UK HOTEL MARKET TRACKER: Q2 2019

The ICC Cricket World Cup boosts performance in London, but fails to stop the regions sliding

London recorded continued strong growth in Q2 2019, as hoteliers pushed rates for visitors travelling to watch the ICC Cricket World Cup. In contrast, regional RevPAR decreased for the second consecutive quarter, even with numerous matches being hosted outside of the capital. The combination of top line retraction, costs pressures, and unrelenting new supply is putting significant pressure on regional hotel margins.

Across the UK, only £360 million of transactions were completed in Q2 2019. Transaction flow continues to be impacted by Brexit-uncertainty, with deals taking longer and longer to complete.

### PERFORMANCE

<table>
<thead>
<tr>
<th>OCCUPANCY CHANGE (Q2 YOY)</th>
<th>AVG ROOM RATE CHANGE (Q2 YOY)</th>
<th>REVPAR CHANGE (Q2 YOY)</th>
<th>REVPAR CHANGE (LTM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>£156.89</td>
<td>£132.02</td>
<td>£127.37</td>
</tr>
<tr>
<td>84.1%</td>
<td>5.6%</td>
<td>6.2%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Regions</td>
<td>£73.03</td>
<td>£57.85</td>
<td>£54.58</td>
</tr>
<tr>
<td>78.1%</td>
<td>-0.6%</td>
<td>-0.9%</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

Source: STR  
Key: ■ <0% ■ 0-4% ■ >4%  
LTM = Last 12 months  
Note: Absolute metrics (above) and percentage change (below) are displayed in the performance section.

### SUPPLY

<table>
<thead>
<tr>
<th>LTM SUPPLY CHANGE</th>
<th>ACTIVE PIPELINE AS PERCENTAGE OF SUPPLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>Regions</td>
</tr>
<tr>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>10%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: STR  
Note: Sliding colour scales provide an indication of the risk implied by each supply metric.

RevPAR in London increased by 6% in Q2 2019, as hoteliers benefitted from sporting events including the 2019 ICC Cricket World Cup and Major League Baseball held at The London Stadium. Active pipeline (10% of current supply) will be monitored by operators in the capital given relatively flat occupancy, but a LTM RevPAR increase of over 6% demonstrates how robust demand remains.

In the regions, RevPAR decreased for a second consecutive quarter, despite hosting Cricket World Cup matches which benefitted cities including Birmingham, Manchester and Southampton. With revenue declining, costs increasing and active pipeline remaining at 6% of current supply, operators may struggle to increase profitability, particularly in locations outside the main tourist hubs or without robust corporate activity.
£2.1 billion of transactions were completed in London in the 12 months to Q2 2019, an increase of 54% on the previous year. This figure was boosted by the sale of the Grange portfolio in Q1 (£1 billion) and the 163-bedroom Crowne Plaza Kensington in Q2 to a Singaporean consortium led by Heeton Holdings (£84 million, or £513,000/bedroom). Q2 2019 was a slower quarter for hotel transactions in comparison to Q1, with only £360 million of hotels being acquired – some £144 million in London and £210 million in the regions. The transaction market is suppressed due to Brexit-related deal reticence, with transactions either being put on hold or with some taking much longer to complete.

Yields in London and the regions remain tight in comparison to historical averages, although there was little evidence of further compression in Q2 2019 except in isolated cases in London.

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