

## UK Chain Hotels Market Review – December 2009

### London ends 2009 on a high note as profitability soars

London hotels enjoyed a strong double digit boost to profitability during December as trading recovered strongly, according to the latest **HotStats** survey from TRI Hospitality Consulting.

Gross Operating Profit per Available Room (GOPPAR) benefited from the uplift in London hotel usage with a growth of almost 23% in December 2009, as cost-cutting strategies implemented by hoteliers combined with revenue growth gave a fillip to margins.

"The strength of the last few months means that in the year as a whole, London hotels suffered a profit fall of just 7.8%. And this was during what is widely seen as the worst recession since the 1930s," said Jonathan Langston, managing director, TRI Hospitality Consulting.

December 2009 was a positive month for the London hotel market as Revenue per Available Room (RevPAR) grew by 10.1%. A 5.9 percentage point increase in London room occupancy levels, to 77.3%, and a 1.7% increase in average room rates, to £112.41, not only boosted the London RevPAR levels for December well beyond those achieved in 2008, but also outperformed the same period in 2007.

The strong hotel performance mirrored the news from the British Retail Consortium that retail sales in London in December were 12% higher on a like-for-like basis than the same period in 2008, with the weak pound and higher levels of discounting attracting visitors from western Europe, China and the Middle East.

The comparatively strong London performance in December helped to reduce further the level of annual RevPAR decline anticipated by industry experts in 2009 due to the impact of the credit crunch. Overall, room occupancy levels in London declined by only 0.4 percentage points in 2009, to 80.3%, which helped to minimise the year-end decrease in RevPAR, to 6.4%. Astute management and cost control by London hoteliers kept the year-end decline in profitability to just 7.8%, at £58.64 per available room.

"London hoteliers appear to have got the proposition absolutely right with the massive declines in profitability experienced in January 2009 now a distant memory. Anticipated revenue growth in 2010 and a continued watchful eye on costs bode well for the capital's hotels," said Jonathan Langston, managing director, TRI Hospitality Consulting.



## Provincial profits finish with a flurry

Although year-end headline performance levels were helped by a 1.9 percentage point increase in average room occupancy in December, Provincial hotels still suffered a 2.2% RevPAR decline during the month as a result of a 5.2% decrease in achieved average room rate. However, TRI's unique **HotStats** survey highlighted the benefit of full profit and loss benchmarking as profitability at Provincial hotels in December increased for the first time in 2009, by 3.2%, to £29.71 per available room, despite the decline in revenues.

On an annual basis, RevPAR levels for Provincial UK hoteliers declined by 10.8% to £46.83 per available room in 2009. In further contrast to the fortunes of the capital, a 0.1% increase in payroll levels as a percentage of total revenue added to an overall decline in GOPPAR of 15.5% in 2009. However, this will be of some comfort, as Provincial hoteliers feared the worst in January 2009 following a 28.8% decline in GOPPAR.

Despite Provincial UK averages experiencing a decline in 2009, the fortunes of city markets across the UK varied greatly during the year. According to the latest **HotStats** survey from TRI Hospitality Consulting, year-end GOPPAR in commercial-driven destinations suffered serious declines, such as in Sheffield (22.7%), Manchester (28.7%) and Liverpool (26.4%). Whereas year-end increases in GOPPAR were experienced in leisure-driven destinations such as Brighton (0.5%), York (0.9%) and Blackpool (6.4%), with the influence of 'Staycations' discernibly apparent in these locations.

"The loss of business bednights in some of the UK's major cities has had a massive impact on the profitability of their hotels. Following the boom years in markets such as Manchester and Liverpool, underperformance and oversupply have led to huge declines in profitability in 2009. We are hoping these major cities can bounce back in 2010," added Langston.

## Fog and snow cause BAA passenger numbers to slide

BAA estimates that poor weather conditions accounted for the loss of 150,000 passengers at its airports. Passengers at airports across Europe and North America were affected by cancellations and disruptions caused by snow and fog and as a result numbers at BAA's six UK airports were down by 0.9% on last year, to approximately eight million passengers.

The collapse of the airline Flyglobespan and the poor weather had a direct impact on Scottish airports. Compared to last year, December passenger numbers in Glasgow were down 8.8%, Edinburgh down 4.4% and Aberdeen down by 9.4%.

Overall, in 2009, BAA airports handled approximately 109.6 million passengers, a decline of 4.2% on 2008. The rate of decline slowed to 1.2% in the fourth quarter. The greatest margin of decline was at Glasgow airport (11.3%), compared to a 0.9% increase in passenger numbers at the neighbouring Edinburgh.



For more information contact:

Jonathan Langston, managing director  
020 7486 5191  
[jonathan.langston@trihc.com](mailto:jonathan.langston@trihc.com)

David Bailey, deputy managing director  
020 7486 5191  
[david.bailey@trihc.com](mailto:david.bailey@trihc.com)

Charles Scudamore, director  
0207 892 2211  
[charles.scudamore@trihc.com](mailto:charles.scudamore@trihc.com)

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## HotStats Briefing Data

### UK Chain Hotels - Performance report

Currency: £ Sterling

#### The month of December 2009

| Occ % | ARR    | RevPAR | TrevPAR | Payroll % | GOP PAR |
|-------|--------|--------|---------|-----------|---------|
| 66.3  | 86.55  | 57.37  | 108.54  | 26.6      | 43.04   |
| 77.3  | 112.41 | 86.94  | 130.91  | 23.6      | 65.39   |
| 59.7  | 66.56  | 39.72  | 95.19   | 29.1      | 29.71   |

#### The twelve months to December 2009

| Occ % | ARR    | RevPAR | TrevPAR | Payroll % | GOP PAR |
|-------|--------|--------|---------|-----------|---------|
| 72.7  | 85.83  | 62.38  | 105.12  | 28.4      | 39.61   |
| 80.3  | 110.82 | 89.04  | 126.97  | 24.6      | 58.64   |
| 68.2  | 68.65  | 46.83  | 92.37   | 31.4      | 28.51   |

#### The month of December 2008

| Occ % | ARR    | RevPAR | TrevPAR | Payroll % | GOP PAR |
|-------|--------|--------|---------|-----------|---------|
| 62.9  | 87.37  | 54.98  | 108.39  | 28.9      | 37.96   |
| 71.4  | 110.54 | 78.97  | 123.61  | 25.9      | 53.26   |
| 57.8  | 70.22  | 40.60  | 99.26   | 31.1      | 28.79   |

#### The twelve months to December 2008

| Occ % | ARR    | RevPAR | TrevPAR | Payroll % | GOP PAR |
|-------|--------|--------|---------|-----------|---------|
| 74.3  | 91.84  | 68.22  | 115.44  | 28.5      | 44.72   |
| 80.7  | 117.92 | 95.17  | 137.61  | 25.0      | 63.59   |
| 70.5  | 74.45  | 52.52  | 102.53  | 31.3      | 33.73   |

#### Movement for the month of December

| Occ | ARR   | RevPAR | TrevPAR | Payroll | GOP PAR |
|-----|-------|--------|---------|---------|---------|
| 3.4 | -0.9% | 4.4%   | 0.1%    | 2.3     | 13.4%   |
| 5.9 | 1.7%  | 10.1%  | 5.9%    | 2.4     | 22.8%   |
| 1.9 | -5.2% | -2.2%  | -4.1%   | 1.9     | 3.2%    |

#### Movement for the twelve months to December

| Occ  | ARR   | RevPAR | TrevPAR | Payroll | GOP PAR |
|------|-------|--------|---------|---------|---------|
| -1.6 | -6.5% | -8.6%  | -8.9%   | 0.1     | -11.4%  |
| -0.4 | -6.0% | -6.4%  | -7.7%   | 0.4     | -7.8%   |
| -2.3 | -7.8% | -10.8% | -9.9%   | -0.1    | -15.5%  |

#### EDITORS NOTES:

The UK Chain Hotels sample is composed of 483 hotels with an average hotel size of 186 bedrooms.

The hotels profiled in this report are drawn from the HotStats database and reflect the portfolios and distribution of the hotel chains that we survey and which operate primarily in the three and four-star sectors.

**Please note:** The data samples are reviewed and rebased each year to reflect the changes in the HotStats survey base.

As a result, performance ratios published last year may differ from those contained within this report.

**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.

TRI Hospitality Consulting provides a wide range of services to clients in the hotel sector. It has offices in London, Dubai and Madrid.

