Hospitality Intelligence

UK CHAIN HOTELS MARKET REVIEW
SEPTEMBER 2015

Rate Growth Across All Segments Signals Trading Success for East Midlands

Hoteliers in the East Midlands successfully recorded growth across all key market segments this month to fuel a 6.8% year-on-year increase in RevPAR (Revenue per Available Room), according to the latest data from HotStats.

In addition to growth of 1.1 percentage points in room occupancy, to 78.2%, the 5.2% increase in achieved average room rate was as a result of positive movement in the rate recorded in the corporate (+7.1%), residential conference (+7.3%), individual leisure (+5.0%) and group leisure (+11.1%) segments.

The year-on-year growth in RevPAR contributed to a 5.3% increase in TRevPAR (Total Revenue per Available Room), to £99.77 from £94.73 during the same period in 2014. The ongoing period of successful trading for East Midlands hoteliers was further illustrated by the 4.6% increase in Gross Operating Profit per Available Room (GOPPAR) to £32.22 from £30.80 in September 2014.

Top Line Growth Continues at Stratford-upon-Avon Hotels, But Be Wary of Shaky Bottom Line

Hotels in Stratford-upon-Avon recorded another strong month of RevPAR growth in September, driven by year-on-year increases in both room occupancy (+3.8 percentage points) and achieved average room rate (+3.6%). The resulting 8.7% increase, to £64.60 from £59.44, contributed to RevPAR growth of 9.9% in the nine months to September 2015.

Whilst the Stratford-upon-Avon hotel market remains one of the top performers in the UK, due to its strong leisure and conference base, association with 'The Bard' and high barriers to entry, incremental increases in costs are beginning to impact the profitability of hotels in this market, illustrated by the 0.1% year-to-date decline in GOPPAR.

In addition to the 28.8% year-on-year increase in Rooms Cost of Sales (ie the cost associated with travel agents commissions, reservations fees, GDS fees, third party representation fees and internet booking fees) at hotels in Stratford-upon-Avon in the nine months to September 2015, growing labour costs (up by 1.2 percentage points to 33.2% of total revenue) are noteworthy.

A significant increase has also been noted in property and maintenance expenses (+17.6%) in the year to September 2015. Whilst this may be, in part, due to the age of a number of the properties in the sample, it may also be attributed to many of the properties in the sample being involved in major transactions in the last 12 months (ie The Hotel Collection's Billesley Manor and Walton Hall & Hotel, Q Hotels Stratford Manor and The Stratford, as well as Principal Hayley's Ettington Chase) and the costs associated with pre-sale 'fluffing' and post-sale product improvements.

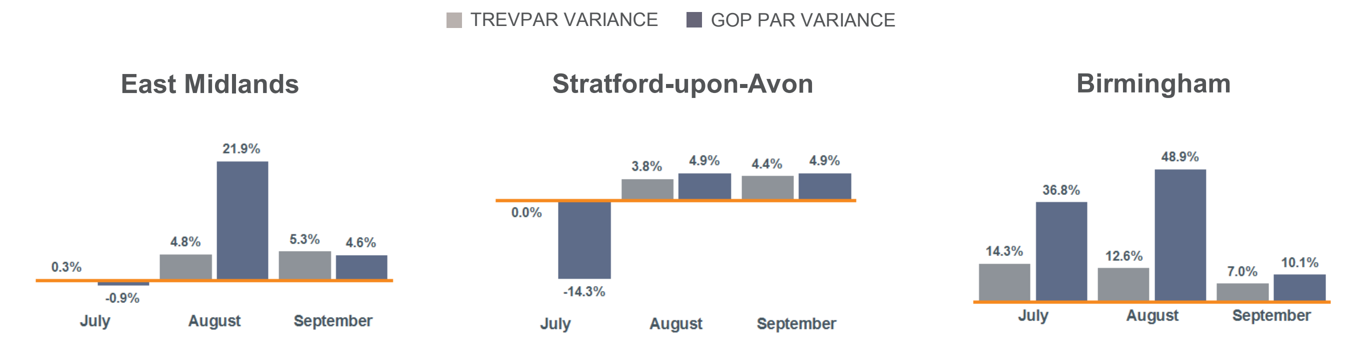
Birmingham Flying High on Growth in Commercial and Leisure Segments

Birmingham is currently one of the top performing hotel markets in the UK, in terms of GOPPAR, with a 23.3% year-to-date increase recorded in the nine months to September 2015, to £34.42 from £27.92 during the same period in 2014.

Despite the addition of more than 850 bedrooms into the market since 2013, Birmingham hotels have remained resilient, recording consistent growth in RevPAR, on a rolling 12-month average, from £48.07 in the 12 months to August 2014, to £54.85 in the 12 months to September 2015.

Whilst the Birmingham hotel pipeline for 2016 includes another 250 bedrooms from Holiday Inn Express and a 253-bedroom Park Regis from the Staywell Hospitality Group, a positive outlook for the local and national economy bodes well for Birmingham's hotels where the commercial segment accounts for more than 50% of total hotel demand. In addition, strong visitor numbers to the city have contributed to a 5.6% increase in the achieved rate in the leisure segment in the nine months to September 2015.

Last three months year-on-year change



Editor's Notes

The hotels profiled in this report are drawn from the HotStats database and reflect the portfolios and distribution of the hotel chains that we survey and which operate primarily in the full-service sector.

Please note: The data samples are reviewed and rebased each year to reflect the changes in the HotStats survey base. As a result, performance ratios published last year may differ from those contained within this report.

Occupancy (%) - Is that proportion of the bedrooms available during the period which are occupied during the period.

Average 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 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.

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HotStats provides two reporting tools to hoteliers:

- Our unique profit and loss benchmarking service enables monthly comparison of hotels' performance against a competitive set. It is distinguished by the fact that it provides in excess of 100 performance metrics covering 70 hotel performance, revenue, cost and profit statistics providing the deepest insight available into hotel operations.

- Our latest innovation in daily revenue intelligence, MORSE. Amongst its reporting are daily and highly granular market segmentation metrics as well as distribution channel and source of booking analysis. It takes daily market intelligence to a whole new level.

For more information contact

Enquiries
+44 (0) 20 7892 2241
enquiries@hotstats.com

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HOTSTATS
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BRIEFING DATA

UK Chain Hotels - Market Review

Currency: £ Sterling

EAST MIDLANDS

The month of September 2015

	Sep'15	Sep'14	Var b/w
Occ %	78.2	77.0	1.1
ARR	67.67	64.30	5.2%
RevPAR	52.89	49.53	6.8%
TrevPAR	99.77	94.73	5.3%
Payroll %	29.4	30.3	0.9
GOP PAR	32.22	30.80	4.6%

The Calendar year to September 2015

	YTD'15	YTD'14	Var b/w
Occ %	69.3	68.2	1.1
ARR	65.20	61.49	6.0%
RevPAR	45.19	41.96	7.7%
TrevPAR	85.50	81.56	4.8%
Payroll %	33.2	33.7	0.5
GOP PAR	22.39	20.80	7.6%

The twelve months to September 2015

	Rolling'15	Rolling'14	Var b/w
Occ %	69.0	67.4	1.6
ARR	64.66	60.99	6.0%
RevPAR	44.64	41.10	8.6%
TrevPAR	86.15	81.71	5.4%
Payroll %	33.1	33.7	0.6
GOP PAR	22.59	20.91	8.0%

STRATFORD UPON AVON

	Sep'15	Sep'14	Var b/w
Occ %	81.7	77.8	3.8
ARR	79.11	76.39	3.6%
RevPAR	64.60	59.44	8.7%
TrevPAR	110.72	106.09	4.4%
Payroll %	30.1	30.5	0.4
GOP PAR	39.27	37.42	4.9%

	YTD'15	YTD'14	Var b/w
Occ %	72.2	68.3	3.8
ARR	75.93	72.96	4.1%
RevPAR	54.79	49.86	9.9%
TrevPAR	96.20	90.17	6.7%
Payroll %	33.2	31.9	-1.2
GOP PAR	28.01	28.05	-0.1%

	Rolling'15	Rolling'14	Var b/w
Occ %	70.3	66.7	3.6
ARR	75.29	72.16	4.3%
RevPAR	52.92	48.16	9.9%
TrevPAR	95.46	88.82	7.5%
Payroll %	33.0	32.1	-0.9
GOP PAR	27.84	27.28	2.1%

BIRMINGHAM

	Sep'15	Sep'14	Var b/w
Occ %	81.8	80.4	1.4
ARR	84.47	79.13	6.7%
RevPAR	69.11	63.62	8.6%
TrevPAR	123.90	115.77	7.0%
Payroll %	23.9	25.3	1.5
GOP PAR	52.93	48.05	10.1%

	YTD'15	YTD'14	Var b/w
Occ %	73.0	69.6	3.4
ARR	74.46	69.85	6.6%
RevPAR	54.32	48.61	11.7%
TrevPAR	98.70	90.07	9.6%
Payroll %	28.8	31.2	2.4
GOP PAR	34.42	27.92	23.3%

	Rolling'15	Rolling'14	Var b/w
Occ %	73.3	69.2	4.1
ARR	74.85	70.67	5.9%
RevPAR	54.85	48.91	12.1%
TrevPAR	100.10	92.18	8.6%
Payroll %	28.5	31.2	2.6
GOP PAR	35.51	28.69	23.8%