

UK Chain Hotels Market Review – July 2009

London occupancy exceeds 2008 levels

London hotel occupancy figures for July 2009 exceeded levels achieved in the same month last year, according to the latest **HotStats** survey by industry experts, TRI Hospitality Consulting. The capital's hoteliers successfully drove volume to an historically high 88.6% for July by further discounting room rates. Achieved average room rates remain below levels achieved last year at £115.65, a drop of 13.1%.

“The increase in volume and relatively strong rate performance compared to last year is all the more remarkable given the lack of the biennial Farnborough Show in 2009” says Jonathan Langston, managing director, TRI Hospitality Consulting.

Compared to July 2007 (the last comparable period without Farnborough demand), occupancy levels in 2009 improved marginally by 0.1 percentage point and achieved average room rates increased by over 2.7% or £3. Given the current economic climate, the outperformance of the London hotel market over the comparable period in 2007 demonstrates the capital's strong market performance.

In the seven months to July 2009, average occupancy levels in the capital were down 2.2 percentage points at 78.9% and achieved average room rates dropped by 8.4% to £109.47, compared to the same period last year. “Year-to-date figures for July 2009 show an encouraging improvement compared to the six months to June and confirm that the recession impact is lessening”, says Langston.

Despite a relatively strong performance, occupancy levels in the Provinces in July 2009 remain below last year at 74.3%, a decrease of 1.7 percentage points. Compared to last year, achieved average room rates dropped by approximately £7 to £67.55.

Cumulatively, the Provinces were able to reduce their performance gap in all of their key performance indicators (Occupancy, Achieved Average Room Rate, Revenue per Available Room, Total Revenue per Available Room, Payroll Percentage and Gross Operating Profit per Available Room) over the six months to June 2009.

“The occupancy and rate performance in July 2009 reduced the year-to-date performance gap to 2008 for both the London and Provincial hotel market”, says Langston.



Middle Eastern demand driving hotel market

The London hotel market in July is driven by strong Middle Eastern demand, which generally continues until September. Primarily upmarket hotels in the West End and Knightsbridge strongly benefit from this demand sector.

Demand is driven by the extended average length of stay of Middle Eastern visitors of around 14 days, compared to the London leisure sector average of just over five days. Furthermore, the local hotel market benefits from large party bookings of around 30 bedrooms.

In contrast to other demand sectors during the summer holiday season, Middle Eastern demand is not price sensitive, which considerably drives rates. BBC estimates that the Middle Eastern visitors will spend £250 million in the West End between July and September this year, which will include retail and the hotel sector. The average spend by visitors from Saudi Arabia is almost £1,700 and from the United Arab Emirates over £1,100 per stay, compared to the London leisure sector average of around £555.

Heathrow recording busiest July since 2006

Latest statistics published by BAA underline the stabilising passenger figures across the group. Heathrow handled almost 6.5 million passengers, the busiest July at the airport since 2006 and the third-busiest month on record.

Edinburgh Airport also enjoyed passenger growth for the fourth consecutive month, with volume increasing by 5.6%.

BAA recorded a growth in European scheduled and long-haul traffic, excluding North Atlantic. European charters, UK domestic and North Atlantic traffic decreased further.

Overall, the downward trend in passenger numbers in the UK is lessening, driven by a strong performance of Heathrow. Year-to-date figures for the seven months to July 2009 report a drop in UK passenger numbers by 6.6%, compared to 7.5% for the six months to June 2009.



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Services:

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HotStats Briefing Data

UK Chain Hotels - Performance report

The month of July 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
79.5	87.18	69.32	111.02	27.0	44.81
88.6	115.68	102.48	138.42	22.7	68.52
74.3	67.55	50.17	95.20	30.5	31.12

UK Total

London

Provincial

The seven months to July 2009

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
71.4	85.33	60.88	101.86	29.3	36.96
78.9	109.47	86.41	123.07	25.5	54.99
67.0	68.86	46.11	89.59	32.3	26.52

The month of July 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
80.5	98.22	79.09	125.62	26.7	53.28
88.4	133.20	117.71	158.78	22.1	81.32
76.0	74.76	56.81	106.49	30.6	37.10

UK Total

London

Provincial

The seven months to July 2008

Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOP PAR
74.4	92.64	68.93	115.06	28.9	44.34
81.2	119.48	96.99	139.12	25.0	64.31
70.5	74.79	52.72	101.16	31.9	32.80

Movement for the month of July

Occ	ARR	RevPAR	TrevPAR	Payroll	GOP PAR
-1.0	-11.2%	-12.3%	-11.6%	-0.3	-15.9%
0.2	-13.1%	-12.9%	-12.8%	-0.7	-15.7%
-1.7	-9.6%	-11.7%	-10.6%	0.1	-16.1%

UK Total

London

Provincial

Movement for the seven months to July

Occ	ARR	RevPAR	TrevPAR	Payroll	GOP PAR
-3.1	-7.9%	-11.7%	-11.5%	-0.4	-16.6%
-2.2	-8.4%	-10.9%	-11.5%	-0.5	-14.5%
-3.5	-7.9%	-12.5%	-11.4%	-0.4	-19.2%

EDITORS NOTES:

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

The UK Chain Hotels sample is composed of 488 hotels with an average hotel size of 185 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.

GOP PAR is the Total Gross Operating Profit 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.



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