HOTEL BRITAIN REPORT 2019

A CHECK IN ON HOTEL GROWTH

THE DEFINITIVE GUIDE TO THE PERFORMANCE AND PROSPECTS OF THE UK'S HOTEL INDUSTRY

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Hotel Britain is a comprehensive guide to hotels' performance in the UK. While political and economic uncertainty were the key themes last year, and the market saw a drop in international visitor numbers, hotels in Britain managed another year of growth, particularly in London.

Highlights from this report include an in-depth look at the macroeconomic environment and latest tourism trends in the UK. In our second Expert View article, this year we feature industry leaders Jane Pendlebury and Sally Beck who talk us through their respective experiences in 2018 in the sector and look ahead to what 2019 may have in store. Finally, we feature our five key predictions, forecasting the themes and trends that we think all hotels should have on their radar for the year ahead.

With this and lots more, we hope you enjoy Hotel Britain 2019.

#BDOHotelBritain

A WORD FROM ROBERT BARNARD

PARTNER,
HOTEL AND LEISURE CONSULTANCY SERVICES

Welcome to the 2019 edition of BDO's Hotel Britain; your one-stop guide to the hotel industry in the UK. Our in-depth analysis of British hotels evaluates the performance and prospects of the industry across the country.

UK hotels experienced another year of consistent growth in 2018. Despite, and independent of the uncertainty surrounding the exit of the United Kingdom from the European Union, a decrease in visitor numbers and slower economic growth, UK hotels have proved resilient. London hotels, which drove overall performance, reached the highest occupancy level ever recorded since the compilation of this report.

As we write, it is still unknown what sort of deal will result from the extended Article 50 negotiations, as the UK prepares to exit the European Union. The continued political and socioeconomic impacts of Brexit remain a source of huge uncertainty for the UK's economy and will have multi-faceted consequences for the hospitality sector whatever the outcome. However, while the UK government must focus on securing the UK's political and economic future, hotel brands and owners will have a number of competing priorities on their agenda in 2019 including; staying abreast of consumer trends, investing in the right technology, managing the cost base, overcoming competition from online platforms and encouraging talent into the industry.

Although the background of Brexit uncertainty creates some challenges to growth, UK hotels' performance remains strong, particularly when compared to some other consumer-facing industries. With international visitor numbers forecast to increase in 2019, together with a reduced pipeline of new hotels, we do not foresee any major shocks and predict the UK hotel industry will continue to experience growth and for investor confidence to remain high.

We hope you find this edition to be an insightful read and wish you every success for the year ahead.

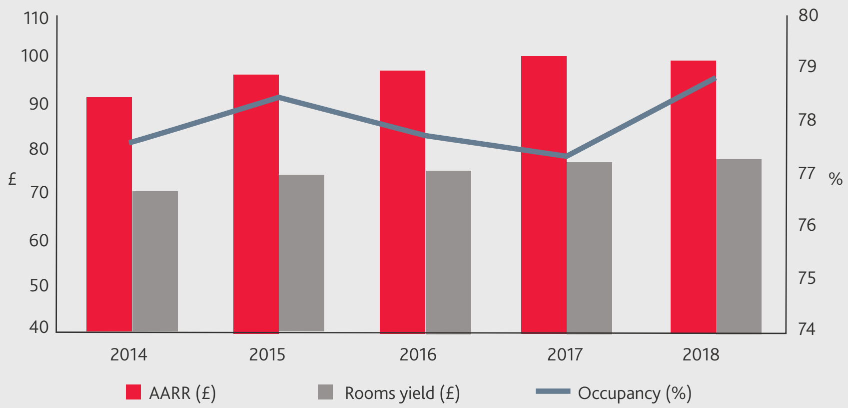
SURVEY HIGHLIGHTS

LONDON MARKET DRIVES OVERALL UK PERFORMANCE

Despite growing at a slower pace than last year, UK hotels experienced their ninth consecutive year of rooms yield growth in 2018. The overall UK rooms yield rose by 1.1% to £78.64, helped by the strong performance of the London hotel market, which outperformed its regional counterparts.

Overall occupancy, up by 1.8% to a record high 78.8%, was the main driver of growth for the UK hotel market, outpacing the increase in new supply. Whilst, on the other hand, average achieved room rates decreased marginally by 0.8% to £99.82.

FIGURE 1: Summary of performance, all UK hotels (2014-2018)



SOURCE: BDO research

TABLE 1: Summary of performance, UK hotels (2013-2017)

	UK hotels					CAGR% (2014-2018)
	2014	2015	2016	2017	2018	
Occupancy (%)	77.6	78.4	77.8	77.3	78.8	-
Year-on-year growth (%)	1.4%	1.0%	-0.8%	-0.5%	1.8%	0.4%
AARR (£)	91.55	95.80	97.28	100.58	99.82	-
Year-on-year growth (%)	3.1%	4.6%	1.5%	3.4%	-0.8%	2.2%
Rooms yield (£)	71.03	75.11	75.64	77.79	78.64	-
Year-on-year growth (%)	4.5%	5.7%	0.7%	2.8%	1.1%	2.6%

SOURCE: BDO research

UK hotels rooms yield **up** by

1.1%

LONDON HOTELS ACHIEVE RECORD-BREAKING OCCUPANCY

2018 was another year of great success for the capital's hotel market. London hotels continued to post strong year-on-year growth, with rooms yield up by 4.0% to £131.52, thanks to robust occupancy results.

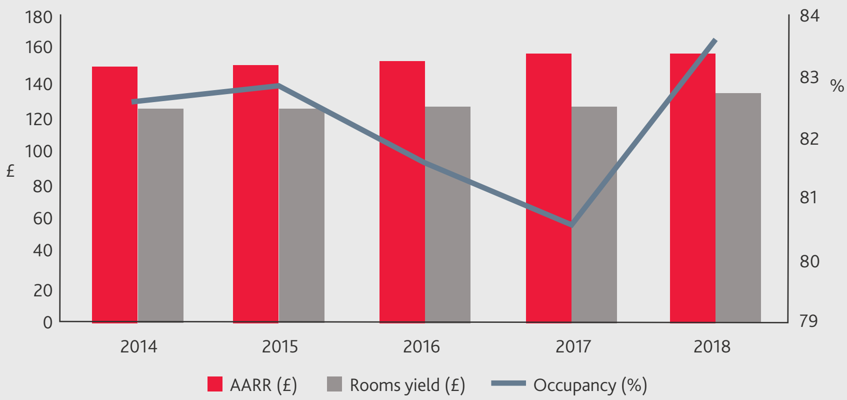
Occupancy for London hotels, up by 3.7% from 2017, achieved a record high of 83.6%. This represents the highest occupancy level ever recorded for the capital since the beginning of the compilation of Hotel Britain and 0.8 percentage points above the previous record of 82.8% registered in 2013 and 2015. Average achieved room rates in London remained flat, posting a marginal 0.3% increase to £157.32.

The positive results highlight the resilience of the London hotel market and its capacity to absorb new supply, with approximately 8,000 rooms opened in 2017-18 alone.

London hotels rooms yield **up** by

4.0%

FIGURE 2: Summary of performance, London hotels (2014-2018)

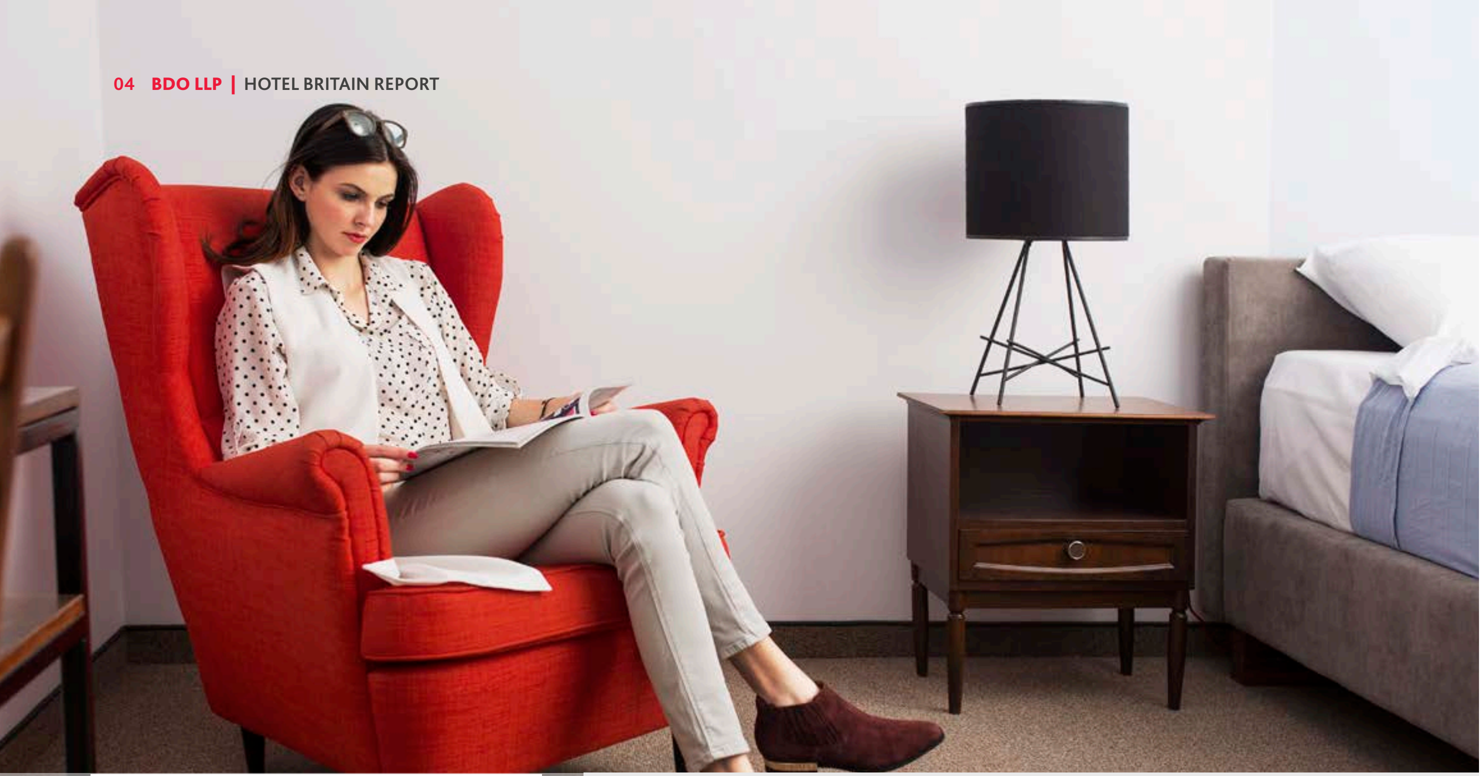


SOURCE: BDO research

TABLE 2: Summary of performance, London hotels (2014-2018)

London hotels						CAGR% (2014-2018)
	2014	2015	2016	2017	2018	
Occupancy (%)	82.6	82.8	81.6	80.6	83.6	-
Year-on-year growth (%)	-0.2%	0.2%	-1.4%	-1.2%	3.7%	0.2%
AARR (£)	148.42	149.79	151.45	156.85	157.32	-
Year-on-year growth (%)	0.9%	0.9%	1.1%	3.6%	0.3%	1.2%
Rooms yield (£)	122.60	124.03	123.58	126.42	131.52	-
Year-on-year growth (%)	0.7%	1.2%	-0.4%	2.3%	4.0%	1.4%

SOURCE: BDO research

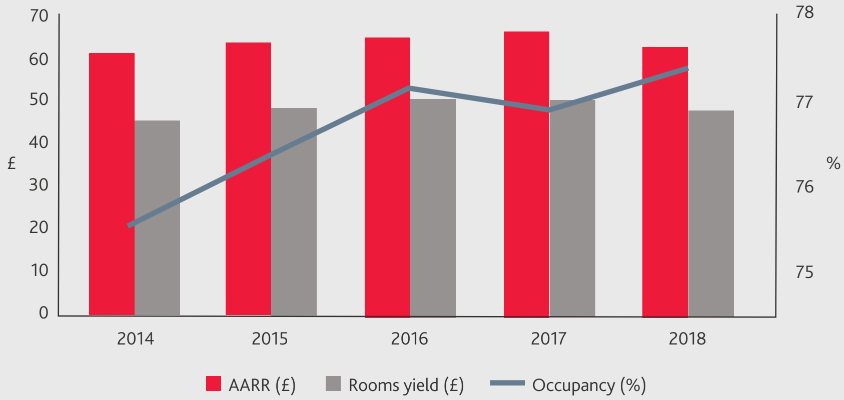


AARR DECLINES DRAG REGIONAL PERFORMANCE DOWN

Contrasting with the strong performance seen in the London hotel market, regional hotels' AARR decline dragged overall performance down by 1.3%. Occupancy, which only increased by 0.6%, could not offset the negative impact of a 1.9% decline in average achieved room rates.

Despite the overall weaker results for the regional market, regional hotels set a new record high occupancy at 76.9%, which demonstrates the strength of the market against the continued influx of new supply in key regional cities.

FIGURE 3: Summary of performance, regional hotels (2014-2018)



SOURCE: BDO research

TABLE 3: Summary of performance, regional hotels (2014-2018)

Regional hotels						CAGR% (2014-2018)
	2014	2015	2016	2017	2018	
Occupancy (%)	75.1	75.9	76.7	76.4	76.9	-
Year-on-year growth (%)	2.3%	1.1%	1.0%	-0.3%	0.6%	0.5%
AARR (£)	60.70	63.15	64.24	66.35	62.76	-
Year-on-year growth (%)	7.7%	4.0%	1.7%	3.3%	-1.9%	0.7%
Rooms yield (£)	45.60	47.94	49.24	50.69	48.26	-
Year-on-year growth (%)	10.2%	5.1%	2.7%	2.9%	-1.3%	1.1%

SOURCE: BDO research

Regional hotels rooms yield **down** by

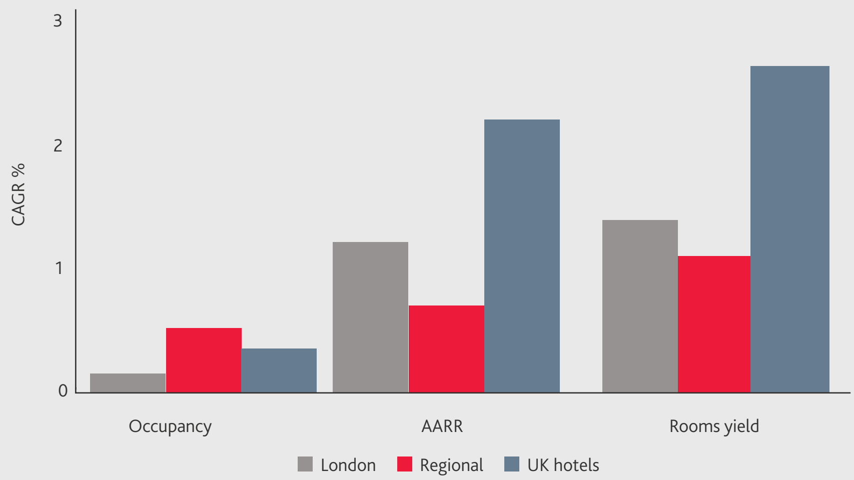
1.3%

CAGR ANALYSIS

Figure 4 analyses the compound annual growth rate (CAGR) for occupancy, AARR and rooms yield for London, regional and overall UK hotels, for the past five years.

All three CAGR metrics remained positive for all London, regional and overall UK hotels in 2018, with AARR driving performance in all cases. As opposed to the results seen in 2017, London experienced the strongest performance, trading 1.4% above 2014 levels, versus 1.1% for its regional counterparts and the total UK market. Overall, UK hotels experienced a collective 2.6% compound annual growth during the last five years, which demonstrates the strength of the market.

FIGURE 4: CAGR analysis for UK hotels (2014-2018)



SOURCE: BDO research

PERFORMANCE BY HOTEL CATEGORY SEGMENT

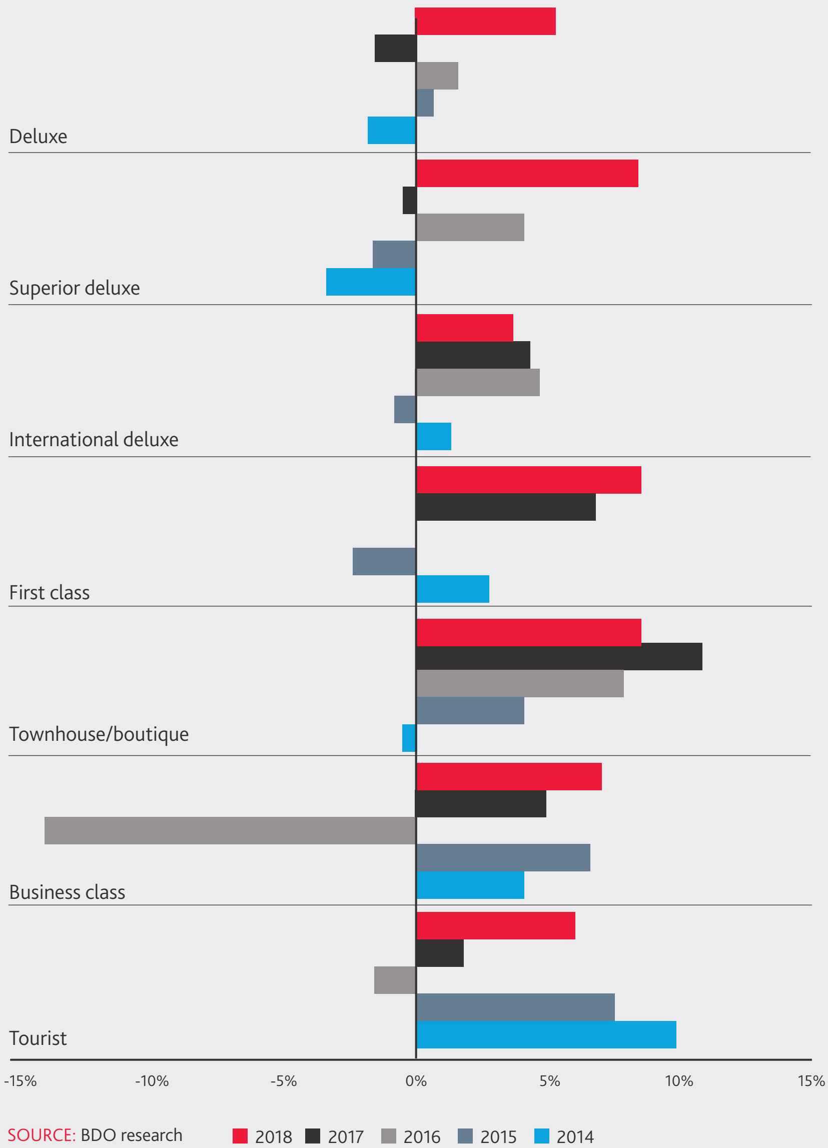
LONDON

All London hotel segments registered strong rooms yield growth in 2018, thanks to occupancy results, which drove the capital's hotel market performance with an overall increase of 3.7%. First class hotels (£100-£150) came top amongst the capital's hotel segments, showing a 8.6% rooms yield increase to £121.03. First class hotels were followed by last year's top performing category - townhouse and boutique hotels - which experienced a robust 8.5% thanks to a strong 7.7% increase in AARR, the highest seen across the capital in 2018. Also of note, was the performance of our premier London segment, superior deluxe hotels. Despite significant increases in supply in the period under review, this segment has achieved a growth of 8.4% demonstrating the ongoing strength of London's top end hotels.

First class hotels (£100-£150) room yield **up** by

8.6%

FIGURE 5: Rooms yield growth, London hotels



SOURCE: BDO research

TABLE 4: Rooms yield growth, London hotels

Segment (AARR)	2014	2015	2016	2017	**2018**
Deluxe (>£150)	-1.8%	0.8%	1.6%	-1.5%	**5.3%**
Superior deluxe (>£200)	-3.3%	-1.5%	4.1%	-0.4%	**8.4%**
International deluxe (£150-200)	1.4%	-0.8%	4.7%	4.3%	**3.7%**
First class (£100-150)	2.8%	-2.3%	0.0%	6.8%	**8.6%**
Townhouse/boutique (>£100)	-0.5%	4.1%	7.9%	10.8%	**8.5%**
Business class (£75-100)	4.1%	6.6%	-14.0%	5.0%	**7.1%**
Tourist (<£75)	9.9%	7.5%	-1.5%	1.8%	**6.1%**

SOURCE: BDO research

TABLE 5: Rooms yield growth, regional hotels

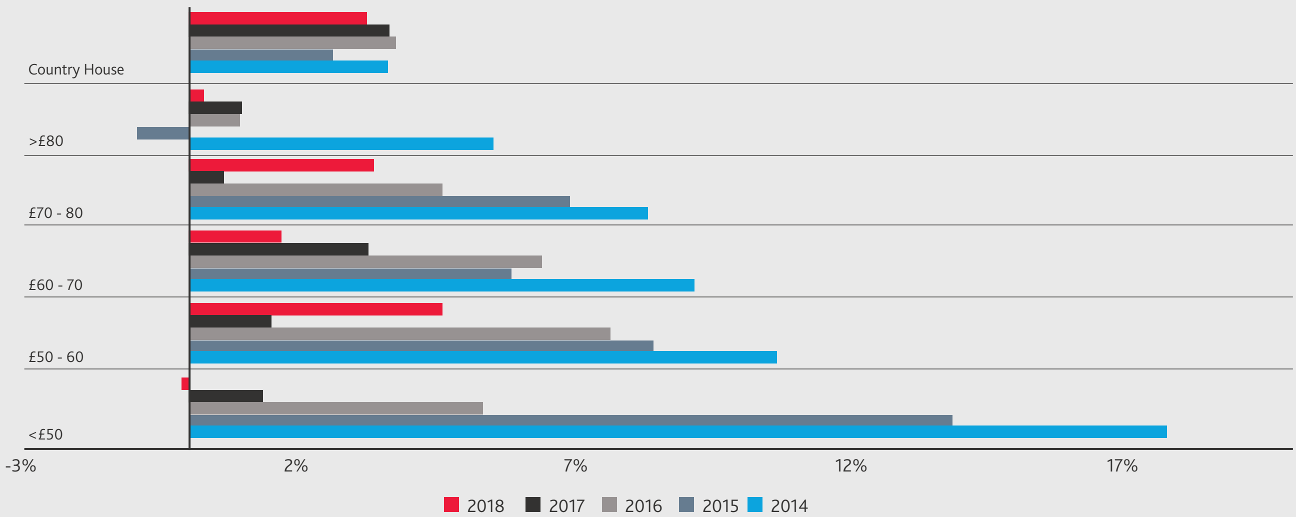
	Rooms yield growth regional UK hotels				
Segment (AARR)	2014	2015	2016	2017	**2018**
Country House	3.5%	2.6%	3.8%	3.6%	**3.2%**
>£80	5.5%	-0.9%	1.0%	1.0%	**0.2%**
£70-£80	8.4%	7%	4.7%	0.7%	**3.3%**
£60-£70	9.2%	5.9%	6.4%	3.3%	**1.6%**
£50-£60	10.7%	8.5%	7.7%	1.5%	**4.7%**
<£50	17.9%	14%	5.3%	1.4%	**-0.1%**

SOURCE: BDO research

THE REGIONS

The regional market saw a less consistent performance with the both ends of the market posting flat results. Budget hotels experienced a 0.1% rooms yield decrease whilst hotels over £80 saw rooms yield up by only 0.2%. The top performing segment was £50-£60 (up by 4.7%), followed by £70-£80 (up by 3.3%). Country house hotels, on the other hand, continued to benefit from the rise in popularity of staycations, trading 3.2% above 2017 levels.

FIGURE 6: Rooms yield growth, regional UK hotels



SOURCE: BDO research

ECONOMIC OVERVIEW

UK ECONOMIC GROWTH HITS A SIX-YEAR LOW IN 2018 AMIDST BREXIT UNCERTAINTY AND WEAKER GLOBAL ECONOMY

According to the Office for National Statistics (ONS) and International Monetary Fund (IMF) estimates, the UK economy expanded by 1.4% in 2018 - down from a 1.8% increase in 2017, its slowest annual rate in six years. The slowdown in GDP growth came after a sharp contraction in the three main areas of growth in the British economy services, production and construction during December. Overall GDP growth continued to slow down amidst Brexit uncertainty and a weakening global economy. Economic growth decreased to just 0.2% in quarter four compared to 0.6% growth in quarter three. ONS figures confirmed that the growth rate seen for the UK economy in the last quarter of 2018 was the slowest since the first quarter of the year, when GDP increased by just 0.1%. The British economy, however, performed ahead of forecasts, which predicted a gloomier scenario in the present context of weakening global economy and underlying Brexit related concerns.

UK EMPLOYMENT RATE AT RECORD HIGH BUT CONCERNS OVER WORKFORCE SHORTAGES INCREASE AS EU WORKERS LEAVE

The UK's unemployment rate decreased to 4.0% in the last quarter of 2018, down from 4.1% in the third quarter after reaching a 43-year record low during the second quarter of 2018. At the end of 2018, the employment rate was at a record high of 75.8%, joint highest since comparable estimates began in 1971.

TABLE 6: UK Economic Indicators 2015-2020[e]

	2016	2017	2018[e]	2019[f]	2020[f]	2021[f]
Real GDP Growth (%)	1.8	1.7	1.4	1.5	1.5	1.6
CPI inflation (%)	0.7	2.7	2.5	2.2	2.0	2.0
Unemployment (%)	4.9	4.4	4.1	4.2	4.5	4.5

SOURCE: International Monetary Fund, October 2018
e: estimate f: forecast

Despite the positive figures of the labour market, latest figures published by the ONS showed a record number of vacancies compounded by EU workers leaving ahead of Brexit. According to the ONS, 2.27m people from the EU were in work in the three months to December - 61,000 fewer than for a year earlier. This decline represented the sharpest fall since records began in 1997, and it is primarily attributed to the decrease in the number of workers coming from the so-called "A8" eastern European countries such as Poland and the Czech Republic.

Workers' total earnings, including bonuses, increased by 3.4% in the three months through December, compared with a year earlier. Earnings growth in 2018 was highest in the lowest paid occupations but ONS data pointed to an increased polarisation of pay between the highest earning regions and the lowest.

CPI inflation stood at 2.0% in December, down from 2.2% in November and in line with the Bank of England target. The largest downward contributions to change in the 12-month rate came from falls in energy bills and fuel, whilst upward contributions included recreation, culture, restaurants and hotels.

The outlook for the UK economy looking into 2019 remains uncertain. Economic growth is expected to be weaker in the first three months of the year than it was at the end of 2018, if consumer sentiment and spending remain at record low levels. The Bank of England predicts the UK economy to grow in 2019 at the slowest pace since the financial crisis a decade ago, blaming Brexit uncertainty and the global slowdown.

TOURISM OUTLOOK

VISITOR NUMBERS DECREASE FOR THE FIRST TIME IN 8 YEARS

Overseas visitor numbers decreased for the first time in eight years in 2018. According to latest provisional data from ONS and VisitBritain International Passenger Survey, the UK welcomed 37.8m visitors in 2018, down by 3.5% from the record-breaking 39.2m visits in 2017. Spending by visitors also experienced a decrease, down by -5.9% to £23.1bn.

VisitBritain estimates overseas visits to the UK to total 38.8m in 2019, just below the 39.2m mark in 2017. However, the sector faces another year of uncertainty with weakening economic performance from the UK's main source markets, which could experience a more rapid slowdown than expected, and a slight improvement in the value of the pound against the euro and dollar. While the general assumption has been that Brexit will not have a major impact on travel, the current situation still offers no certainty around visitor numbers in the New Year.

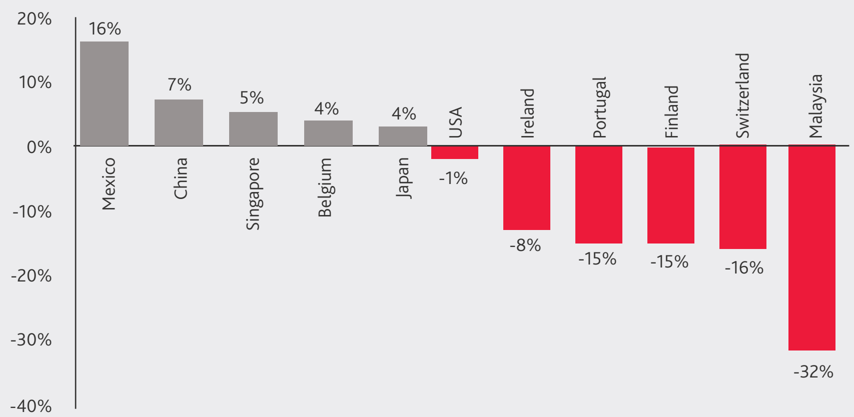
Latest reports from VisitBritain pointed to weak flight booking numbers from Europe, significantly down year-on-year, during the first three months of 2019. Whilst bookings from long-haul markets showed no change, European bookings have experienced a sharp decrease in the first three months of the year, especially those for arrivals after Brexit, and this is likely to translate into a reduction in final visitor numbers at the end of the year.

TABLE 7: Overseas visitors to the UK, by purpose of visit (thousands)

	2015	2016	2017	2018	2018 % change	2018 market share
Holiday	13,856	13,899	15,360	15,040	-2.1%	39.8%
Business	8,865	9,188	8,759	8,500	-3.0%	22.5%
Visit friends or family (VFF)	10,451	11,565	12,040	11,690	-2.9%	30.9%
Miscellaneous	2,943	2,958	3,017	2,570	-14.8%	6.8%
All visits	36,115	37,609	39,176	37,800	-	-
Year-on-year growth	5.1%	4.1%	3.4%	-3.5%	-	-

SOURCE: VisitBritain Monthly Update: March 2019. 2018 figures are provisional.

FIGURE 7: Percentage change in visits from selected countries



SOURCE: VisitBritain, Monthy Inbound Update.

HEATHROW HITS 80M PASSENGER MILESTONE

London Heathrow Airport hit an 80m passenger milestone in 2018, experiencing an increase of 2.7% on 2017 numbers. According to the UK Civil Aviation Authority's (CAA) final figures for 2018, the UK's busiest airport became one of only seven airports in the world to surpass the 80m passenger mark in 2018. Latin American and African destinations were the top performers at Heathrow, with passengers increasing by 7.0% and 9.3%, respectively. Heathrow's only passenger decline was in domestic flights, down by 0.1%.

Overall, UK airports experienced a 2.7% increase in passenger numbers up to 292.2m. London airports continued their steady growth with an overall increase of 3.4% to 175.8m, with Stansted topping the list with an increase of 7.7% to 28m. Gatwick Airport, on the other hand, only managed to post a 0.9% growth despite the new international long-haul routes that started operating in 2018.

2018 was another good year for secondary regional airports in terms of passenger growth, with an overall increase of 12.1%. Despite the good numbers, UK regional airports grew at a slower pace in 2018 with no major airport posting double-digit growth and both Glasgow and Birmingham experiencing declines of 2.0% and 3.8%, respectively.

TABLE 8: UK passengers (in millions) 2014 - 2018

Airport	2014	2015	2016	2017	2018	% change 2017-2018	CAGR (%) 2014-2018
Heathrow	73.4	75.0	75.7	78.0	80.1	2.7%	1.8%
Gatwick	38.1	40.3	43.1	45.6	46.0	0.9%	3.8%
London City	3.6	4.3	4.5	4.5	4.8	6.0%	5.7%
Luton	10.5	12.3	14.6	16.0	16.8	5.0%	9.9%
Stansted	19.9	22.5	24.3	26.0	28.0	7.7%	7.0%
Total London	**145.5**	**154.3**	**162.3**	**170.0**	**175.8**	**3.4%**	**3.9%**
Edinburgh	10.2	11.1	12.3	13.4	14.3	6.7%	7.1%
Glasgow	7.7	8.7	9.3	9.9	9.7	-2.0%	4.7%
Birmingham	9.7	10.1	11.6	13.0	12.5	-3.8%	5.2%
Manchester	22.0	23.0	25.6	27.8	28.3	1.8%	5.2%
Other UK	43.3	47.3	49.5	50.5	56.6	12.1%	5.5%
England	60.8	63.1	69.7	75.7	76.5	1.1%	4.7%
Scotland	24.1	25.5	26.9	28.8	29.4	2.1%	4.1%
Wales	1.0	1.2	1.3	1.5	1.6	6.7%	9.6%
N. Ireland	6.9	7.4	8.1	8.6	8.7	1.2%	4.7%
Total UK (incl. London)	**238.4**	**254.7**	**270.7**	**284.6**	**292.2**	**2.7%**	**4.2%**

SOURCE: UK Civil Aviation Authority

A VIEW FROM THE EXPERTS

For the second year in a row, we talk to those on the ground in hospitality to understand what the sector really thinks about the opportunities and challenges that await us in 2019.

Industry experts **Jane Pendlebury**, **CEO of HOSPA** and **Sally Beck**, **General Manager at The Royal Lancaster** tell us about the big trends that all hotels should be thinking about, how the hospitality industry can attract and retain talented staff and why they're optimistic about the year ahead. Thank you to Jane and Sally for their time and expert views.

Looking back at 2018 - how would you reflect on the year? What went well, what were the challenges faced by the industry?

Jane Pendlebury: 2018 was an interesting year, with existing issues for hotels magnified by the uncertainty around Brexit. Staffing is always a challenge but with many EU employees not confident of their future in the UK and with the weaker pound, meaning less money to send home, we saw workers leaving the UK in droves. On top of this, having lost our attractiveness for employment, we saw fewer Europeans coming here to work.

However, every cloud has a silver lining, and that weak pound attracted more foreign visitors. London hotels seemed to boom, with average rates seemingly knowing no limits despite additional supply. Staycations have also proved popular. There is so much to see in our own country, from the tranquillity of the Lake District and the highlands of Scotland to the hustle and bustle of our cities.

Sally Beck: It was a bumpy year for The Royal Lancaster as we were completing our renovations and went from 200 rooms to 400 rooms; we found that we were trailing in occupancy compared to our competitors. Going back to a full hotel we needed to employ over 130 team members and were pleased to see that despite Brexit, we were able to recruit many Europeans into our hotel.

The challenge was the same as the summer before - attaining and retaining room attendants for our rooms, particularly tough as we doubled our inventory this year but we managed. Positively, we found the demand for events and groups very strong throughout the year with London still being a major attraction for global events.

In this edition of Hotel Britain we try and predict the big trends of the year to come - distinguishing short term fads from long term trends. What do you think is the next big trend that the industry is thinking about to stay ahead of the curve and attractive to consumers?

SB: I think veganism and environmentally sustainable business practices are here to stay. As an industry we need to educate clients on food wastage and the difference between a dietary need and a preference – we are finding that the 'on the night' dietary changes have increased tremendously over the last few years and are more reflective of a dietary choice rather than an allergy driven need, this causes a high level of food waste on the night and additional costs that need to be passed on to either the organiser or the guests who has changed their mind.

Another area is security against terrorism, London and the UK needs to be proactive against terrorism and educate hotels, venues and attractions to ensure that they are equipped to keep the public and their guests safe. The Royal Lancaster has just been accredited with a Global Secure Accreditation against terrorism, more corporate clients will be demanding hotels to show that they can care for their travellers than ever before and we need to be proactive to maintain our business.

JP: Machine Learning is not a new concept for hoteliers, however artificial intelligence and robots are. Revenue Management software has allowed hoteliers to better predict business highs and lows and to price accordingly for years now. As machine learning morphs into artificial intelligence, the result is improved knowledge of our guests' patterns and desires. Personalisation is easier now than ever before. However, hoteliers lose sight of the human touch at their peril! I'm not sure about robots, unless they are in back-of-house functions sorting luggage or perhaps vacuuming rooms. Whilst it is well documented that millennials are less likely to engage in a conversation with a person if there is an automated option, it is the quality of staff that sets one hotel apart from another.

Staff shortage has been identified as one of the most impactful outcomes of leaving the EU for the hospitality industry. To what extent are you seeing this as an issue, and what is the industry doing to mitigate this?

SB: I can't speak for the industry but I do know that happy staff stay and they tell their friends about good places to work. We have been voted in the Times Top 100 best employers for the last 4 years and it has really helped our recruitment. Team members have choices and lots of them and they will vote with their feet if they are not well looked after.

JP: At HOSPA, our 'reason for being' is Professional Development. The hospitality industry attracts many amazing people, but in order to progress up the ladder both in terms of job satisfaction and salary, some additional studying is enormously valuable. Those of us who have been in the industry for many years understand the charm and pull of hospitality, but to those on the outside, it's often viewed purely as a holiday job; a stop-gap. It is crucial that we continue to shout about the career opportunities and the rewards that hospitality delivers time and time again.

Our fantastic industry charities, Springboard and Only a Pavement Away, are dedicated to opening the hospitality doors to people who may not have benefitted from a stable and secure start in life. There is no other industry like it for opportunity. There are stories galore of room attendants making it to General Manager, and pot wash staff ending up in senior commercial roles. And the travel - you name the country - there will be a hospitality business looking for staff!

One of our predictions this year is that the tide may be turning in favour of hotel brands vs. OTAs as we see further investment by hotels and brands into more sophisticated online platforms, direct marketing and some pressure mounting on price parity arrangements. To what extent do you think this is true?

SB: I think this is true as hotels challenge the power of the OTAs in a buoyant market place and try to take back control of their inventory. The true test will be in a soft market when we struggle for business - will we be as strong as we need to be to combat the power of the OTAs? Customers are looking for ease of booking and transparency in pricing so hotels have to constantly invest to ensure that we are as convenient and competitive as the online agents and this is where we sometimes fail. We think a website will last 3-5 years, whereas the OTAs are constantly innovating their booking tools to drive more business to us through them.

JP: Slowly but surely guests are learning that they get the best deal if they book directly with the hotel rather than with a third party. It is a hard message to convey when the OTAs are spending so much on technology and promotion – making it so easy for guests to book through their sites.

There are still some gaps in our training of hotel staff – everyone in a hotel needs to know that it is commercially better for a guest to bypass an agent claiming commission. However, this is not always the case.

As technology improves and hotels make it easier to book directly then it would be encouraging to see an increase in guests having a relationship with the hotel rather than a faceless OTA.

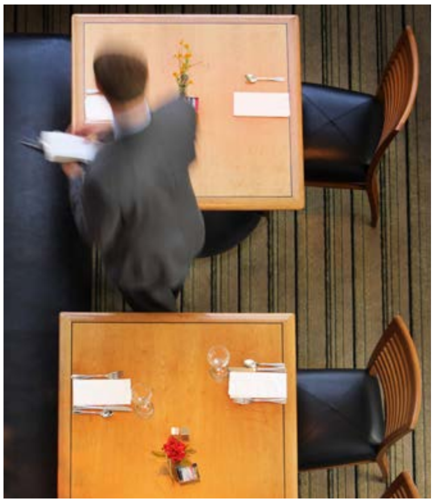
Looking ahead to 2019 - do you feel optimistic about the UK hotels' sector? What's on the agenda for you?

JP: I am always optimistic. There are some truly fabulous hotels and new brands opening in the UK in 2019. Standards are constantly improving and Britain – despite the EU uncertainty – will always be an attractive destination. We have history, we have natural beauty and we have contemporary design. We have strong businesses and great traditions. People will continue to come here, regardless, and our hotels will continue to cater for them.

SB: I do feel optimistic for the future, despite Brexit, there is strong demand for the UK hotels' sector from multiple markets. The investment in new bed stock and hotels seems to be constant and this forces us to stay current and innovative. In 2019 the UK hosts the Cricket World Cup and next year Euro 2020, these types of events showcase the UK and London to the world, which in turn drives tourism and business to our shores. We need to be optimistic for the future and resilient and determined when it comes to terrorism - something we are used to in the UK.

For us at the Royal Lancaster we want to continue repositioning our hotel as the best it can be for events, leisure, business and meetings clients and we want to be known for being one of the happiest places to work in London. I believe in the old adage of happy staff make happy guests giving a very happy owner!

TOP FIVE PREDICTIONS FOR 2019

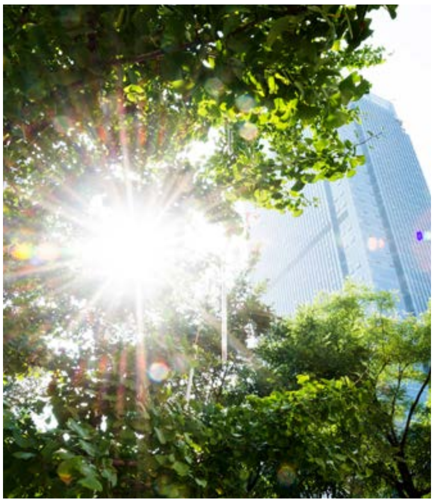


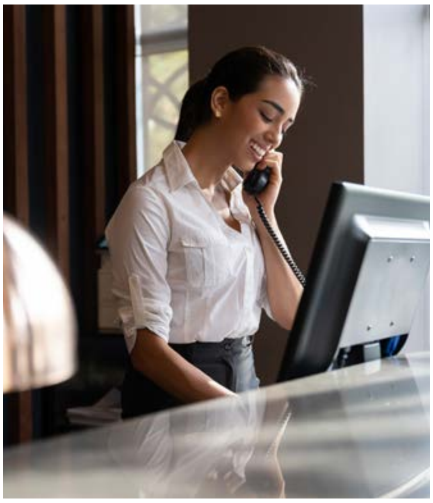
1. DELIVEROO TARGETS HOTEL CATERING

As the likes of Deliveroo and UberEATS continue to grow in popularity, offering access to a range of local food and drink options direct to door, we predict that hotels will embrace delivery as a way of bolstering their F&B offering. Instead of seeing it as a threat to their F&B business, savvy hoteliers will look for ways to incorporate delivery into their own USP and guest experience.

2. BREXIT BENEFITS LOW LABOUR BUSINESS MODELS

According to statistics from UK Hospitality, 15% of those who work in the UK hospitality sector are from the European Union. As the UK continues its journey toward an exit from the EU and the pool of available and affordable employees dries up, those brands with low people business models will outperform those who rely on high numbers of staff to operate.





3. GREEN GOES MAINSTREAM

Whilst a trend of eco-consciousness has been on the agenda for hotels for a while, we predict that brands will really incorporate sustainability into their businesses in 2019. Sustainability is here to stay and whether it is to appeal to millennial travellers and their eco-friendly demands, to stay ahead of legislation, or simply to do their bit in reducing their economic footprint - we predict a cultural shift that's here to stay as hotel owners and operators truly go green.

4. BOUTIQUE VALUE OFFERING WILL REPRESENT FASTEST GROWTH SEGMENT

In 2019, BDO predicts the 'micro-hotel' will be embraced in UK city centres as hotels re-evaluate their use of space and provide affordable luxury. The theme of rethinking space will continue outside of rooms, as brands aim to appeal to younger travellers, who put social, local and authentic experiences at the top of their spending criteria.

5. HOTELS STRIKE BACK AT DIRECT BOOKINGS

This year we predict that the tables will turn in the battle between hotel brands and OTAs. As we see further investment by hotels and brands into more sophisticated online platforms, direct marketing and pressure mounting on price parity arrangements, we predict that 2019 will be the year that hotels claim far greater control of the inventory.

WINNERS AND LOSERS

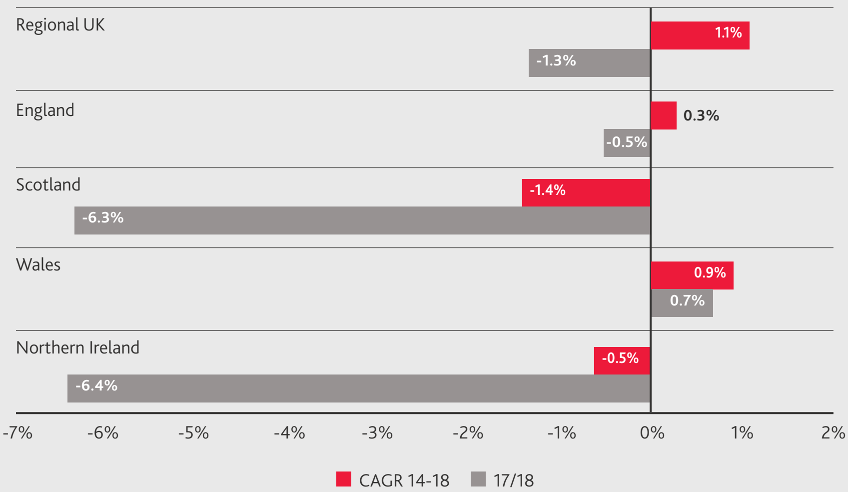
LIVERPOOL TOPS REGIONAL PERFORMANCE ON ITS EUROPEAN CAPITAL OF CULTURE 10TH ANNIVERSARY

Hotels in Liverpool saw the strongest rooms yield growth of all UK regional cities in 2018, up by 12.4%, ten years on from the city's nomination as European Capital of Culture in 2008.

The story of Liverpool and its hotel market has been one of great success stories since the conferment of its title in 2008. According to a major study by the Institute of Cultural Capital (ICC), the national and international reputation of Liverpool continues to be influenced by European Capital of Culture a decade on. Since 2008, Liverpool has consolidated its position as a tourism destination within the UK and Europe, thanks in part to the improvement of its cultural and entertainment infrastructure, such as the development of Liverpool One and the Arena Convention Centre in 2008, and the opening of the Museum of Liverpool in 2011. The city was also awarded the title of Creative City of Music in 2015 by UNESCO.

Back in 2008, Liverpool topped regional performance with an increase in rooms yield of 9.3%, as reported in Hotel Britain 2009. Ten years later, the city reports a 12.4% increase and 6.0% CAGR (2014-2018), thanks to the strong occupancy results (up by 4.5% to 84.3%) – the highest occupancy recorded for any UK city reported in this edition of Hotel Britain. Liverpool was followed by Cambridge, which experienced a year-on-year rooms yield increase of 6.7%, and Derby (up by 5.8%).

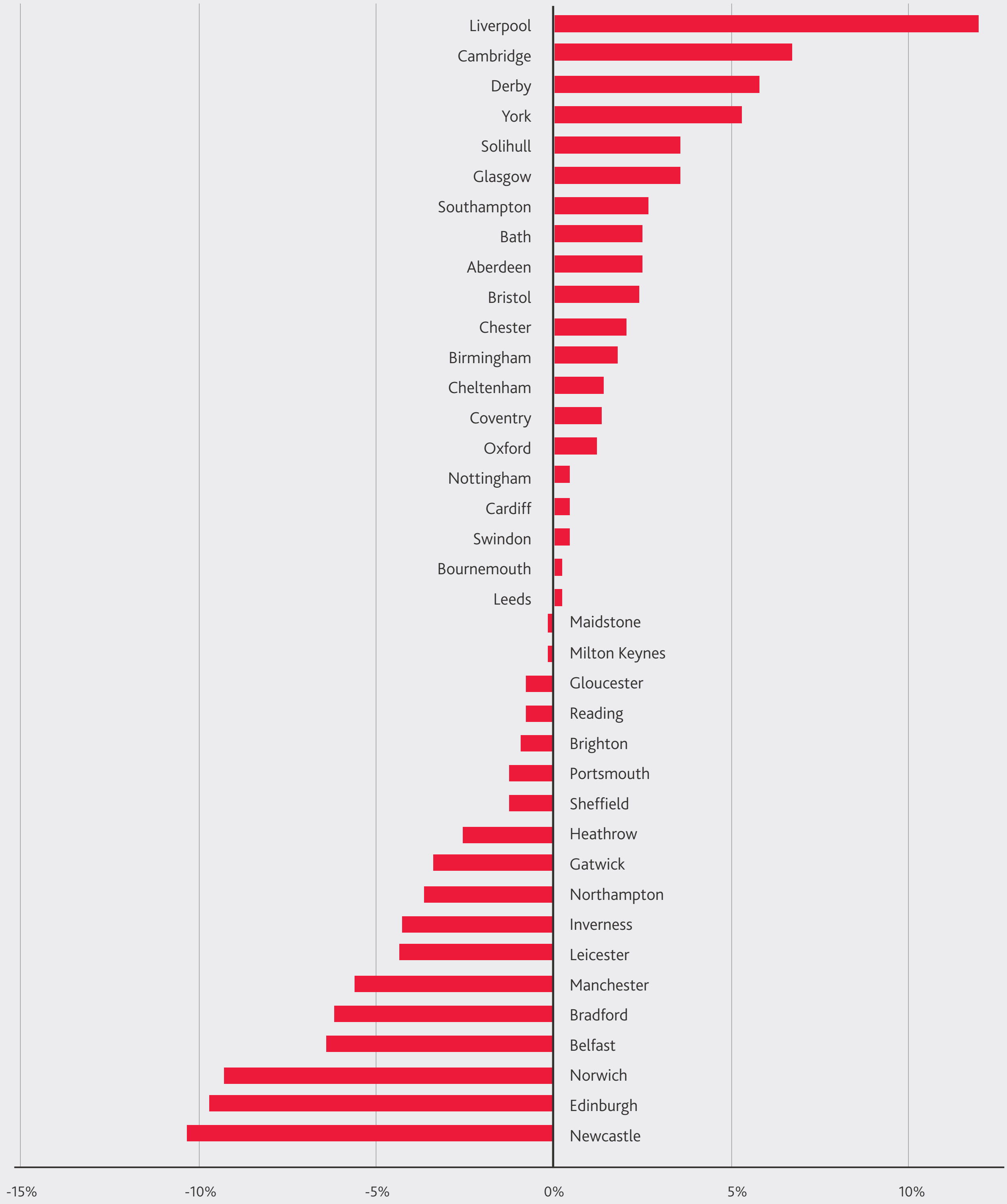
FIGURE 8: Rooms yield growth by country



SOURCE: BDO research

At the bottom of the scale, Newcastle rooms yield experienced a 10.4% decline. Newcastle was followed by Edinburgh - Hotel Britain 2018's top performing city - trading 9.7% below 2017 levels due to decreases in both occupancy and AARR following a year of intense new supply. Aberdeen, the worst performing regional destination for the past four years, managed to improve its performance during the first half of 2018 as oil prices recovered, finishing the year with an uplift in rooms yield of 2.5%. 2014-2018 CAGR for the Granite City, however, remained negative at -6.6%,the worst performing destination in CAGR terms.

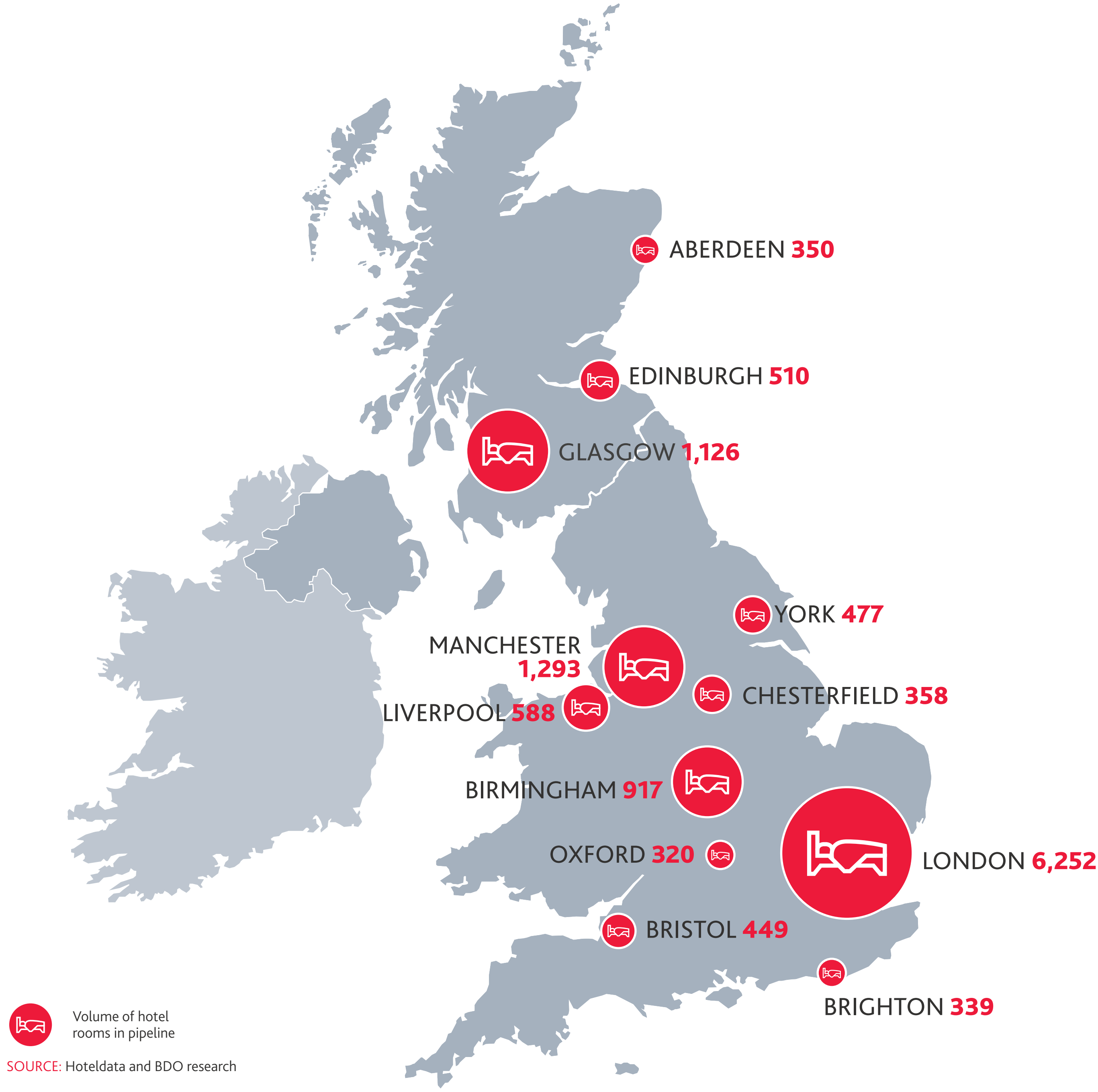
FIGURE 9: Rooms yield growth, regional UK cities



SOURCE: BDO research

▶ For full five year summary performance, see table at the back of this report.

HOTEL DEVELOPMENT TRENDS



SOURCE: Hoteldata and BDO research

There are currently over 17,800 rooms in the UK's active hotel pipeline expected to open during 2019 and 2020.

The figure represents a decrease of over 4,000 from a year ago but still represents one of the largest pipelines in Europe demonstrating the vibrancy of the UK hotel market.

London's active pipeline accounts for approximately 35% of the UK's total, with over 6,250 rooms under construction. This figure represents a 5% decrease in the share of the UK's pipeline when compared with last year and approximately 20% less than in 2017.

Notwithstanding the increase in London supply, the active pipeline for regional UK currently accounts for approximately the 65% of the UK's total. Manchester, with 1,293 rooms under construction and expected to be opened during 2019 and 2020, continued to be the main regional hotspot for new supply, followed closely by Glasgow (1,126) and Birmingham (917).

HOTEL TRANSACTIONS

HOTEL TRANSACTIONS VOLUME CONTINUES TO RISE

The volume of UK hotel transactions in 2018 showed an increase of 29% compared to 2017, totalling approximately £7.4bn, according to latest reports from property advisors Knight Frank.

The UK hotel market remained attractive for both local and overseas investors, despite ongoing political turmoil and Brexit-associated uncertainty. The UK continued to lead the European market, which saw transaction volumes collectively down by approximately 14%.

Portfolio sales continued to dominate, accounting for approximately 70% of all UK hotel transactions volume during the first half of 2018. The regional market continued to gain importance in total transaction volumes reaching parity in terms of total transaction volumes with the London hotel market.

According to Knight Frank, regional transaction price per room increased by 11% in 2018, to approximately £119k per key. Largest portfolio transactions included the acquisition of the Principal Hotel Portfolio by Covivo, for a disclosed price of £800m, while largest single asset transaction in the regional market was the sale of the Midland Hotel in Manchester for £102m.

Looking into 2019, investor confidence in the UK hotel market is set to continue to be strong, supported by positive trading performance in 2018. We expect to see a number of disposals of single assets from the large acquired portfolios. Luxury hotels could be disposed from these portfolios to release higher value as opposed to the usual mid-scale or budget product. The positive outlook for visitor numbers, coupled with favourable exchange rates, particularly for overseas investors, are likely to keep attracting overseas investment into the London and regional markets.

SUMMARY OF FIVE YEAR PERFORMANCE

	2018	Occupancy (%)						% ch.	CAGR (%)
	No. of hotels	No. of rooms	2014	2015	2016	2017	2018	17/18	CAGR 14-18
All UK	**649**	**50,729**	**77.6**	**78.4**	**77.7**	**77.40**	**78.8**	**1.8**	**0.4**
All London hotels	**141**	**17,420**	**82.6**	**82.8**	**81.6**	**80.6**	**83.6**	**3.7**	**0.2**
Deluxe (>£150)	44	3,864	81.2	80.9	82.6	80.8	83.5	**3.4**	**0.6**
Superior deluxe (>£200)	29	1,991	79.8	78.7	81.5	81.4	84.3	**3.6**	**1.1**
International deluxe (£150-£200)	20	2,112	83.0	81.4	83.3	80.5	83.1	**3.2**	**0.0**
First class (£100-£150)	33	3,853	83.9	80.5	78.0	79.9	81.6	**2.1**	**-0.6**
Townhouse/boutique (>£100)	14	459	80.3	80.4	81.7	82.7	83.3	**0.7**	**0.7**
Business class (£75-£100)	15	1,761	85.7	85.6	81.1	82.8	87.0	**5.1**	**0.3**
Tourist (<£75)	30	3,380	79.9	80.2	80.8	80.9	79.5	**-1.7**	**-0.1**
Regional UK	**508**	**33,309**	**75.1**	**75.9**	**76.7**	**76.4**	**76.9**	**0.6**	**0.5**
England	427	27,804	74.7	75.7	76.2	75.8	76.7	**1.2**	**0.5**
Scotland	54	3,757	78.0	77.6	80.0	80.1	78.4	**-2.2**	**0.1**
Wales	24	1,344	74.3	75.2	75.3	77.6	76.8	**-1.1**	**0.7**
N Ireland	3	403	80.6	81.6	82.0	80.3	78.4	**-2.3**	**-0.5**
>£80	52	2,733	77.5	77.0	77.2	76.7	76.4	**-0.3**	**-0.3**
£70-£80	59	5,230	75.7	76.9	78.6	78.2	78.6	**0.5**	**0.8**
£60-£70	72	3,809	75.3	75.4	77.6	77.4	78.2	**1.1**	**0.8**
£50-60	49	2,016	74.7	75.8	77.5	78.2	82.2	**5.1**	**1.9**
<£50	276	15,636	73.9	75.4	75.1	75.0	75.4	**0.5**	**0.4**
Country House	25	1,598	69.6	69.9	70.9	70.6	70.2	**-0.6**	**0.2**
Airport hotels	19	2,353	81.2	82.6	85.0	83.9	84.7	**0.9**	**0.8**

AARR (£)					% ch	CAGR (%)	Rooms yield (£)					% ch	CAGR (%)
2014	2015	2016	2017	2018	17/18	CAGR 14-18	2014	2015	2016	2017	2018	17/18	CAGR 14-18
91.55	95.80	97.28	100.58	99.82	-0.8	2.2	71.03	75.11	75.64	77.79	78.64	1.1	2.6
148.42	149.79	151.45	156.85	157.32	0.3	1.2	122.60	124.03	123.58	126.42	131.52	4.0	1.4
240.24	243.01	241.88	243.65	248.29	1.9	0.7	195.08	196.59	199.73	196.82	207.30	5.3	1.2
294.67	294.39	296.08	295.26	308.94	4.6	1.0	235.15	231.69	241.19	240.30	260.38	8.4	2.1
172.83	174.91	178.90	193.05	194.03	0.5	2.3	143.45	142.38	149.06	155.48	161.29	3.7	2.4
127.41	129.70	133.90	139.46	148.35	6.4	3.1	106.90	104.41	104.41	111.48	121.03	8.6	2.5
282.97	294.03	312.34	341.76	368.02	7.7	5.4	227.22	236.40	255.03	282.64	306.56	8.5	6.2
89.50	95.46	86.73	89.13	90.87	2.0	0.3	76.70	81.71	70.29	73.83	79.10	7.1	0.6
57.38	61.22	60.23	62.40	62.58	0.3	1.7	46.02	49.46	48.74	49.62	52.65	6.1	2.7
60.70	63.15	64.24	64.01	62.76	-1.9	0.7	45.60	47.94	49.24	48.90	48.26	-1.3	1.1
58.93	62.23	63.88	63.52	62.44	-1.7	1.2	47.09	47.09	48.69	48.14	47.89	-0.5	0.3
72.55	69.97	67.51	67.53	64.64	-4.3	-2.3	54.28	54.28	54.03	54.11	50.68	-6.3	-1.4
60.64	60.86	60.73	61.31	62.38	1.7	0.6	45.76	45.76	45.74	47.59	47.91	0.7	0.9
64.74	67.29	68.37	71.40	68.44	-4.2	1.1	54.90	54.90	56.07	57.31	53.66	-6.4	-0.5
93.34	93.05	93.70	95.20	95.72	0.5	0.5	72.31	71.63	72.32	73.01	73.17	0.2	0.2
74.42	78.40	80.34	81.24	83.48	2.8	2.3	56.37	60.32	63.14	63.55	65.64	3.3	3.1
65.12	68.84	71.22	73.77	74.18	0.6	2.6	49.01	51.92	5.26	57.09	58.02	1.6	3.4
55.16	59.01	62.14	62.48	62.23	-0.4	2.4	41.21	44.73	48.18	48.87	51.16	4.7	4.4
39.25	43.89	46.43	47.13	46.87	-0.5	3.6	29.02	33.08	34.85	35.35	35.32	-0.1	4.0
88.34	90.20	92.24	95.99	99.63	3.8	2.4	63.04	63.04	65.40	67.78	69.94	3.2	2.1
64.47	66.54	65.17	66.06	65.23	-1.3	0.2	54.94	54.94	55.41	55.44	55.23	-0.4	0.1

SUMMARY OF FIVE YEAR PERFORMANCE
CONTINUED

	2018	Occupancy (%)						% ch.	CAGR (%)
	No. of hotels	No. of rooms	2014	2015	2016	2017	2018	17/18	CAGR 14-18
Aberdeen	8	623	76.1	68.9	67.2	63.4	67.2	6.0	-2.4
Bath	3	238	79.3	84.5	82.0	78.4	79.4	1.2	0.0
Belfast	3	403	80.6	81.6	82.0	80.3	78.4	-2.4	-0.6
Birmingham	10	1,367	70.4	70.3	71.7	71.2	71.1	-0.2	0.2
Bournemouth	3	137	77.7	79.4	77.7	77.9	77.8	-0.2	0.0
Bradford	3	119	70.1	71.7	71.8	70.0	71.9	2.7	0.5
Brighton	4	489	74.9	75.1	77.8	74.9	75.0	0.2	0.0
Bristol	8	728	77.0	78.5	77.8	75.8	78.4	3.4	0.3
Cambridge	4	370	79.5	80.6	79.2	77.0	80.8	4.9	0.3
Cardiff	10	707	77.4	79.4	81.8	81.9	80.7	-1.5	0.8
Cheltenham	3	179	75.4	76.8	76.6	75.5	77.0	2.0	0.4
Chester	4	232	74.4	76.0	78.4	76.1	78.4	3.0	1.1
Coventry	5	289	71.8	74.2	75.8	76.5	74.7	-2.3	0.8
Derby	4	273	72.2	70.3	73.4	74.5	76.2	2.3	1.1
Edinburgh	15	1,422	78.3	80.1	83.8	85.3	83.1	-2.5	1.2
Gatwick	4	371	80.3	80.9	79.7	79.3	79.0	-0.4	-0.3
Glasgow	11	1,409	81.5	82.2	83.1	83.2	82.8	-0.5	0.3
Gloucester	3	220	74.9	73.0	74.2	76.2	74.5	-2.2	-0.1
Heathrow	13	1,483	80.3	81.6	82.8	82.8	83.9	1.2	0.9
Inverness	3	208	69.7	73.1	75.9	76.9	74.4	-3.3	1.3
Leeds	10	807	77.8	78.7	77.8	76.2	79.0	3.7	0.3
Leicester	4	413	71.0	75.1	73.9	71.3	70.6	-1.0	-0.1
Liverpool	9	762	71.8	74.3	78.7	80.7	84.3	4.5	3.3
Maidstone	4	389	75.6	76.2	71.8	72.3	72.1	-0.2	-0.9
Manchester	15	1,680	77.6	81.7	82.8	81.2	81.4	0.2	1.0
Milton Keynes	3	501	76.0	78.8	77.2	76.9	78.5	2.1	0.7
Newcastle	8	649	75.8	72.8	72.4	72.4	69.7	-3.6	-1.7
Northampton	3	181	73.9	74.8	75.9	76.9	73.1	-4.9	-0.2
Norwich	5	399	77.0	78.1	79.9	78.1	80.0	2.4	0.8
Nottingham	11	591	65.8	74.9	76.5	75.6	75.7	0.1	2.8
Oxford	4	489	78.9	80.6	77.8	78.8	79.2	0.5	0.1
Portsmouth	4	404	81.1	78.5	78.5	77.4	78.0	0.7	-0.8
Reading	9	554	68.8	68.9	68.6	66.3	66.4	0.1	-0.7
Sheffield	3	423	70.5	74.6	75.7	77.5	77.9	0.4	2.0
Solihull	4	435	67.7	70.4	72.2	73.5	79.4	8.0	3.2
Southampton	4	509	81.6	80.2	76.5	76.5	75.7	-1.1	-1.5
Swindon	5	395	74.2	74.9	74.3	72.5	72.6	0.1	-0.4
York	5	296	82.0	79.6	77.7	76.3	77.4	1.5	-1.1

AARR (£)					% ch	CAGR (%)	Rooms yield (£)					% ch	CAGR (%)
2014	2015	2016	2017	2018	17/18	CAGR 14-18	2014	2015	2016	2017	2018	17/18	CAGR 14-18
98.48	86.80	70.54	65.33	63.20	-3.3	-8.5	59.85	59.85	47.43	41.44	42.48	2.5	-6.6
51.43	57.95	62.55	63.99	64.87	1.4	4.8	48.98	48.98	51.32	50.19	51.48	2.6	1.0
64.74	67.29	68.37	71.40	68.44	-4.2	1.1	54.90	54.90	56.07	57.31	53.64	-6.4	-0.5
53.88	58.43	62.30	64.00	65.23	1.9	3.9	41.09	41.09	44.70	45.57	46.38	1.8	2.5
85.13	89.30	94.57	94.11	94.48	0.4	2.1	70.87	70.87	73.49	73.30	73.47	0.2	0.7
38.71	41.39	42.01	39.96	36.52	-8.6	-1.2	29.69	29.69	30.15	27.98	26.26	-6.2	-2.4
72.12	71.15	70.28	71.81	71.03	-1.1	-0.3	53.40	53.40	54.68	53.79	53.29	-0.9	0.0
69.37	76.62	78.86	79.86	79.13	-0.9	2.7	60.11	60.11	61.36	60.55	62.02	2.4	0.6
62.85	72.21	76.11	78.99	80.35	1.7	5.0	58.17	58.17	60.24	60.86	64.96	6.7	2.2
71.35	71.13	68.35	69.57	70.87	1.9	-0.1	56.47	56.47	55.93	57.00	57.22	0.4	0.3
57.98	57.10	56.11	54.39	54.11	-0.5	-1.4	43.83	43.83	42.95	41.06	41.65	1.4	-1.0
61.28	69.54	70.10	76.01	75.27	-1.0	4.2	52.82	52.82	54.94	57.87	59.03	2.0	2.2
54.15	61.34	65.40	63.20	65.61	3.8	3.9	45.53	45.53	49.59	48.35	49.03	1.4	1.5
57.71	58.35	60.13	63.57	65.78	3.5	2.7	41.05	41.05	44.14	47.34	50.09	5.8	4.1
80.62	80.06	80.29	86.97	80.55	-7.4	0.0	64.12	64.12	67.27	74.16	66.97	-9.7	0.9
71.99	68.49	79.67	77.09	74.78	-3.0	0.8	55.39	55.39	63.49	61.14	59.06	-3.4	1.3
67.12	67.89	69.86	70.45	73.26	4.0	1.8	55.78	55.78	58.06	58.58	60.65	3.5	1.7
55.01	58.62	60.08	63.51	64.45	1.5	3.2	42.77	42.77	44.57	48.37	48.03	-0.7	2.3
62.95	65.47	61.06	58.81	56.61	-3.7	-2.1	53.42	53.42	50.54	48.73	47.48	-2.5	-2.3
51.99	51.68	54.44	56.82	56.23	-1.0	1.6	37.80	37.80	41.31	43.71	41.85	-4.3	2.1
64.11	66.17	68.90	68.05	65.71	-3.4	0.5	52.10	52.10	53.59	51.83	51.91	0.2	-0.1
58.57	66.12	65.77	68.15	65.87	-3.3	2.4	49.67	49.67	48.62	48.59	46.49	-4.3	-1.3
66.18	67.03	70.27	73.34	78.88	7.6	3.6	49.81	49.81	55.32	59.15	66.51	12.4	6.0
59.10	63.03	66.48	67.53	67.64	0.2	2.7	48.03	48.03	47.76	48.83	48.79	-0.1	0.3
65.24	72.46	76.72	76.88	72.41	-5.8	2.1	59.21	59.21	63.56	62.46	58.95	-5.6	-0.1
72.96	83.26	86.28	84.25	82.39	-2.2	2.5	65.63	65.63	66.64	64.76	64.69	-0.1	-0.3
54.52	59.90	59.60	55.31	51.45	-7.0	-1.2	43.59	43.59	43.18	40.02	35.88	-10.4	-3.8
59.26	63.02	67.45	69.41	70.32	1.3	3.5	47.14	47.14	51.17	53.38	51.43	-3.6	1.8
52.63	58.27	62.40	60.83	53.87	-11.4	0.5	45.50	45.50	49.87	47.48	43.08	-9.3	-1.1
52.41	57.28	55.46	58.34	58.53	0.3	2.2	42.90	42.90	42.41	44.09	44.29	0.4	0.6
62.13	71.00	72.99	73.46	73.98	0.7	3.6	57.22	57.22	56.79	57.91	58.61	1.2	0.5
76.24	83.50	86.50	81.48	79.89	-1.9	0.9	65.56	65.56	67.88	63.07	62.29	-1.2	-1.0
59.15	64.14	62.89	61.00	60.49	-0.8	0.4	44.18	44.18	43.15	40.46	40.16	-0.7	-1.9
43.90	45.64	47.68	48.32	47.50	-1.7	1.6	34.04	34.04	36.07	37.47	37.00	-1.3	1.7
74.52	84.00	88.58	95.39	91.44	-4.1	4.2	59.10	59.10	63.92	70.08	72.57	3.6	4.2
55.43	61.85	67.59	67.59	70.17	3.8	4.8	49.61	49.61	51.69	51.69	53.09	2.7	1.4
53.86	61.54	65.05	70.79	70.95	0.2	5.7	46.10	46.10	48.33	51.32	51.51	0.4	2.2
62.77	69.50	74.75	79.49	82.44	3.7	5.6	55.35	55.35	58.11	60.67	63.85	5.2	2.9

CLAIRVOYANT CORNER

When BDO contacted me to tell me that I had won their annual Hotel Britain competition I could not believe my luck with this fabulous prize at the Jumeirah Carlton Tower.

And as a special 'prize' I could contribute to this year Clairvoyant Corner on how I got my prediction and some insights into the current hotel market. Not being a writer and seeing the good people who came before me in this section is a terrifying prospect!

Whilst writing this article the British Parliament has just voted down the Prime Minister's meaningful vote number 2 and the Speaker has just refused a vote on meaningful vote number 3. All this when most Parliamentarians are not keen on a people's vote but don't seem to mind a Prime Minister who will put her vote up as often as is required to get the result she wants. The list of memes on the internet is endless on this subject.

With the clock at one minute to twelve, I can't help but feel exasperated like Alice in Wonderland at the Mad Hatters Tea party where she tries to solve one of Mad Hatter's nonsensical riddles; "Why is a raven like a writing desk?". Only to hear from Mad Hatter; "I haven't the slightest idea".

Uncertainty is obviously bad for business. Against this backdrop I didn't have much hope for increased RevPar in 2018 as uncertainty started taking its toll and the novelty of the value of the pound wore off. But in the end occupancy did grow but at the expense of average rate. I guess that given that change is a constant we are all aware that we need to keep looking to improve our productivity by working smarter not harder. Especially when we get busier at a lower price. Around this time many hotels big and small will have had to answer the question of stock piling, a question that in normal times wouldn't even surface. Having to take a gamble on this to protect against short term supply chain disruption is of course not a process improvement! Risking not having to buy loo roll for months or having to close because loo roll has run out is an expensive gamble and a cost many hotels can do without.

All in all, this situation forces us to really look at our processes that we are in control of. I guess that we will see a big surge in automation without impacting the guest experience. With the continuing development of AI and machine learning, 'smart' systems are now all around us. Be it for ordering rooms service through a smart device, using a cash machine to distribute and receive cash for those handling it. Or implementing a full purchase to pay system and teaching it to read, code and post invoices. There is a real opportunity to drive down cost. In the end automation helps us with doing what it does best, keeping things streamlined and error-free.

I also guess that with booming global tourism we will see a big rise in accommodation that is tailored to the millennial traveller. Experience focused, sustainable throughout the entire guest journey and more importantly a professional space to work as well. This is for the growing group of digital nomads who more and more combine work, holiday and travel, are budget sensitive and willing to co-work and co-live. Effectively fully utilising the sharing-economy.

So far, my wild guesses. I really do hope that by the time of publishing our biggest political conundrum has a better answer than the Mad Hatter to his riddle.

As always, a big thank you will have to go to BDO for their ongoing support towards our great industry and of course to Jumeirah for this brilliant prize.

JAN JANSEN
Hotel Consulting
Specialist in finance processes and systems

ABOUT HOTEL BRITAIN

Hotel Britain is the definitive guide to the performance and prospects of the UK's hotel industry. It is compiled from the responses of a representative cross section of 649 hotels comprising 50,729 rooms, and including 141 London hotels and 508 around the rest of the country.

The results of this survey are grouped for convenience according to geographic location. We break down the performance of hotels in key centres across the country, and also analyse both London and the regions in terms of average room rate.

Hotels in the capital are divided in four main bands according to the average room rate achieved during 2017 The top rate band, Deluxe, comprises Superior Deluxe and International Deluxe properties. This is followed by First Class and Business properties, with the final category being Tourist hotels. There is also a separate performance breakdown, which extends across all these rate boundaries, for Townhouse properties. Regional hotels have been placed in one of five rate bandings, with a separate performance breakdown, which extends across all these rate boundaries, for Country House properties.

To ensure that our year-on-year results are directly comparable, only properties able to contribute data from the last five years have been included. Hotels which have closed for a period of refurbishment or have opened during this period have been excluded.

GLOSSARY

Definitions of some of the terms used in this report are provided below.

Room occupancy: the ratio of total occupied rooms to total available.

Average achieved room rate (AARR): rooms revenue divided by the total number of guest rooms occupied during the year.

(Average achieved) rooms yield: room occupancy multiplied by the average achieved room rate (also known as RevPar).

Current values: values expressed on an actual basis, including the effects of inflation.

Constant values: historic and future values rebased to a base year by removing the inflation element

Compound Annual Growth Rate (CAGR): average growth rate on an annualised basis.

BDO LEISURE AND HOSPITALITY SERVICES

Our team works with international businesses across the leisure industries, including restaurants and bars, betting and gaming, hotels, professional sports and fitness, and travel and tourism.

We provide assurance, tax and advisory services to our clients who range from small owner-managed businesses to large corporations in both the private and public sectors, many of whom are market leaders.

HOTELS

BDO's hotel industry experience goes back nearly a century. Today, we are at the forefront of the field, working with the industry's market leaders. Our experienced and passionate partners and staff find and help implement actionable insights that make a difference to our clients' businesses. We take the time to understand the business and people behind the numbers so that we can use our expertise to maximum effect.

HOTELS SERVICES CONSULTANCY

Whether you are thinking about opening a new hotel, researching a new site, enhancing your competitive position, expanding overseas or seeking independent accountancy advice, BDO offers you a reliable, professional and above. Our hotel industry consultants deliver actionable insights and proposals on all aspects of developing, buying, selling, owning and operating properties in the leisure industry.

The expertise of our specialist accountancy team ranges from the annual requirement for audits, financial statements and tax compliance to more specialist advisory work. We also help our clients with taxation planning and structuring, international operations, VAT and employment taxes, business valuations and other transactional support. Our people sit on the HOSPA Council and Technical Committee.

HOTEL INDUSTRY KNOWLEDGE

We keep our clients up to speed with the latest issues and movements of the market, both nationally and internationally, presenting our findings through our comprehensive annual publications, ***Hotel Britain*** and, ***Hotel Quarters***. We also maintain one of the world's best research and monthly benchmarking databases. In an industry which can be volatile and heavily affected by world events, we can give our clients vital insights into what they can do to improve their relative performance and market position

In short, if you are active in the hotel industry then you should be talking to BDO.

BDO LEISURE AND HOSPITALITY SERVICES

Our Leisure and Hospitality Team provides specialist accountancy and business advisory expertise to a wide variety of leisure and hospitality businesses. Our sector experts use their experience and knowledge to deliver valuable and actionable advice to clients.

REGULATORY ADVICE FOR LEISURE AND HOSPITALITY BUSINESSES

The leisure and hospitality sector is faced with an ever-changing burden of regulation, ranging from accounting standards to the Apprenticeship Levy and National Living Wage. We can provide practical guidance and help you navigate the challenges your business is facing. We can help you whether you are thinking of tackling the transition to IFRS accounting, wondering where you currently stand on troncs, trying to establish how the national living wage may affect your business or debating whether you should be converting to a REIT.

DRIVING GROWTH

Driving the growth of your business is always a priority. This is a challenge in the very competitive leisure and hospitality sector. We will work with you to develop or adjust your strategy, fine tune your business model and overcome the barriers to growth. Our focus is to provide the actionable ideas and insights that will make a tangible difference to your business. Whether it is improving working capital management or improving tax efficiency, we will use our experience and expertise to deliver value to you. We always invest the time to understand you and your business so that we can help you achieve your goals.

TAKING LEISURE AND HOSPITALITY INTERNATIONAL

You may be ready to expand your leisure and hospitality business overseas. You may not be ready for the challenges of succeeding internationally. Local regulations and tax regimes, local labour markets and any number of other issues will have to be navigated.

We will help you from the first step by helping you identify the best options for expansion. We can advise on the markets that are easier to break into. We can help you to work through the options available to you whether that is a joint venture, opening a branch, franchise or an acquisition. When you do make the leap, we will ensure you have the most efficient tax structures and all the necessary local knowledge.

As part of the BDO international network, we draw on the leisure and hospitality expertise of colleagues across the globe.

We have a presence and local leisure and hospitality expertise in every market you might want to expand into.

LEISURE AND HOSPITALITY SECTOR EXPERTISE

We understand that each area of leisure and hospitality faces its unique challenges and opportunities. We have specialist working in and with experience of those areas and sub-sectors.

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