



# HotelBeat

Destination: LONDON & REGIONAL UK

January 2016

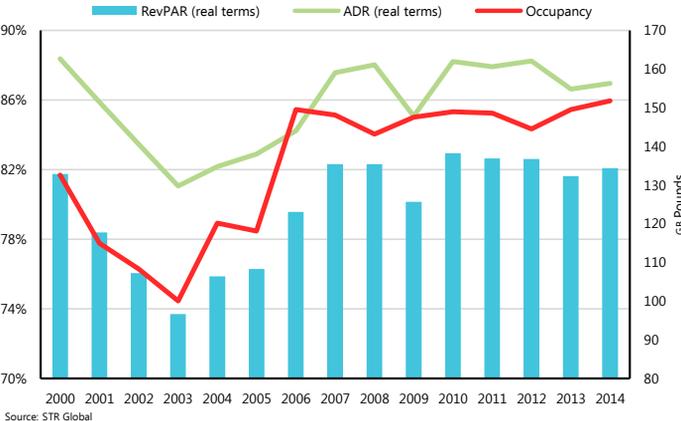


## OVERVIEW

STR Global and Whitebridge Hospitality are pleased to present this updated analysis (first undertaken in 2011) which demonstrates the true state of the hotel sector in London and in Regional UK. The data is based on two constant samples of hotels (totalling more than 25,000 rooms), over an 15-year period (2000-2014), whose performance statistics have been re-based in constant 2014 values ('real terms'). **Naureen Ahmed**, Manager Marketing & Analysis, STR Global, comments: "It is reassuring to see the turnaround in UK hotel markets. Demand growth over recent years has driven occupancy and Regional UK hotels have reflected the pick up in the domestic economy through improved performance levels. London has sustained higher levels of performance for many more years, including GOP margins around 50%, even during the recession years." **Philip Camble**, Director of Whitebridge, comments: "It is encouraging to see Regional UK occupancy return to 'pre-Crunch' levels and GOP levelling off. However, ADR still has some way to go and an ADR-led recovery should result in further consolidation in GOP and, with a fair wind, lead to more solid growth in profits in years to come."

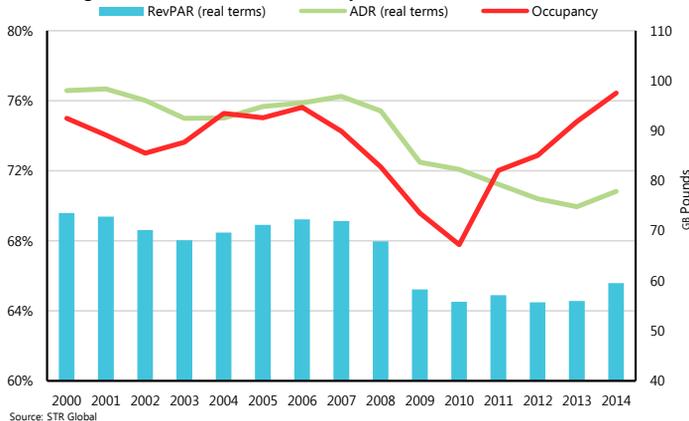
## LONDON - KPIs

London occupancy continues to bump along its new natural seasonality ceiling of around 85%, achieving its highest level in the period in 2014 (85.95%). ADR has not quite hit the all-time high of £163 in 2000, but came close in 2010 and again in 2012 (Olympic year) at around £162 in both years. In RevPAR terms, London first exceeded the 2000-high (£133) in 2010 (£138) and was able to sustain a similar level in the following two years (£137). More recently, however, RevPAR fell away in 2013 (£132) and recovered to £134 in 2014.



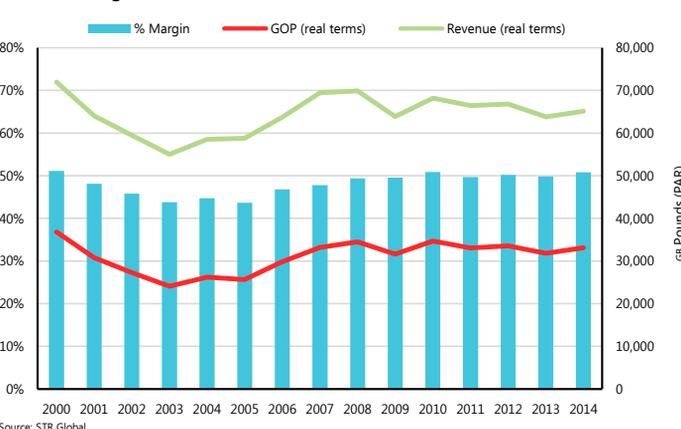
## REGIONAL UK - KPIs

Since 2011, Regional UK has turned a huge psychological corner, with robust y-o-y occupancy growth being achieved. By 2014, occupancy had grown to a record 76.4% (compared to a previous high of 75.6% in 2006). Until 2014, ADR (£78) was on a slippery downward slope. Today, ADR has some way to go to achieve the peak performances of 2000 and 2001 (circa £98). Sustained occupancy growth also drove RevPAR growth in 2014 (£60, compared to peak performance in 2000 of £74), as demand stabilises so should ADR and RevPAR growth further in the next few years.



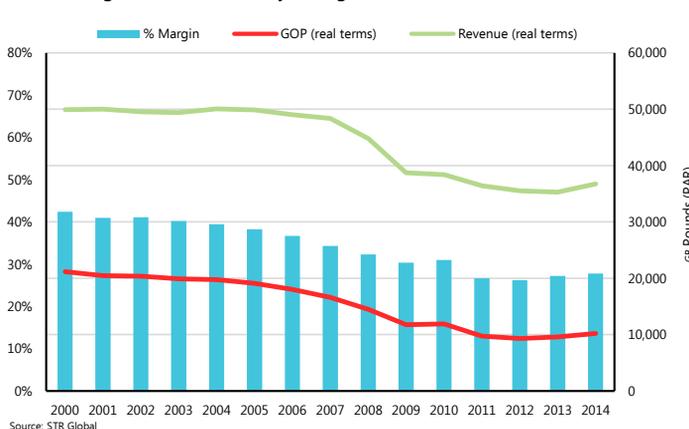
## LONDON - GOP

From a P&L perspective, London continues to perform well, but still below the 2000-high on all three metrics. Revenue came closest in 2008 (£69,913 v £71,990 in 2000) and was only £65,130 in 2014. Following Revenue (CAGR - 0.7%), GOP fell slightly further (CAGR -0.8%), and the closest year to peak performance was 2010 (£34,688 v £36,817 in 2000). In terms of % Margin, London has consistently floated around the 50% mark in the last seven years, with a high point in 2010 (50.9% v 51.1% in 2000) and a strong performance in 2014 (50.8%). The lowest % Margin was recorded during the difficult early-to-mid Noughties, in 2005 (43.6%).



## REGIONAL UK - GOP

The P&L profile of Regional UK has not looked encouraging for many years, but 2014 was surely a turning point. Revenue peaked in 2001 (£50,023) and declined y-o-y for the next 12 years in a row, before 2014 finally recorded growth (£36,767). GOP peaked in 2000 (£21,171) and finally recorded material growth in 2014 (£10,208), but still nearly 50% less than in 2000. Inevitably, % Margin was also in free fall until 2012 when the market hit its lowest ebb (26.2%). % Margin has since recovered as hotels stabilised Revenue and their cost efficiencies really began to shine through. In 2014, the % Margin achieved a four-year high of 27.8%



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