Accountants &
business advisers

Hotel Britain 2009

The guide to performance of hotels in the UK

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About hotel consultancy services

Experience says a lot about a firm. PKF's hotel involvement stretches back almost 100 years and our London office established its sector consultancy in the early 1970s. Since then we have undertaken thousands of assignments throughout our core regions of Europe, the Middle East, Africa and the Caribbean.

Our expertise covers the entire spectrum of investment and operating activities and our involvement brings credibility, competence and independence to any project. In short, if you are active in the hotel industry then you should be talking to PKF, the industry experts.

Our people

Our team of dedicated professionals is recruited from a range of industry disciplines. They bring with them their knowledge of the day-to-day issues that practitioners encounter; we provide them with the skills of the consultant and a wider industry perspective to produce a balanced approach to every assignment. The resulting skills, resourcefulness and dedication are brought to bear on every commission we undertake.

Our resources

There is no other sector consultancy in Europe with a research and performance database that stretches back as far as or contains the volume of information that we possess. Our research and publications team, and the archive facility that they have created, ensures that our clients and consultants have immediate access to the latest authoritative data.

Our clients

Our clients are drawn from every conceivable hotel-related field. They range from small companies to large corporations in both the private and public sectors, but they are frequently market leaders.

Our services

PKF's activities are as varied and diverse as our clients' demands. However, we always have two goals: client satisfaction and professional integrity. We aim to achieve both. Our wide range of services includes the following:

Market evaluations

PKF reports cover hotels, golf courses, multicomponent resorts and conference centres from Rome to Riyadh and Lagos to London. They can be used to assess the viability of a new opportunity, to support a funding application or to confirm representations made by a third party.

Business valuations

These reflect a reasoned and independent opinion of value based upon the earnings potential of a particular enterprise. We fully document our methodology and assumptions in a manner which has been appreciated by our clients for many years.

Portfolio reviews

With growing globalisation and consolidation in the hotel sector, we are increasingly called upon to review portfolios of hotels, a crucial preliminary to a major transaction for either buyer or seller. Our experience and unrivalled database means that we can act quickly and efficiently to provide information on the competitive environment, future performance and likely valuation of the portfolio.

Corporate strategy & planning

The future. Where should we be? Which way should we go? How do we get there? These are the issues which confront every company from time to time. PKF's strength comes from our knowledge of the industries we cover and from our ability to focus incisively on both the big picture and the detail. Implementation, be it of strategy or change, is accomplished by working with the client's team to achieve smooth and speedy acceptance.

Litigation support

PKF's experienced team is frequently called upon by the legal profession and by our colleagues in our associated accounting practice to act as expert witness or to provide technical and professional input into management contracts, financial agreements, property planning matters and interparty arrangements.

Foreword

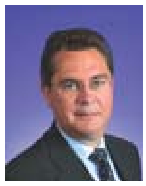
It was a challenging year for businesses the world over, and the UK hotel industry did not escape its share of negative effects. Fewer visitors and the wider impact of the economic downturn resulted in rooms yield reporting a slight year-on-year drop. But, while occupancy fell in London and regional UK, average achieved room rate (AARR) continued to increase. London posted another record breaking result in AARR to support positive rooms yield growth.

Based on a consistent sample base of 548 hotels across the country, representing 88,728 rooms with a complete set of monthly data from 2004, rooms yield in the UK fell to £74.10 in 2008. Occupancy dropped by 2.5% to 73.9%, the same level achieved in 2004; however, AARR increased by 2.3%. Despite the negative year-on-year performance, UK hotels achieved positive compound annual growth rate (CAGR) in rooms yield of 4.8%.

Occupancy in London dropped by 1.7%, but was still strong at 80.2%. There was no slowdown in AARR, which increased by 3.8% to £140.56, pushing rooms yield up 2.0%. Despite the drop in occupancy London remains a business hub and a must-see city. The majority of London hotel segments reported a rise in rooms yield, although tourist hotels posted the largest growth, as both business and leisure visitors chose to stay in cheaper accommodation. Luxury travel is expected to suffer in the current economic climate, with townhouse/boutique hotels already posting negative results. Although London's 2008 performance has been slower compared to 2007, over the five years London has achieved a rooms yield CAGR of 7.5%, reaching £112.74 in 2008.

Regional UK hotels did post a weak performance in 2008. Rooms yield fell by 2.4% as a result of a decrease in occupancy of 2.9% to 70.5%, the lowest occupancy level in five years. England, Scotland and Wales all posted negative rooms yield growth. Many of the large cities reported weaker results, while a number of smaller cities achieved improved results year-on-year. York, remarkably, achieved a higher occupancy level than London, and Liverpool's European Capital of Culture title enabled the city to take first place, with the largest rooms yield growth for 2008.

In light of the economic downturn, 2009 will undoubtedly be a difficult year for the industry. Consumer spending continues to fall as confidence remains low. The property market has been a sector largely affected by the economic downturn and banks continue to tighten lending. There has also been less transaction activity in the UK hotel market in 2008. We may see more takeovers and single assets being placed on the market at lower prices in 2009, as investors are forced to dispose of assets to cut costs. That said, over the five years the UK hotel sector has benefitted from exceptional growth, with occupancy and AARR reaching record levels. But now, with occupancy already beginning to drop, AARR (which has been the main driver behind rooms yield growth recently) may quickly follow. Will this herald a period of significant negative growth as the recession deepens in 2009? The warning signs are there.



Robert Barnard, Partner
Hotel consultancy services

Participating hotel companies

Alongside the many individual properties which so kindly contributed data to this survey, we would like to recognise the invaluable participation of the following hotel companies:

Alias Hotels
Argyll Hotels
The Ascott Group
Barcelo Hotels
Bridgehouse Hotels
Butterfly Hotels
Carlson Hotels
Cedar Court Hotels
Compass
Como Hotels
Corus Hotels
De Vere Group
The Doyle Collection Group
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Kew Green Hotels
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