

## UK Chain Hotels Market Review – October 2008

### UK hotel profit drops by 9 per cent

The UK chain hotel market reported a 9 per cent fall in profit this October, 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 £49.76 compared to £54.70 the same month a year earlier.

Lower profit was primarily the result of higher costs and a shrinking pool of demand. The sample of 509 UK branded hotels reported a 3.2 percentage point drop in average occupancy to 77.4 per cent.

“For most UK hoteliers the effects of the economic downturn were clearly felt in October. With fewer guests and higher operational costs, pressure on profitability was inevitable,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

In the Provinces, average profit as a percentage of total revenue in October fell year-on-year from 37.6 to 35.1 per cent. An increase in the national minimum wage which came into force on 1 October may have contributed to the rise in costs. Provincial average room rate dropped by 1.9 per cent to £73.72 which, combined with lower volume, led to an 11.2 per cent fall in daily IBFC to £36.88 per available room.

### Profit grows in Liverpool and Newcastle

Some city markets bucked the trend, however, increasing both average room rate and profit thanks to local events. Liverpool’s European Capital of Culture status made it a popular leisure destination during the half-term break, and a series of major football fixtures kept demand high. Average occupancy rose by 1.9 percentage points to 81 per cent. In Newcastle, the Great North Run helped daily IBFC increase by 6 per cent to £44.32 per available room.

“Even in a recession there will be demand peaks, and hoteliers will be able adjust their rates accordingly to gain the maximum benefit,” said Langston.

Looking at the year so far, the first 10 months of 2008 show London still achieving positive albeit below-inflation revenue and profit growth. Total revenue per available room increased by 3.4 per cent to a daily figure of £137.28 and daily IBFC was up by 2.8 per cent to £63.90.

The Provincial data for the year so far shows a 1.4 per cent decline in total revenue to £100.04 per day per available room and daily IBFC PAR down by 5.3 per cent to £32.81.



## Overseas spend down by 2 per cent

In the three months to September 2008, total overseas visitors to the UK decreased by 3 per cent to 9.3 million, according to the latest Government statistics. The amount they spent while in the UK dropped by 2 per cent to £5.14 billion.

Visitors from Europe were up by 2 per cent to 6.6 million, while those from North America dropped by 21 per cent to 1.2 million. Visitors from the rest of the world were down by 7 per cent to 1.5 million, compared to the same three-month period a year earlier.

In more recent data, BAA, the operator of seven UK airports including Heathrow and Gatwick, reported handling 12.4 million passengers during October, a year-on-year drop of 6 per cent. Year to date, BAA's UK airport traffic shows a decline of 1.9% for the ten months to October at a total of 125.8 million.

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# HotStats Briefing Data

## UK Chain Hotels - Performance report

### The month of October 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
77.4	91.43	70.79	120.53	26.6	49.76
83.8	120.49	101.01	149.34	22.5	73.72
74.0	73.72	54.55	105.04	29.6	36.88

UK Total  
London  
Provincial

### The ten months to October 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
75.3	90.12	67.82	113.10	28.7	43.71
82.2	117.26	96.35	137.28	24.8	63.90
71.5	73.27	52.40	100.04	31.5	32.81

### The month of October 2007

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
80.6	92.89	74.89	126.07	26.0	54.70
86.9	122.11	106.17	155.15	22.1	79.09
77.2	75.13	58.00	110.38	29.0	41.53

UK Total  
London  
Provincial

### The ten months to October 2007

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
76.2	87.70	66.81	112.52	28.4	44.34
82.7	111.90	92.50	132.82	24.8	62.16
72.7	72.71	52.83	101.48	31.1	34.65

### Movement for the month of October

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
-3.2	-1.6%	-5.5%	-4.4%	0.5	-9.0%
-3.1	-1.3%	-4.9%	-3.7%	0.4	-6.8%
-3.2	-1.9%	-6.0%	-4.8%	0.6	-11.2%

UK Total  
London  
Provincial

### Movement for the ten months to October

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
-0.9	2.8%	1.5%	0.5%	0.2	-1.4%
-0.5	4.8%	4.2%	3.4%	0.0	2.8%
-1.1	0.8%	-0.8%	-1.4%	0.5	-5.3%

#### EDITORS NOTES:

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

The UK Chain Hotels sample is composed of 509 hotels with an average hotel size of 177 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 sample.



Advisor of the Year