HOTSTATS 2010 - UNITED KINGDOM HOTEL INDUSTRY REPORT

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HotStats2010

UK

tri HOSPITALITY CONSULTING

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FOREWORD

Welcome to HotStats 2010. TRI has developed HotStats further in the UK over the past year to enable continued reporting on the performance of the hotel market. This publication is focused on the United Kingdom in its entirety and is complemented by coverage on the breakdown of past trends and reviews in the London, England, Scotland and Wales hotel markets for 2009.

For the first time in this publication we present data relating specifically and exclusively to the budget hotel market. Our coverage of over 95 per cent of the UK's branded budget hotel sector means that this is the most comprehensive analysis of the market available.

In an ever-changing industry we are able to report on an increasing number of market areas and destinations, providing valuable information, comment and analysis in the form of our annual HotStats publication, as well as our other reports and analyses.

We would like to thank all the contributors to HotStats without whom this publication would not be possible.

Hotelreport AWARDS
Winner
Hotel Advisor of the Year
2008, 2009 & 2010

STATISTICAL INTRODUCTION

In this edition of HotStats 2010 by TRI Hospitality Consulting, we present the results of a sample of hotels throughout the United Kingdom. This year, 2,023 hotels responded to the survey.

We show in the following sections a detailed analysis of the results categorised by region. The UK section of our analysis provides statistical information for the UK as a whole gathered from all 575 full-service hotels and 1,448 budget hotels in our sample. The subsequent sections contain analysis of results for London, England (excluding London), Scotland and Wales.

More detailed information is available on many individual cities throughout the UK, as well as London Airports. Please turn to page 15 for more information.

We present an additional break down of the data for full-service hotels by average room rate bands. The rate bandings used and the number of hotels contained in each banding are summarised below.

Characteristics of the HotStats 2010 hotel samples

	NUMBER OF HOTELS	AVERAGE No. ROOMS	OCCUPANCY	AVERAGE DAILY ROOM RATE
UK			%	£
Total UK Full-Service	575	177	69.1	75.10
Total UK Budget	1,448	73	67.8	50.75
London				
Under £82.50	44	297	74.4	65.59
£82.50 - £135.00	46	308	83.4	108.65
£135.00 - £200.00	25	235	81.1	162.74
£200.00 and over	13	225	77.8	288.72
Total London Full-Service	128	281	79.3	122.70
Total London Budget	133	132	78.5	60.63
England				
Under £60.00	167	132	62.8	48.52
£60.00 and Over	208	161	67.3	74.01
Total England Full-Service	375	148	65.3	62.66
Total England Budget	1,138	66	64.9	47.97
Scotland				
Under £58.50	12	148	69.4	46.96
£58.50 and Over	50	153	72.8	75.42
Total Scotland Full-Service	62	152	72.1	69.91
Total Scotland Budget	116	80	72.1	52.12
Wales				
Total Wales Full-Service	19	136	69.1	61.23
Total Wales Budget	61	62	64.6	45.75

HotStats 2010 is compiled on the basis of financial years ended during 2009. For comparative purposes the statistics for 2008 are also included where appropriate. We are most grateful to all those who have contributed for the first time this year and are equally grateful to those hotel operators who contribute on a regular basis and provide the continuity that is essential to a study of this nature. Please note, however, that results can be influenced by sample fluctuations as hotels exit the sample and new properties are added. In particular it should be noted that the budget hotels data is not a like-for-like comparison since it includes new properties added by the brands during the course of 2009.

The information in this study relates to the results of a sample of 2,023 hotels. The amounts and percentages should not be considered as a standard for any type of property or for any country or region, but only as guidelines for comparison with the operating results of a specific property. They are not an attempt by TRI Hospitality Consulting to set or confirm prices or operating standards for the hotel industry. The terminology used and the account titles are based on the Uniform System of Accounts for the Lodging Industry (see glossary on page 17).

UNITED KINGDOM

The graphs below show a ten-year indexed trend from 2000 in both Annual Rooms RevPAR and Gross Operating Profit. The information contained within the graphs is for full-service hotels only and has been collected annually for HotStats 2010.

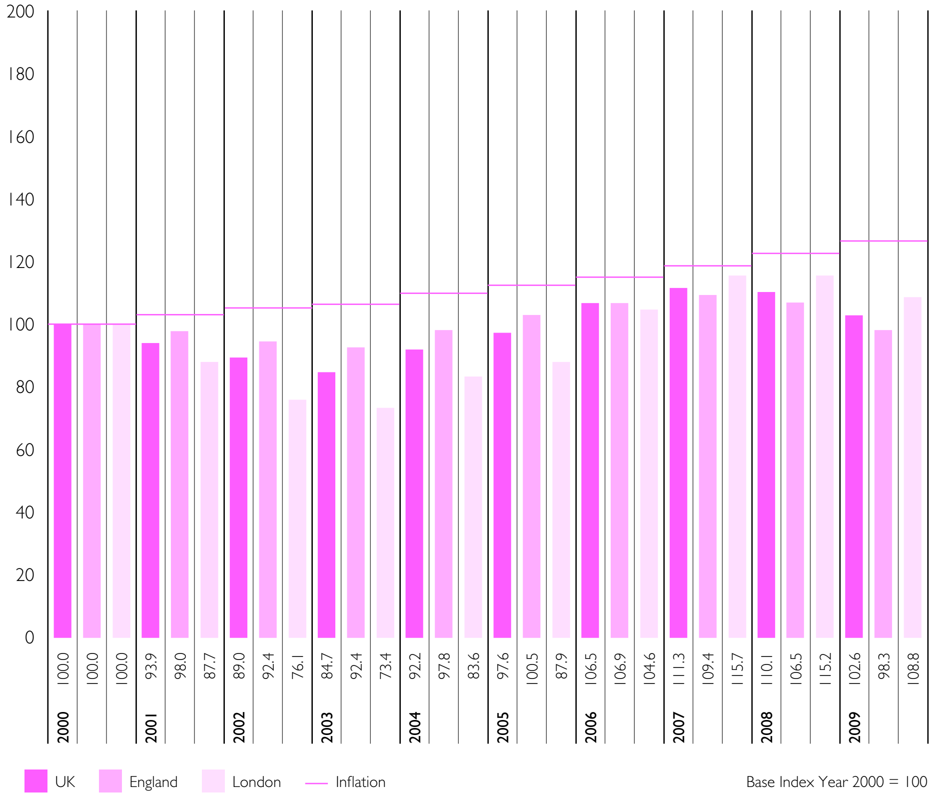
Full-Service Actual Rooms RevPAR Change

UK	£	% Change
2005	49.36	5.8
2006	53.87	9.1
2007	56.28	4.5
2008	55.67	-1.1
2009	51.88	-6.8

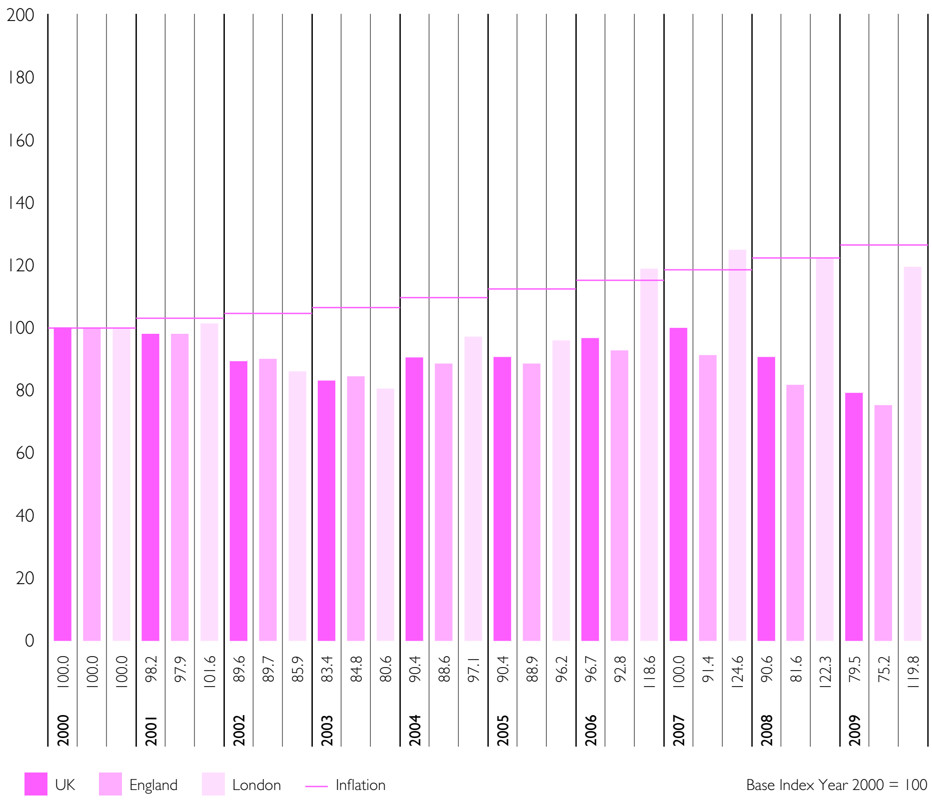
ENGLAND	£	% Change
2005	41.82	2.7
2006	44.49	6.4
2007	45.55	2.4
2008	44.33	-2.7
2009	40.92	-7.7

LONDON	£	% Change
2005	78.64	5.2
2006	93.58	19.0
2007	103.50	10.6
2008	103.10	-0.4
2009	97.32	-5.6

Full-Service Annual Rooms RevPAR 2000-2009



Full-Service GOP per available room 2000-2009



LONDON

The graphs below also show an indexed trend in both Annual Rooms RevPAR and Gross Operating Profit for the total London full-service hotel market compared with Edinburgh and Cardiff.

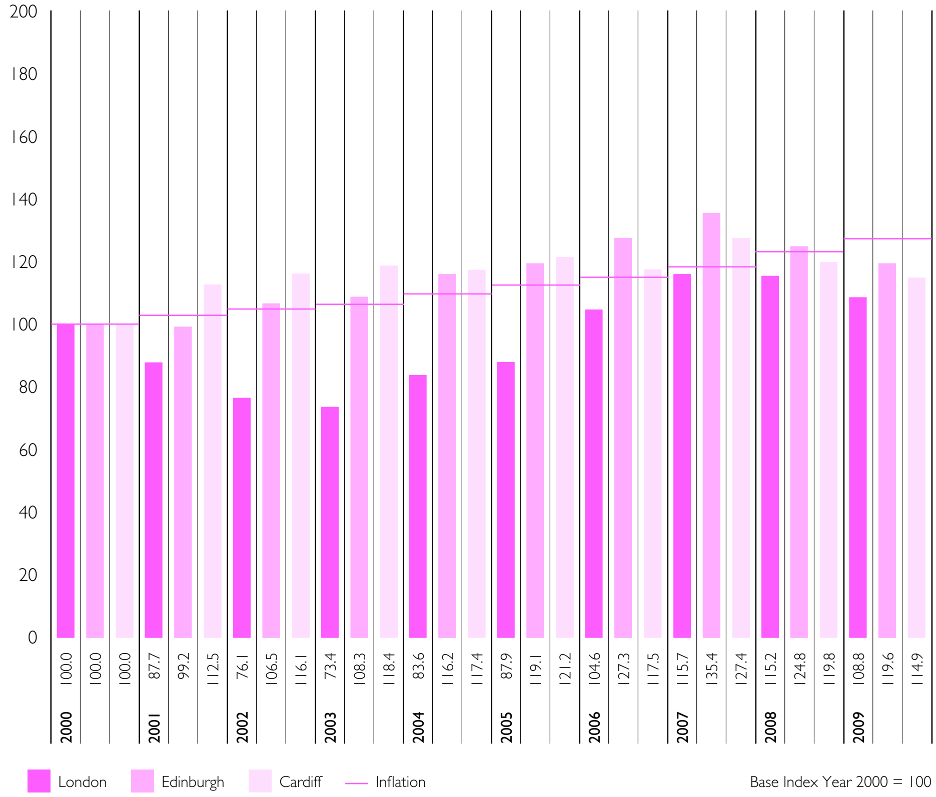
Full-Service Actual Rooms RevPAR Change

LONDON	£	% Change
2005	78.64	5.2
2006	93.58	19.0
2007	103.50	10.6
2008	103.10	-0.4
2009	97.32	-5.6

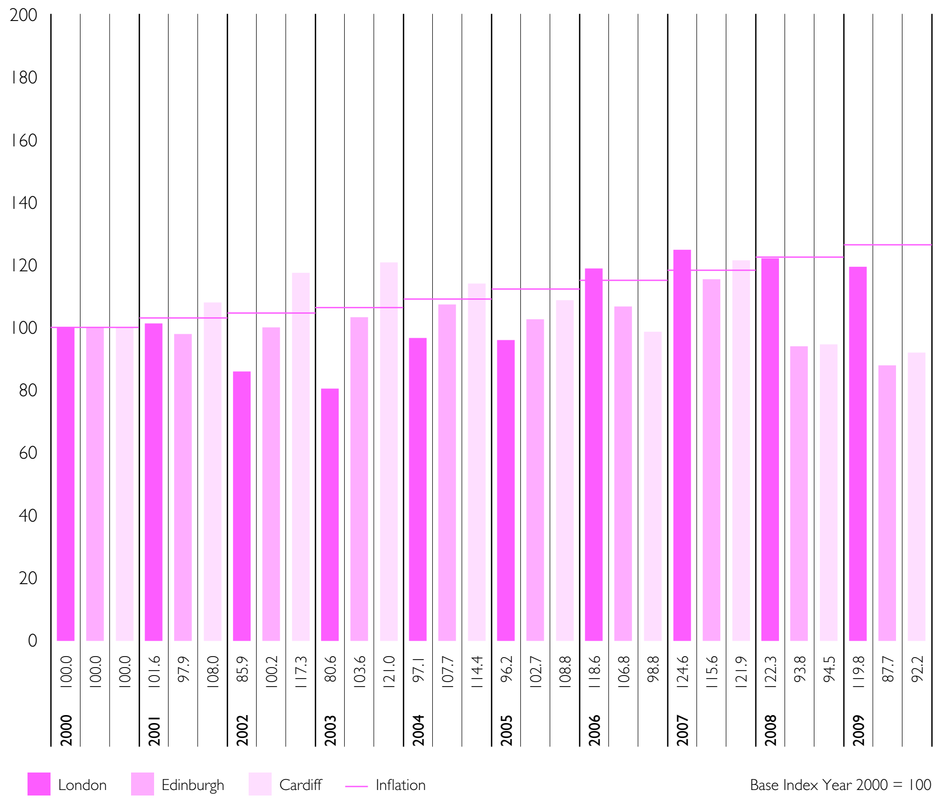
EDINBURGH	£	% Change
2005	54.91	2.5
2006	58.71	6.9
2007	62.40	6.3
2008	57.51	-7.8
2009	55.15	-4.1

CARDIFF	£	% Change
2005	44.28	3.2
2006	42.96	-3.0
2007	46.55	8.4
2008	43.79	-5.9
2009	41.98	-4.1

Full-Service Annual Rooms RevPAR 2000-2009



Full-Service GOP per available room 2000-2009



ENGLAND, SCOTLAND & WALES

The graphs on this page show a ten year index for Annual Rooms RevPAR and Gross Operating Profit, this time for the three provincial markets outside London.

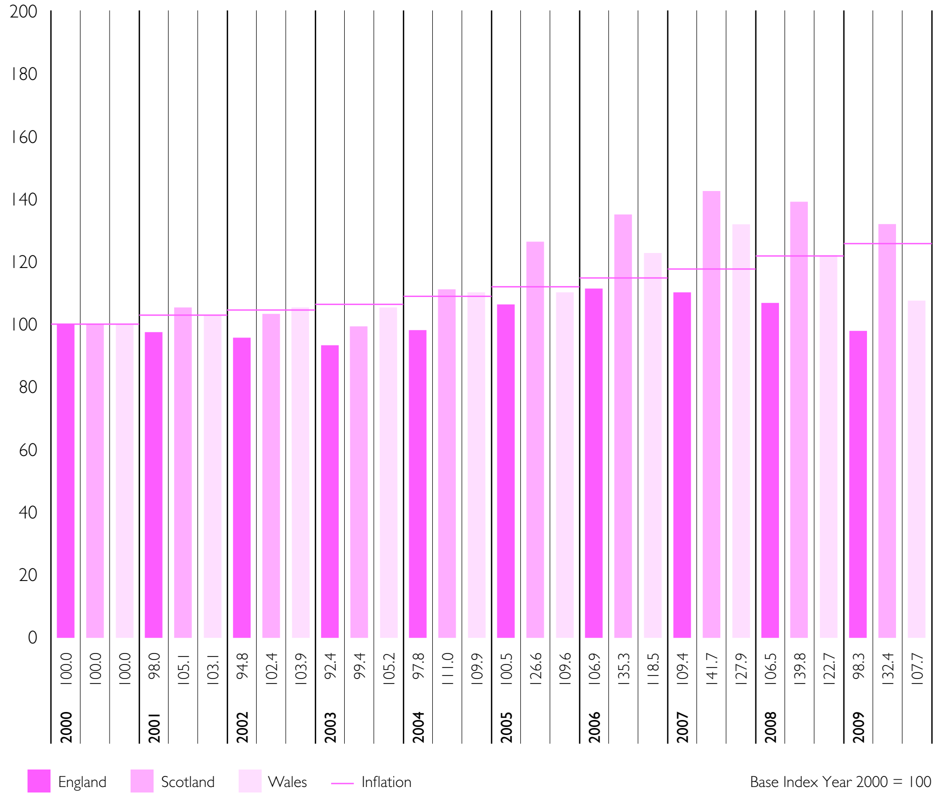
Full-Service Actual Rooms RevPAR Change

ENGLAND	£	% Change
2005	41.82	2.7
2006	44.49	6.4
2007	45.55	2.4
2008	44.33	-2.7
2009	40.92	-7.7

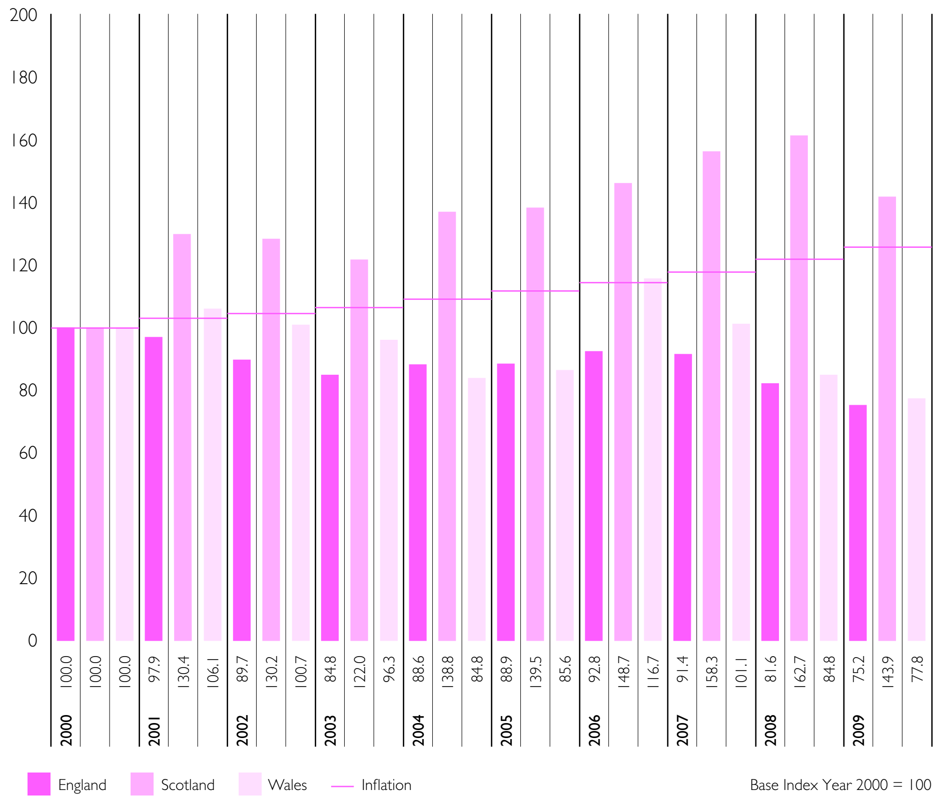
SCOTLAND	£	% Change
2005	48.26	14.1
2006	51.56	6.8
2007	54.00	4.7
2008	53.28	-1.3
2009	50.44	-5.3

WALES	£	% Change
2005	43.10	-0.2
2006	46.59	8.1
2007	50.28	7.9
2008	48.23	-4.1
2009	42.34	-12.2

Full-Service Annual Rooms RevPAR 2000-2009



Full-Service GOP per available room 2000-2009



INTRODUCTION

The following pages in this section detail the performance of the United Kingdom Hotel Industry for the full year 2009.

Each of the following sections UK, London, England, Scotland and Wales, contain the same information to enable direct comparison. On this page we have summarised the statistics that are applicable to all of the sections in the UK, including employee statistics, payroll mix and market mix analysis.

Full-Service Employee Statistics

	UNITED KINGDOM		LONDON		ENGLAND		SCOTLAND		WALES	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Payroll & Related Expenses*	28.3	28.5	25.3	25.1	30.9	31.0	30.7	31.0	32.2	33.6
Productivity Index**	3.44	3.36	3.98	3.93	3.29	3.23	3.31	3.24	3.08	3.02

*As a Percentage of Total Sales / **Total Sales Divided by Payroll & Related Expenses

Full-Service Payroll Mix

%	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Rooms	32.1	31.7	36.1	35.7	29.3	29.4	29.6	29.9	27.3	25.1
F&B	38.0	39.0	36.4	37.0	38.9	40.1	39.8	41.0	39.7	42.0
Other Departments	6.3	6.0	3.2	3.3	8.2	7.4	7.7	7.6	10.1	10.4
Overhead Departments	23.6	23.3	24.3	24.1	23.6	23.0	22.8	21.6	22.9	22.5

Full-Service Market Mix Analysis

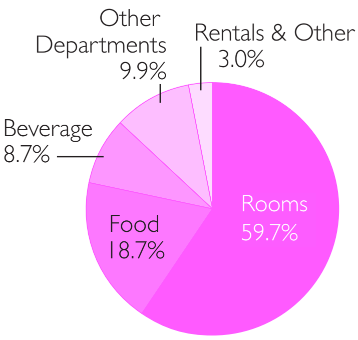
%	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Corporate	30.9	33.6	30.2	33.2	32.4	34.3	27.1	30.1	32.4	36.0
Rack	15.9	15.6	14.7	14.6	16.6	16.2	16.7	16.5	17.1	12.3
Leisure Breaks	27.0	23.9	24.6	21.6	28.1	24.9	29.7	26.6	29.2	25.6
Tour Groups	9.6	9.6	12.3	12.1	7.0	7.5	12.6	12.4	6.3	9.3
Conference	8.7	10.1	5.7	6.9	11.0	12.5	8.0	9.3	10.4	11.7
Other	7.9	7.3	12.4	11.6	4.9	4.7	5.9	5.1	4.7	5.1

Note: columns may not add to 100 due to roundings.

THE YEAR IN REVIEW

UK HOTEL MARKET

Departmental Revenue Contribution 2009



Percentage Distribution of Expenses

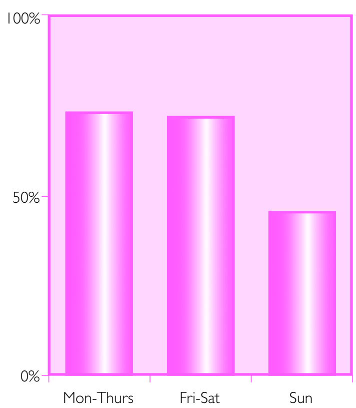
Beverage Cost	2.1%
P&M	2.6%
Sales & Marketing	3.7%
Energy Costs	4.5%
Admin & General	5.3%
Food Cost	5.5%
Other Department COS	1.6%
Departmental Expenses	10.4%
Payroll & Related Expenses	30.5%
Gross Operating Profit	33.8%
Total	100.0%

DOP Percentage

Rooms	73.1%
F&B	37.4%
Other Departments	22.2%
Rentals & Other	67.3%
Total*	60.0%

*Total Departmental Profit as a % of Total Revenue

UK Budget Daily Room Occupancy Profile 2009



Following on from the challenging times of 2008, the UK chain hotel market suffered the second successive year of declining revenue and profit from the high watermark of 2007. The full impact of the recession was felt in January 2009 as room rates in the commercial sector were aggressively slashed and the volume of corporate business contracted massively, whilst many meetings and events were postponed or cancelled. Demand from the corporate sector declined and the banking crisis damaged consumer confidence, which initially impacted the individual leisure sector before an upsurge in the popularity of 'Staycations'.

UK Full-Service Performance Indicators 2009 vs 2008

	2009	2008	% Variance
Rooms Occupancy (%)	69.1	70.5	-1.5 pts
Average Room Rate (£)	75.10	78.91	-4.8
Rooms RevPAR (£)	51.88	55.67	-6.8
F&B RevPAR (£)	32.88	36.00	-8.7
TREVPAR (£)	95.67	102.16	-6.4
GOPPAR (£)	33.31	35.59	-6.4
Payroll Percentage of Total Revenue (%)	30.5	31.2	-0.7 pts
GOP Percentage of Total Revenue (%)	33.8	32.9	-0.9 pts

The contraction of the UK economy by 4.8%, down from 0.6% growth in 2008, resulted in tough trading conditions for the majority of hotel operators. Our index, which is anchored at year 2000 performance, records that annual rooms RevPAR at full-service UK hotels ran at 102.6 in 2009. Regrettably, the last two years have seen decreases of -1.2 and -7.5 percentage points respectively.

Overseas visitors to the UK decreased by 6.8% to 29.7 million representing the second successive year of decline since the 2007 peak of 32.8 million visitors. Visits from Europe decreased by 7% to 22 million while those from North America dropped by 7.8% to 3.5 million.

The economic downturn has highlighted the uncertainty of potential future hotel development pipelines throughout the UK with a number of the emerging brands providing prime examples of ambitious expansion plans which have been halted due to a lack of funding.

From an operating point of view, most hoteliers are now benefiting from the staffing cuts made towards the end of 2008. Payroll costs actually reduced to 30.5%, despite the National Minimum Wage increasing again in October. Increases in energy prices slowed during 2009, although finished the year up at 4.5%. Overall profit conversion rates for UK hotels were resilient with Gross Operating Profit (GOP) increasing by 0.9 percentage points to 33.8% as a percentage of total revenue.

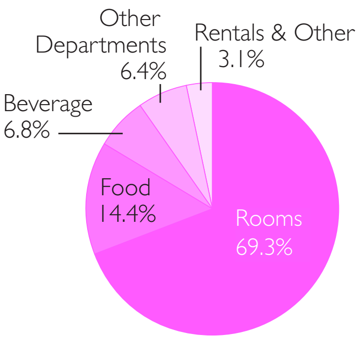
UK Budget Performance Indicators 2009 vs 2008

	2009	2008	% Variance
Rooms Occupancy (%)	67.8	73.4	-5.6 pts
Average Room Rate (£)	50.75	51.90	-2.2
Rooms RevPAR (£)	34.40	38.10	-9.7

In 2000, the budget hotel market comprised approximately 37,000 bedrooms in the UK; today with the market totalling approximately 109,000, this a highly significant sector. Due to stringent pricing policies and limited discounting, achieved average room rate at budget hotels remains stable throughout the year and is rarely subject to significant declines. During the initial months of the recession, many UK companies focused on reducing the cost of travel rather than travel itself, helping to maintain the budget hotel rate performance. The continued decline in average room rates however, has made full-service hotels more affordable and consequently attracted demand away from the budget hotel sector. In response budget operators have become more flexible in their pricing and are now implementing dynamic rate policies.

LONDON HOTEL MARKET

Departmental Revenue Contribution 2009



Percentage distribution of Expenses

Beverage Cost	1.4%
P&M	2.2%
Sales & Marketing	3.7%
Energy Costs	3.3%
Admin & General	4.6%
Food Cost	3.9%
Other Department COS	1.2%
Departmental Expenses	10.1%
Payroll & Related Expenses	26.4%
Gross Operating Profit	43.1%
Total	100.0%

DOP Percentage

Rooms	76.4%
F&B	35.2%
Other Departments	7.5%
Rentals & Other	73.9%
Total*	64.8%

*Total Departmental Profit as a % of Total Revenue

The London hotel market has defied all expectations during the recession. London was one of the top performing full-service hotel markets in Europe with only a marginal decrease in average room occupancy of 0.5 percentage points, to 79.3%. This is a far more resilient performance than in the recession of the early 1990s, when average room occupancy declined by more than 12 percentage points. The relative stability in average room occupancy has been helped by an increase in the number of visitors to the capital from Europe due to the weak pound versus the euro. Average room rates in London decreased by 5.1%, to £122.70, due to a reduction in the level of higher rate paying business guests.

London Full-Service Performance Indicators 2009 vs 2008

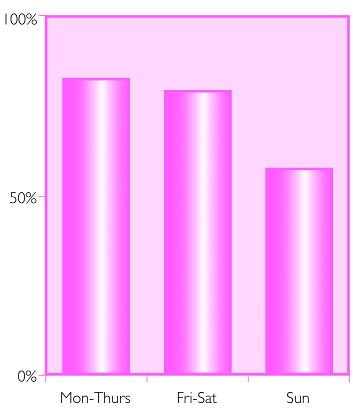
	2009	2008	% Variance
Rooms Occupancy (%)	79.3	79.8	-0.5 pts
Average Room Rate (£)	122.70	129.24	-5.1
Rooms RevPAR (£)	97.32	103.10	-5.6
F&B RevPAR (£)	35.16	39.63	-11.3
TREVPAR (£)	140.10	150.26	-6.8
GOPPAR (£)	61.23	66.31	-7.7
Payroll Percentage of Total Revenue (%)	26.4	26.5	0.1 pts
GOP Percentage of Total Revenue (%)	43.1	43.1	–

Like their provincial counterparts, London hotels held up well in profitability conversions, with GOP remaining at 43.1% of total revenue. Certainly total revenues went down with a TREVPAR decline of over £10. London hotels faced a tightening in ancillary spends, with food and beverage revenues in particular experiencing a decrease of 11.3%.

Unsurprisingly London led the way with a daily RevPAR of £97.32, albeit with a 5.1% year-on-year decline. Other factors that have greatly contributed to the London story include the general reliance of inbound overseas tourism for so much of its business – 50% in 2009.

Since 1998, approximately 28,400 new hotel bedrooms have entered the London hotel market. The latest forecasts from TRI and Visit London predict that some 6,100 additional hotel rooms will enter the London hotel market between 2009 and 2011.

London Budget Daily Room Occupancy Profile 2009



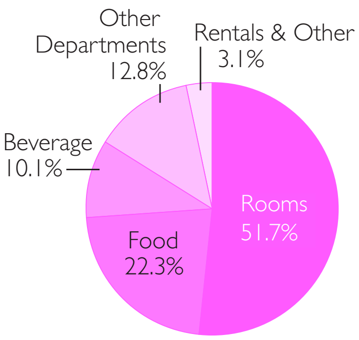
London Budget Performance Indicators 2009 vs 2008

	2009	2008	% Variance
Rooms Occupancy (%)	78.5	81.6	-3.1 pts
Average Room Rate (£)	60.63	63.49	-4.5
Rooms RevPAR (£)	47.61	51.79	-8.1

In absolute terms, budget hotels were 0.8 percentage points behind their full-service counterparts in 2009 with an average occupancy of 78.5%. The decline in achieved average room rate (ARR) was comparatively smaller than in the full-service sector, decreasing by 4.5%. Year-on-year, the relative difference between budget and full-service rooms RevPAR was reduced by 3.1% to £49.71. There was very little difference between midweek and weekend levels of demand, with average occupancy staying close to 80% from Monday through to Saturday, illustrating the capital's strength as a leisure and business destination. The difference in average room rate however, was considerable, being around £8 lower at weekends.

ENGLAND HOTEL MARKET

Departmental Revenue Contribution 2009



Percentage distribution of Expenses

Beverage Cost	2.4%
P&M	2.8%
Sales & Marketing	3.4%
Energy Costs	5.1%
Admin & General	5.4%
Food Cost	6.4%
Other Department COS	1.8%
Departmental Expenses	10.0%
Payroll & Related Expenses	31.7%
Gross Operating Profit	31.1%
Total	100.0%

DOP Percentage

Rooms	69.3%
F&B	38.9%
Other Departments	27.9%
Rentals & Other	61.1%
Total*	55.9%

*Total Departmental Profit as a % of Total Revenue

Despite Provincial England averages experiencing a decline in 2009, the fortunes of city markets across the country varied greatly during the year. We have remarked before on the close correlation between the health of the economy and the fortunes of the English provincial hotel sector. This is in no way remarkable given the strong influence of provincial city commercial hotels on our sample. With the economic prospects suggesting much of the same in 2010, it is clear that English hoteliers are in the midst of a highly challenging stage of the cycle.

England Full-Service Performance Indicators 2009 vs 2008

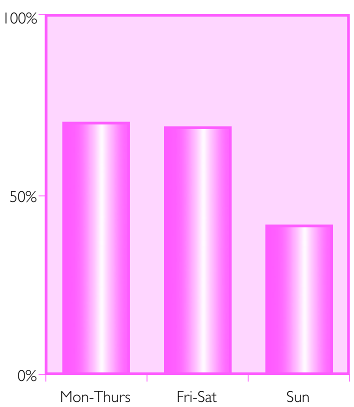
	2009	2008	% Variance
Rooms Occupancy (%)	65.3	67.4	-2.1 pts
Average Room Rate (£)	62.66	65.76	-4.7
Rooms RevPAR (£)	40.92	44.33	-7.7
F&B RevPAR (£)	31.88	34.15	-6.7
TREVPAR	83.05	87.94	-5.6
GOPPAR (£)	25.47	27.33	-6.8
Payroll Percentage of Total Revenue (%)	31.7	32.4	0.7 pts
GOP Percentage of Total Revenue (%)	31.1	30.2	0.9 pts

Average room occupancy in the England hotel market (excluding London) declined by 2.1 percentage points in 2009, compared to 2008, down to 65.3%. This is approximately 15 percentage points below the average room occupancy of the London full-service hotel market. Average room rate remains under considerable pressure in the Provincial England sample as it dropped by a further 4.7% to £62.66.

For the second successive year, the England hotel market reported a 7.7% decline in revenue per available room (RevPAR) to £40.92 per available room in 2009. The significant reduction in corporate demand levels in some of the UK's major cities has had a massive impact on the achieved revenue levels of their hotels. The cost cutting measures implemented in 2009 have helped maintain hotel profitability with Gross Operating Profit (GOP) decreasing by under £1.90 per available room.

Underperformance and oversupply led to huge declines in achieved revenue levels in cities such as Sheffield, Manchester and Liverpool. In contrast, increases in revenue levels were experienced in leisure-driven destinations such as Brighton, York and Blackpool, with the influence of 'Staycations' discernibly apparent in these locations.

England Budget Daily Room Occupancy Profile 2009



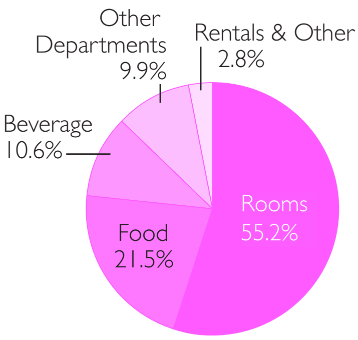
England Budget Performance Indicators 2009 vs 2008

	2009	2008	% Variance
Rooms Occupancy (%)	64.9	71.5	-6.7 pts
Average Room Rate (£)	47.97	48.99	-2.1
Rooms RevPAR (£)	31.11	35.03	-11.2

RevPAR at budget hotels in England declined by 11.2% during 2009, which was primarily due to a 6.7 percentage point decline in average room occupancy. The drop in average room occupancy in the budget sector was due to hotels in the full-service sector reducing their rates to maintain volume and discourage migration to budget properties. Budget hotels benefit from a more smoothed seasonality pattern, driven by the affordability of its rooms, which allow for a boost in room occupancy levels during characteristic periods of low occupancy, with average occupancy staying at approximately 70% from Monday through to Saturday. Sunday, the quietest night of the week, attracted average occupancy levels at just above 40%.

SCOTLAND HOTEL MARKET

Departmental Revenue Contribution 2009



Percentage distribution of Expenses

Beverage Cost	2.6%
P&M	2.5%
Sales & Marketing	3.4%
Energy Costs	4.8%
Admin & General	5.4%
Food Cost	6.2%
Other Department COS	1.7%
Departmental Expenses	10.1%
Payroll & Related Expenses	31.4%
Gross Operating Profit	32.1%
Total	100.0%

DOP Percentage

Rooms	71.1%
F&B	35.2%
Other Departments	22.7%
Rentals & Other	67.6%
Total*	56.0%

*Total Departmental Profit as a % of Total Revenue

Headline performance levels in Scotland have remained resilient, significantly outperforming England and Wales. Much of this strength is based upon the hotel performance of Glasgow, Edinburgh and Aberdeen and thus greatly supported both by the leisure tourism and commercial sectors. In 2009, average room occupancy in the Scotland hotel market declined marginally by only 1.1 percentage points to 72.1% in the full-service hotel market. However, pressure in the market has forced a reduction in achieved average room rate, which decreased by 3.8% during 2009 to £69.91.

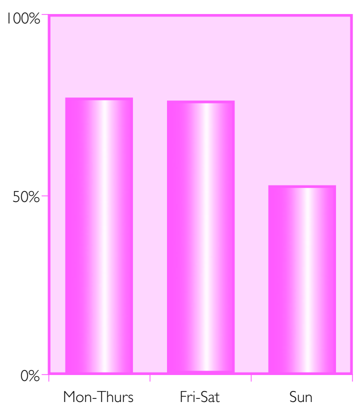
Scotland Full-Service Performance Indicators 2009 vs 2008

	2009	2008	% Variance
Rooms Occupancy (%)	72.1	73.3	-1.1 pts
Average Room Rate (£)	69.91	72.71	-3.8 pts
Rooms RevPAR (£)	50.44	53.28	-5.3
F&B Revenue per Available Room (£)	36.36	39.10	-7.0
TREVPAR (£)	95.94	101.82	-5.8
GOPPAR (£)	30.19	32.52	-7.2
Payroll Percentage of Total Revenue (%)	31.4	31.9	0.5 pts
GOP Percentage of Total Revenue (%)	32.1	32.3	-0.2 pts

Following 20 years of investment, Glasgow is now considered the economic heart of Scotland, producing over 16% of Scotland's GDP, equivalent to approximately £13.5 billion annually. Headline performance levels in the Glasgow hotel market remained buoyant in 2009 and hotels in the city continue to benefit from strong levels of accommodation demand, with average room occupancy in the full-service sector remaining well ahead of the UK average, at 76.5%. The trading environment, however, could be set to change with approximately 25 new hotel projects in various stages of development according to the Glasgow City and Marketing Bureau.

Edinburgh has been significantly impacted by the recent economic downturn, with two of its major institutions (RBS and HBOS) being at the well-publicised centre of the globally recognised 'banking crisis'. However, Edinburgh remains an important European financial centre, with banks and fund managers collectively contributing approximately £5 billion to Scotland's GDP. Edinburgh is the UK's second most popular tourist destination, with tourism worth an estimated £1 billion a year to the Edinburgh and Lothian economy.

Scotland Budget Daily Room Occupancy Profile 2009



Scotland Budget Performance Indicators 2009 vs 2008

	2009	2008	% Variance
Rooms Occupancy (%)	72.1	74.6%	-2.5 pts
Average Room Rate (£)	52.12	52.32	-0.4
Rooms RevPAR (£)	37.56	39.01	-3.7

Scotland's budget hoteliers also had a relatively steady year with daily RevPAR decreasing by just 3.7% to £37.56. Budget operators in Scotland experienced a greater decline in room occupancy (-2.5 percentage points) as full-service hotels captured a proportion of market share away from budget operators due to significant reductions in room rate. Achieved average room rate in Scotland budget hotels declined by only 0.4% to £52.12, highlighting the low level of discounts offered.

THE YEAR IN REVIEW

WALES HOTEL MARKET

The Welsh hotel market comprises two broadly polarised components. The bulk of Welsh hotel stock is made up of independent unbranded hotels, mostly servicing the significant leisure demand flowing into the country. The major part of the branded hotel industry, however, is concentrated in Cardiff, Swansea and Newport. The hotel market in Cardiff has by far the dominant collection of branded hotels and as such is the key performance driver for our Welsh hotel sample.

Wales Full-Service Performance Indicators 2009 vs 2008

	2009	2008	% Variance
Rooms Occupancy (%)	71.1	71.7	-0.6 pts
Average Room Rate (£)	66.02	67.22	-1.8
Rooms RevPAR (£)	46.94	48.23	-2.7
F&B Revenue per Available Room (£)	43.51	44.27	-1.7
TREVPAR (£)	107.84	111.50	-3.3
GOPPAR (£)	30.68	31.51	-2.6
Payroll Percentage of Total Revenue (%)	33.1	33.7	-0.6 pts
GOP Percentage of Total Revenue (%)	27.3	27.3	–

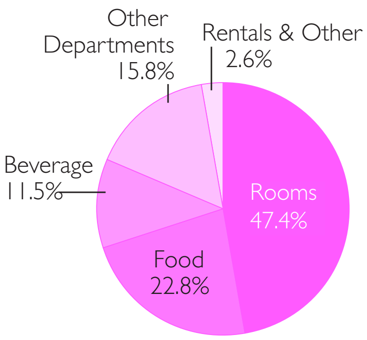
Overall, occupancy in our Welsh hotel sample is two percentage points above the UK as a whole, achieving 71.1%. Average room rate performance reported a moderate decline of 1.8% to £66.02, maintaining its position above the provincial England rate performance.

Ancillary spends were reduced, with F&B RevPAR declining by 1.7% to £43.51. Overall the Wales full-service hotels reported a 3.3% drop in total revenue to £107.84 per available room. However, payroll took up a slightly smaller percentage of total revenue in Wales compared to the previous year and this extra saving contributed to a comparatively resilient profit conversion of 27.3%, in line with the 2008 performance.

During the last ten years, Cardiff has developed into a dynamic city, benefiting from national and international recognition, through a combination of major new investments and the staging of high-profile domestic and international sporting events at the Millennium Stadium. Major sporting events in Cardiff have fuelled increasing weekend business, complementing strong corporate demand throughout the working week.

The Cardiff hotel market has remained resilient through the economic downturn. In 2009, full-service hotels in Cardiff experienced a 3.2 percentage point decline in average room occupancy to 71.5%. Year-on-year achieved average room rates in the full-service Cardiff hotel market decreased by 4.5% to £73.42, in line with the negative impact of the economic downturn and the reduction in major events demand.

Departmental Revenue Contribution 2009



Percentage distribution of Expenses

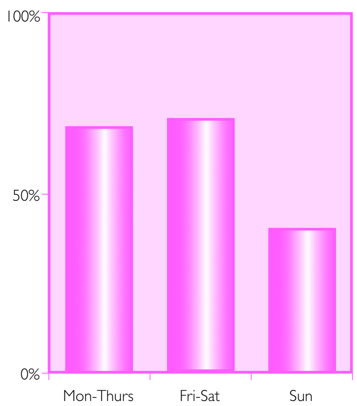
Beverage Cost	3.0%
P&M	2.7%
Sales & Marketing	3.2%
Energy Costs	6.0%
Admin & General	5.2%
Food Cost	7.2%
Other Department COS	2.1%
Departmental Expenses	10.2%
Payroll & Related Expenses	33.1%
Gross Operating Profit	27.3%
Total	100.0%

DOP Percentage

Rooms	68.7%
F&B	34.5%
Other Departments	40.8%
Rentals & Other	54.4%
Total*	53.6%

*Total Departmental Profit as a % of Total Revenue

Wales Budget Daily Room Occupancy Profile 2009



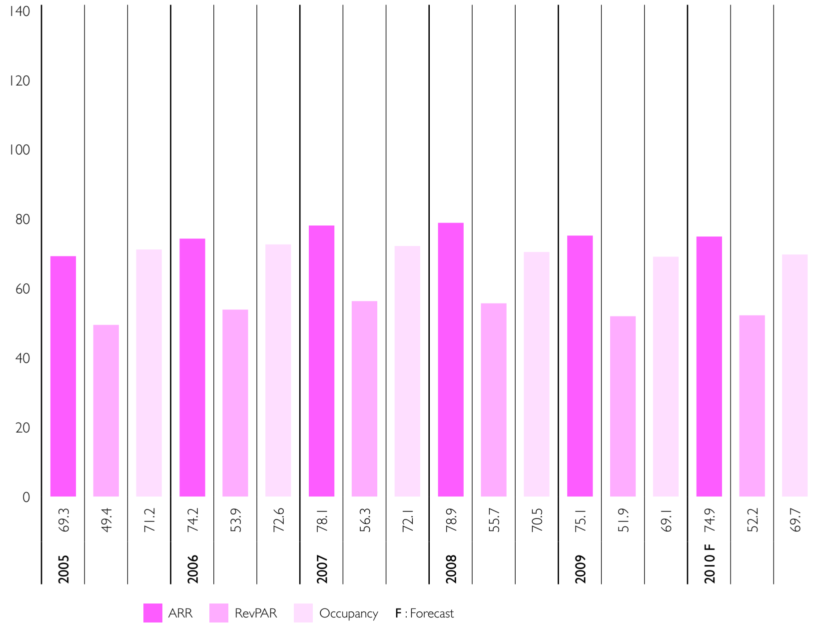
Wales Budget Performance Indicators 2009 vs 2008

	2009	2008	% Variance
Rooms Occupancy (%)	64.6	68.8	-4.2 pts
Average Room Rate (£)	45.75	45.49	0.6
Rooms RevPAR (£)	29.56	31.30	-5.6

Budget hotels in Wales achieved the lowest RevPAR performance of any market in our survey, although it was the only region to experience an increase in achieved average room rate, increasing by 0.6% to £45.75. Average occupancy reached nearly 70% from Monday to Thursday and stayed above 70% at weekends, indicating the dominant leisure nature of tourism in Wales. The difference between the Wales budget hotel pricing during the week and the weekend was also minimal. Sunday was the quietest night of the week, with an average occupancy of 40%.

PROJECTIONS 2010

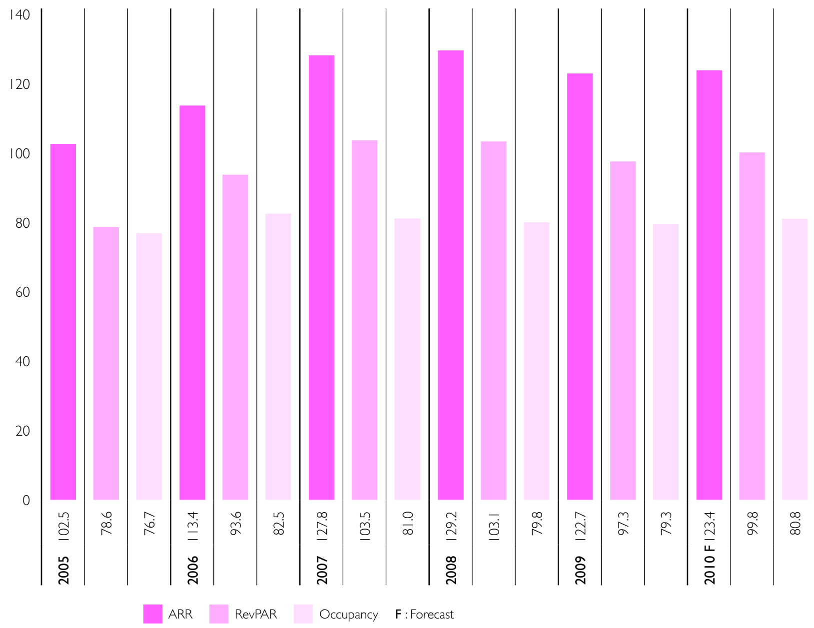
UK Hotel Performance Forecasts



The core influence on demand for UK hotels is UK Gross Domestic Product (GDP) movements which have a strong correlation with demand for provincial hotels in particular and a significant but less dominant influence on London hotels. Our analysis of the London hotel market is further informed by inbound tourism flows, which in turn are dependent upon the economic strength of London's key source markets, the strength of sterling against their currencies, and the presence or absence of major geo-political events.

Our modeling of imminent events has been further based on lessons learned from the last major recession of 1991 and the years of economic downturn surrounding it. That recession and the first Gulf War were responsible for three years of RevPAR decline in the London hotel market and a more brief, but deeper two years of decline in the provinces.

London Hotel Performance Forecasts



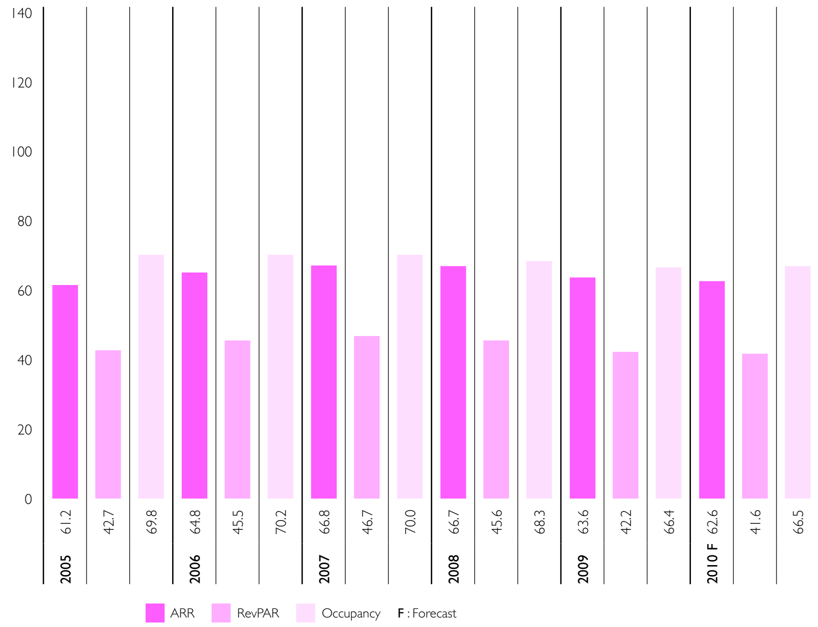
In 2009, leisure-related demand from Europe effectively replaced the dramatic losses in commercial demand. Visit Britain forecasts a 0.8% increase in inbound visitor figures this year, and we have assumed that leisure demand will remain robust during 2010, relative to 2009 levels, predicated on sterling remaining weak throughout 2010.

Growth forecasts for UK GDP are between 1.0% and 1.5% in 2010, which suggests a slow recovery. That said, London is a world-renowned business destination, and we expect some uplift in demand from this sector, particularly considering that in the first three quarters of 2009 businesses dramatically reduced accommodation/travel spend to London.

FUTURE TRENDS

Overall, we forecast the London hotel market to increase RevPAR by 2.5% in 2010, primarily due to an increase in international commercial demand with leisure demand levels remaining similar to 2009. Based on this rationale, occupancy is forecast to increase by 1.5 percentage points. In 2010, we also foresee minimal scope for London hotels to enhance rate with a 0.6% post-recession increase, as hoteliers focus on enhancing occupancy levels.

Total Provincial Hotels (Including England, Scotland, Wales) Excluding London



2010 will be a tough year for provincial hoteliers as domestic consumers restrict spending.

The increase in VAT, rising unemployment and virtually inevitable stringent government spending policy are expected to reduce the domestic consumer's spending power. It is likely that in 2010, provincial hotels will experience pressure for further rate reduction from the leisure market in order to maintain domestic demand in this sector, with a particular focus likely to be on lower-rated business, such as group tours.

We anticipate demand from commercial-related markets to be similar to 2009 levels as businesses seek to consolidate their position in the current economic climate.

For 2010 we forecast occupancy to stabilise, up just 0.1 percentage points from 2009, in combination with continued rate decline, of 1.6%, from 2009 levels. Our view that hoteliers will continue to reduce rate in order to maintain occupancy in the provinces results in a forecast 1.5% reduction in RevPAR.

Rooms RevPAR Growth (year-on-year)			
	2008 Actual Growth (%)	2009 Actual Growth (%)	2010 Forecast Growth (%)
London	-0.4	-5.6	2.5
Provinces	-2.5	-7.3	-1.5
UK	-1.1	-6.8	0.7

TRI PROFILE

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- Hotel expert witness
- Hotel market analysis

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HotStats Review – annual publication on the full-service sector of the UK and Europe

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www.trihospitality.com
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GLOSSARY

A&G - Administrative & General
This covers items that are not easily attributable to any one department. It includes items such as management, administration, finance and accounting, stationery, uniforms, training, recruitment, etc.

ARR & ADR - Average Room Rate & Average Daily Rate
This is the average price each room is sold for in the hotel or group of hotels being analysed. It is calculated by dividing the room revenue by the number of rooms let.

Beverage Revenue
Beverage revenues are derived from sales of alcoholic beverages, soft drinks and cigarettes. Includes revenues from restaurant, conference and banqueting, room service and mini-bar operations and may include package revenue allocations but excludes beverage allowances.

COS - Cost of Sales
The cost of raw materials prior to their resale.

DOP - Departmental Operating Profit
The total revenue for the specific department named less costs for that department, ie cost of sales, payroll and direct expenses.

F&B - Food & Beverage
This covers restaurants, bars, room service and banquets and conferences (including room hire, etc).

Food Revenue
Total food revenues are derived from food sales, including sales of coffee, tea and milk to guests. Includes revenues from restaurant, conference and banqueting, room service operations and packaging revenue allocations, but excludes food allowances.

IBFC / GOP - Gross Operating Profit
For the purposes of this study, Gross Operating Profit is defined as the total departmental operating profit, less all undistributed operating expenses and is synonymous with IBFC (income before fixed charges).

Lower Quartile
The lower quartile is the value that is half way between the first value and the median in an ascending list. For example in a list of 100 values the lower quartile would be the 25th value in the list.

Median
The median value is the middle value, or the average of the middle two, in an ascending or descending list.

MOD - Minor Operated Departments
These are departments within the hotel that are not covered in any of the other headings. For example, if the hotel offers guests laundry service, this would be a Minor Operated Department. Other examples included equipment rental or pool supplies.

Occupancy
This is the percentage of available rooms that have been sold over the period being analysed. It is calculated by dividing the number of room nights sold during the period by the total number of rooms available for sale in the same period.

Other F&B Revenue
All revenue generated in the food and beverage department, apart from through sale of food and beverages. This includes room hire, service charges, cover charges etc.

P&M - Property & Maintenance
Includes all items relating to the maintenance of the property and equipment.

PAR - Per Available Room
A measure that may be applied to any revenue or cost to facilitate analysis. The revenue or cost being analysed is divided by the total number of bedrooms available for sale during the period under analysis.

Payroll and Related Expenses as a Percentage of Total Sales
Calculated by dividing the sum total of payroll and related expenses by the total sales and then multiplying by 100.

Percent of Departmental Revenue
Expresses any given criteria as a percentage of the total revenue generated by the specific department to which it relates.

Productivity Index
Calculated by dividing total sales by total payroll related expenses.

RREVPAR - Rooms Revenue Per Available Room
Also known as Rooms Yield. Calculated by dividing the room revenue by the number of rooms available for sale during the period under analysis.

Room Revenue
Revenues from bedrooms and suites rented or leased for part of a day, week or longer, includes revenues raised from no-show charges where collection is reasonably certain and excludes allowances and cancellation fees.

Sales per Employee
Calculated by dividing total sales by the total number of full time employees (ie part time employees count as less than one).

Total Operating Costs
This sum is the cost of sales, direct expenses and payroll costs for any given department.

Total Payroll
The sum total of salaries and, wages, and employee benefits from all operated departments and all undistributed operating categories.

Total Revenue
Sum total of net revenues from all the operated departments plus rentals and other income.

TREVPAR - Total Revenue Per Available Room
Sum total of net revenues from all the operated departments plus rentals and other income per available room (See PAR).

UOE - Undistributed Operating Expenses
This classification is used for administrative and general expenses, marketing expenses, energy costs, and property operation, and maintenance expenses. Each of these can be considered as an individual entity.

Upper Quartile
The upper quartile is the value that is half way between the median and the last in an ascending list. For example, in a list of 100 values the upper quartile would be the 75th value in the list.

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