

UK Chain Hotels Market Review – January 2009

Provincial profit falls by nearly one third

The profitability of UK provincial chain hotels decreased by 28.8 per cent in January, according to the latest **HotStats** survey by TRI Hospitality Consulting. Provincial hotels generated daily profit – expressed as income before fixed charges (IBFC) – of £13.81 per available room compared to £19.40 the same month a year earlier.

Total revenue and room revenue were down by 11 and 12.9 per cent respectively in the provinces. Average room rate dropped by 6.3 per cent to £68.57 and occupancy was down 4.1 percentage points to 54.6 per cent.

“Unfortunately the latest figures highlight a deepening downward trend from the latter end of 2008 onwards. The year-on-year falls in provincial RevPAR have accelerated from 3.9 per cent in September to 12.9 per cent this January,” said David Bailey, deputy managing director, TRI Hospitality Consulting.

In light of the double-digit falls in revenue, the concurrent rise in payroll from 37.7 to 38.6 per cent of total revenue was minimal, and explained by timely cost-cutting measures. The majority of hoteliers made staff cuts during the last quarter of 2008, according to the TRI quarterly Confidence Monitor, published last month.

Profit did not fall as far in London as in the provinces thanks to higher absolute room rates. IBFC was down 23.4 per cent to a daily figure of £36.02 per available room. Average occupancy for the month was down from 71.8 to 67.5 per cent and average room rate fell 7.7 per cent to £102.84.

“An accelerating negative trend has now resumed in London after some respite during the Christmas holidays from Europeans taking advantage of the weak pound,” said Bailey. London RevPAR fell by 4.9 per cent in October 2008; -11 per cent in November; -6.2 per cent in December and -13.3 per cent this January.

Overseas visits down by 12 per cent

In the last quarter of 2008 the number of overseas visitors to the UK fell by 12 per cent to 7.01 million. The latest International Passenger Survey reported declines from all source markets. North American visits were down by 27 per cent to 670,000 during the three-month period; European visits by -10 per cent to 5.4 million and visits from the rest of the world by -10 per cent



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to 920,000. After a long growth trend, the number of visitors from Eastern Europe also fell. A new Home Office ruling now prevents low-skilled Eastern European labour from entering the UK.

In more recent data, BAA, the operator of seven UK airports including Heathrow and Gatwick, handled a total of 9.4 million passengers in January, a reduction of 6.3 per cent on the same month in 2008. BAA said that, unlike **HotStats** hotel performance data, the latest monthly figures showed that the rate of decline was slowing. In November 2008, traffic fell by 8.9 per cent. The following month, the reduction was 6.9 per cent.

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HotStats Briefing Data

UK Chain Hotels - Performance report

The month of January 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
59.2	82.60	48.89	84.10	35.4	21.78
67.5	102.84	69.37	102.25	31.2	36.02
54.6	68.57	37.41	73.93	38.6	13.81

UK Total

London

Provincial

The single month to January 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
59.2	82.60	48.89	84.10	35.4	21.78
67.5	102.84	69.37	102.25	31.2	36.02
54.6	68.57	37.41	73.93	38.6	13.81

The month of January 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
63.4	88.79	56.28	95.58	33.7	29.35
71.8	111.47	80.01	117.77	28.8	47.03
58.7	73.18	42.93	83.10	37.7	19.40

UK Total

London

Provincial

The single month to January 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
63.4	88.79	56.28	95.58	33.7	29.35
71.8	111.47	80.01	117.77	28.8	47.03
58.7	73.18	42.93	83.10	37.7	19.40

Movement for the month of January

Occ	ARR	RevPAR	TrevPAR	Payroll	IBFC PAR
-4.2	-7.0%	-13.1%	-12.0%	1.6	-25.8%
-4.3	-7.7%	-13.3%	-13.2%	2.4	-23.4%
-4.1	-6.3%	-12.9%	-11.0%	0.9	-28.8%

UK Total

London

Provincial

Movement for the single month to January

Occ	ARR	RevPAR	TrevPAR	Payroll	IBFC PAR
-4.2	-7.0%	-13.1%	-12.0%	1.6	-25.8%
-4.3	-7.7%	-13.3%	-13.2%	2.4	-23.4%
-4.1	-6.3%	-12.9%	-11.0%	0.9	-28.8%

EDITORS NOTES:

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

The UK Chain Hotels sample is composed of 492 hotels with an average hotel size of 184 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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