according to the latest HotStats survey from TRI Hospitality Consulting. The amount of profit generated per available room – expressed as income before fixed charges (IBFC) – fell to a daily figure of £46.26 compared to £53.88 the same month a year earlier.

"Hoteliers experienced a significant reduction in the volume of corporate and conference lets this November as businesses reined in their expenses. At the same time food, wages and energy costs were all higher one year on," said Jonathan Langston, managing director, TRI Hospitality Consulting.

In the provinces total revenue (TrevPAR) decreased by 7.3 per cent to £101.83 per available room and profit dropped by 13.7 per cent to £33.69 per available room. Provincial average occupancy fell by 3.7 percentage points to 70 per cent and average room rate dropped by 1.5 per cent to £73.97.

Glasgow and Aberdeen grow rate and profit

The only major provincial cities to report increases in profit were both north of the border. In Glasgow, the UEFA Champions League Celtic and Manchester United match, the Scotland and Argentina friendly, a UNICEF conference and three major medical conferences had a positive impact on hotel profit. In Aberdeen, the combination of strong demand from oil and gas industries and the limited supply of branded international hotels increased occupancy, rate and profit.

The London sample of 109 full-service chain hotels reported a 10.5 per cent fall in total revenue to a daily figure of £144.33 per available room. IBFC declined by 14.6 per cent to £69.79 per available room.

"The overall picture is unfortunately of falling revenue and profit. What is encouraging, however, is that hoteliers are maintaining their efforts to promote their businesses. Our survey shows that sales & marketing, a cost that is often the first to be cut has not been reduced" said Langston.

Overseas Visits down by 4 per cent

In the three months to October, the number of overseas visits to the UK fell by 4 per cent to 8.6 million compared to the same period a year earlier. The latest available International Passenger Survey reported a 23 per cent fall in visits from North America to 970,000, but there was no year-

on-year change in the number of inbound trips from Europe at 6.3 million. Visits from the rest of the world fell by 9 per cent to 1.4 million.

"Recent media reports have highlighted how the weak pound is attracting more continental Europeans to London for Christmas shopping. If the exchange rate stays at similar levels into 2009, this may create ongoing benefits for inbound tourism," said Langston.

In more recent data, BAA, the operator of seven UK airports including Gatwick and Heathrow, reported handling 9.8 million passengers during November, a year-on-year drop of 8.9 per cent. Year to date, BAA's UK airport traffic showed a 2.4 per cent decline for the eleven months to November at a total of 134.6 million.

Among individual airports, BAA said that Heathrow (-4.8 per cent) was the most resilient, partly because of its greater share of long haul markets. Both Gatwick (-13.5 per cent) and Stansted (-13.2 per cent) felt the negative impact of short-haul airline service cutbacks.

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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
Or from the TRI home page select Market knowledge and follow the path to Market reports.

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HotStats Briefing Data

UK Chain Hotels - Performance report

The month of November 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR	
73.4	91.16	66.94	116.47	28.0	43.57	UK Total
79.9	119.58	95.52	144.33	24.6	69.79	London
70.0	73.88	51.71	101.62	30.5	29.60	Provincial

The eleven months to November 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR	
75.1	90.23	67.75	113.45	28.6	43.71	UK Total
82.0	117.60	96.40	138.11	24.8	64.51	London
71.4	73.32	52.34	100.18	31.4	32.52	Provincial

The month of November 2007

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR	
77.7	94.42	73.37	127.61	26.4	53.83	UK Total
85.2	125.91	107.33	161.23	21.9	81.74	London
73.7	75.02	55.29	109.71	29.9	38.96	Provincial

The eleven months to November 2007

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR	
76.3	88.34	67.40	113.91	28.2	45.20	UK Total
82.9	113.32	93.91	135.50	24.4	63.97	London
72.7	72.92	53.05	102.22	31.0	35.04	Provincial

Movement for the month of November

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR	
-4.3	-3.4%	-8.8%	-8.7%	1.6	-19.0%	UK Total
-5.4	-5.0%	-11.0%	-10.5%	2.7	-14.6%	London
-3.7	-1.5%	-6.5%	-7.4%	0.6	-24.0%	Provincial

Movement for the eleven months to November

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR	
-1.2	2.1%	0.5%	-0.4%	0.4	-3.3%	UK Total
-0.9	3.8%	2.7%	1.9%	0.3	0.9%	London
-1.4	0.5%	-1.3%	-2.0%	0.5	-7.2%	Provincial

EDITORS NOTES:

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

The UK Chain Hotels sample is composed of 507 hotels with an average hotel size of 178 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 and Dubai.

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

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