

Rate Growth Continues To Fuel London'S Profitability During January 2008

2008-03-10

UK Chain Hotels Market Review - January 2008

A continuing push on room rates enabled London's chain hoteliers to increase profit in January, according to the latest HotStats survey from TRI Hospitality Consulting.

Income before fixed charges (also known as gross operating profit) increased by 4.9 per cent in London to reach £47.97 per available room, compared to January 2007. With no change in occupancy, profit growth in the capital was the result of 6.5 per cent uplift in achieved average room rate to £111.02.

'January is historically the weakest month of the year for hotels, so despite no change in volume it is encouraging to see London's hoteliers still pushing rate upwards,' said David Bailey, deputy managing director, TRI Hospitality Consulting

No change for profit in the Provinces

In the rest of the UK (referred to as the provinces) there was little change in profitability as room rate showed much steadier growth, and a slight drop in occupancy resulted in room RevPAR growth of 2.1 per cent.

However TRI's unique full profit-and-loss sample of 523 full-service hotels shows that the Nottingham and Leeds hotel markets stood out, enjoying increased profit thanks to growth in occupancy. Both cities' hoteliers reported slow corporate demand at the start of the month followed by a rapid pick-up in short-notice bookings. In Nottingham, a one-night stop of the Strictly Come Dancing national tour resulted in increased leisure stays.

'General corporate activity took a little longer to get going this January compared to the same month last year, but in some provincial markets there was steady profit growth thanks to increased demand,' said Bailey.

Overseas visitor spend keeps pace with inflation

Official Government statistics show that during the last three months of 2007 overseas visitor numbers were up by two per cent to 7.73 million. The strongest source market was Europe with a five per cent rise in numbers to 5.81 million.

However other monitored source markets were in negative territory with visitors from North America falling by 11 per cent to 920,000. Visitor numbers from countries outside Europe and North America also decreased to a lesser extent, down by two per cent to one million. Overall expenditure by overseas visitors to the UK was up by two per cent to £3.97 billion, keeping pace with 2.1 per cent inflation.

UKinbound, the official trade body representing the UK inbound tourism industry, found that visitor arrivals were down by 2.5 per cent in December with forward bookings down by 4.8 per cent compared to the same month a year earlier.

The organisation cited the combination of the introduction of biometric data collection from all visa applicants, the relatively high price of UK visas, and Air Passenger Duty as the most visible disincentives for potential long-haul visitors to choose the UK.

Looking at the start of 2008, BAA, the operator of seven UK airports, said that passenger traffic during January decreased by two per cent, compared to the same month in 2007.

The Month of January 2008

UK TOTAL HOTELS		2008	2007	Movement
Occupancy	%	63.6	64.1	-0.5 points
Room rate	£	87.19	83.32	4.6%
Room Revpar	£	55.46	53.40	3.9%
Total Revpar	£	2,854	2,746	3.9%
IBFC PAR	£	28.97	28.35	2.2%
Payroll	%	33.6	33.7	-0.1 points

LONDON HOTELS		2008	2007	Movement
Occupancy	%	72.6	72.6	0 points
Room rate	£	111.02	104.28	6.5%
Room Revpar	£	80.56	75.66	6.5%
Total Revpar	£	3,551	3,386	4.9%
IBFC PAR	£	47.97	45.72	4.9%
Payroll	%	28.4	28.9	-0.4 points

UK PROVINCIAL HOTELS		2008	2007	Movement
Occupancy	%	59.0	59.6	-0.6 points
Room rate	£	72.04	69.84	3.1%
Room Revpar	£	42.50	41.63	2.1%
Total Revpar	£	2,492	2,412	3.3%
IBFC PAR	£	19.14	19.16	-0.1%
Payroll	%	37.3	37.2	0.2 points

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This article comes from Hotel News Resource

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