

News Release

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Hotel Industry Growth Story Shows “Signs of Slowing”

Hotels in Leeds and Sheffield saw a downturn in both occupancy levels and average room rates in the first quarter of 2008 compared with the same period last year, according to the latest results from HotelBenchmark STR Global.

Analysed by business advisory firm Deloitte, the results show that in the first quarter of this year occupancy in Leeds hotels was 68.1 per cent compared with 69.7 a year ago while revenue per available room (revPAR) was £41 against £43 in the comparable quarter. The average room rate in the city was £61 from £62.

Occupancy in Sheffield's hotels was also marginally down at 69.9 per cent against 70.5 per cent while revPAR fell from £43 to £37, a drop of 16.3 per cent. The average room rate was down from £61 to £53.

It was, however, a more upbeat picture in York over the three months with revPAR up by 5.1 per cent from £39 to £41, but occupancy slightly down from 64.1 per cent to 63.9 per cent. Average room rates were £64 compared with £60 a year ago.

The survey also highlights Hull as one of three cities, the others being Belfast and Inverness, as “performing well”.

The historic city of Bath boasts the highest average room rate outside London's £124 at £86. Despite occupancy dipping slightly, average room rates have increased £5 over the first quarter last year. Hotels in Liverpool are benefiting from the city being the European Capital of Culture 2008, with a host of festivals and events driving more tourists into the city. For the first quarter of 2008, revPAR in the city rose 8.4 per cent, driven by increases in both occupancy and average room rates.

In London, growth was driven primarily by a 5 per cent increase in average room rates, which remain the highest in the UK. Although occupancy fell to 76.9 per cent, the capital reported a revPAR increase of 3.4 per cent. Even though growth was solid, it has slowed considerably compared to the same quarter last year when revPAR reported a double-digit increase of 10.5 per cent.

The survey suggests that without doubt the impact of Easter falling early this year and the related school holidays had an impact on results as conferences are displaced into April. As a result a clear indication of revPAR trends will not be available until these results can be amalgamated. Actual performance has therefore been better than the results suggest.

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Martin Jenkins, Deloitte's hospitality partner for the North based in the firm's Leeds office said: "Overall, the first quarter of 2008 has been a relatively positive one for hotels in both Regional UK and London when performance is considered in the light of the ongoing challenges facing the economy. Although operators in Leeds and Sheffield have experienced a fall in revPAR this is not totally unexpected as the industry's growth story begins to show signs of slowing.

"Deloitte's first quarter Chief Financial Officers' Survey revealed that 65 per cent of CFO's expect to cut costs in response to slower economic conditions and the credit crunch. In light of this, the remainder of 2008 looks challenging as businesses tighten their belts," he added.

"Traditionally, travel, hotel, training and entertainment budgets have been the first to be squeezed in a downturn. This has historically been most apparent in London where corporate demand is a more significant factor. To date however hotel demand has arguably been more resilient than that on the High Street." Ends