

UK Chain Hotels Market Review – March 2009

London profit down by 16 per cent in Q1 2009

The UK chain hotel industry experienced heavy falls in profit and revenue during the first quarter of 2009, according to the latest HotStats survey by TRI Hospitality Consulting.

In London, daily profit - expressed as income before fixed charges (IBFC) – fell by 15.7 per cent to £45.62 per available room compared to the same three months a year earlier. Room revpar decreased by 10.1 per cent to £77.58 due to a 5.5 per cent drop in average room rate and occupancy down by 3.7 percentage points to 72.9 per cent.

In the provinces, IBFC fell by 19.9 per cent to £21.22 per available room in the first quarter. Room revpar was down by 11.1 per cent to £42.58, the result of a 5.6 per cent drop in average room rate and occupancy down by 3.8 percentage points to 61.4 per cent.

“Despite the expected better performance in March alone caused by comparison with last year’s early Easter, 2009 is shaping up to be a particularly challenging year for UK hoteliers,” said Jonathan Langston, managing director, TRI Hospitality Consulting.

Shift from corporate to leisure

When looking at the two quarters since the collapse of Lehman Brothers, a deepening downward trend is apparent, particularly in the capital. London profit fell by 8.7 per cent in Q4 2008 and by -15.7 per cent in Q1 2009.

In the provinces profit fell by 15.8 per cent in the last quarter of 2008 and by -19.9 per cent in the first quarter of this year.

“As we move further into the recession, we’re continuing to see declines in revenue and profit. It is worth bearing in mind, however, that the first quarter is always the least profitable of the year since it includes January and February, the two quietest trading months,” said Langston.

The UK hotel market is currently experiencing a shift in its business mix away from high-yielding corporate room lets in favour of leisure bookings. One central London hotelier commented that her hotel was now busier at weekends than during the week, a reversal of normal trading.

“Although down year-on-year, relative to the recessions of the early 1980s and 1990s, today’s occupancy remains higher,” said Langston.

Air passenger traffic down by 10 per cent



BAA, the operator of seven UK airports including Heathrow and Gatwick, handled a total of 29 million passengers in the three months to March, a reduction of 10.1 per cent on the same period in 2008.

The downturn in passenger numbers was most pronounced at Gatwick, Stansted, and Southampton, which all reported decreases of 14.6 per cent; at Glasgow airport numbers were down by 14.1 per cent. BAA said that Heathrow remains its most resilient airport due to a rise in the number of transfer passengers and its greater share of stronger long-haul markets. For the first quarter of the year, Heathrow reported a 6.4 per cent drop in passengers to 14.4 million.

Note: The results of the International Passenger Survey, normally included in TRI's press release, were cancelled this month. The Office for National Statistics said that this was to enable further quality assurance work to be carried out on the newly designed survey being used in 2009. The next release will be on 14 May.

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HotStats Briefing Data

UK Chain Hotels - Performance report

The month of March 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
69.6	85.47	59.48	101.53	28.8	37.07
76.5	108.04	82.67	121.07	25.5	52.90
65.6	70.18	46.03	90.19	31.4	27.88

The three months to March 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
65.5	84.29	55.25	94.40	31.6	30.05
72.9	106.43	77.58	113.56	27.8	45.62
61.4	69.37	42.58	83.53	34.5	21.22

The month of March 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
72.3	88.55	64.00	108.75	29.9	40.47
80.0	110.98	88.83	129.92	26.3	57.87
67.8	73.24	49.65	96.51	32.6	30.41

The three months to March 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	IBFC PAR
69.3	89.15	61.79	104.89	31.2	36.49
76.6	112.67	86.32	126.77	27.3	54.14
65.2	73.48	47.88	92.49	34.3	26.48

Movement for the month of March

Occ	ARR	RevPAR	TrevPAR	Payroll	IBFC PAR
-2.7	-3.5%	-7.1%	-6.6%	1.1	-8.4%
-3.5	-2.6%	-6.9%	-6.8%	0.8	-8.6%
-2.2	-4.2%	-7.3%	-6.6%	1.3	-8.3%

Movement for the three months to March

Occ	ARR	RevPAR	TrevPAR	Payroll	IBFC PAR
-3.8	-5.5%	-10.6%	-10.0%	-0.4	-17.6%
-3.7	-5.5%	-10.1%	-10.4%	-0.5	-15.7%
-3.8	-5.6%	-11.1%	-9.7%	-0.2	-19.9%

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, Dubai and Madrid.

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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