



# HOTELQUARTERS

Q4 2018 - A QUARTERLY REVIEW OF THE UK HOTEL INDUSTRY

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## Q4 HIGHLIGHTS

# LONDON HOTELS DRIVE OVERALL PERFORMANCE

Welcome to this edition of BDO's HotelQuarters - Q4 2018, a quarterly review of the hotel sector in the UK.

In the last quarter of the year, the overall daily rooms yield for UK hotels increased by 0.4% to £78.09. Occupancy (up by 0.3% to 80.3%) continued to be the main driver of growth for hotels performance, but the positive results were offset by declines seen in AARR (down by 0.2% to £95.95).

The flat results reported for UK hotels during the last three months of the year should be looked at in context of the good results posted for the same period in 2017, particularly in the regional market. London hotels, on the other hand, continued to outperform its regional counterparts with strong results seen in December (up by 12.0%), achieving an overall rooms yield growth of 2.0% in Q4.

Despite the overall flat results for the regional market (Scottish and Welsh hotels in particular - down by 1.1% and 5.1% respectively), some regional destinations continued to post positive results. Liverpool topped regional performance with year to date rooms yield up by 8.4%, followed by Glasgow, up by 5.3%.

LOCATION	YTD OCCUPANCY (%)			YTD AARR (£)			YTD ROOMS YIELD (£)		
	2018	2017	% Ch.	2018	2017	% Ch.	2018	2017	% Ch.
LONDON	84.9	83.8	1.3	153.20	152.12	0.7	130.07	127.48	2.0
REGIONAL UK	78.5	78.6	-0.2	73.57	74.20	-0.8	57.77	58.36	-1.0
ENGLAND	78.4	78.3	0.1	74.23	74.94	-0.9	58.20	58.68	-0.8
SCOTLAND	79.4	80.9	-1.9	74.13	73.59	0.7	58.86	59.53	-1.1
WALES	79.0	80.5	-1.9	58.09	60.10	-3.3	45.89	48.38	-5.1
TOTAL UK	80.3	80.1	0.3	95.95	96.10	-0.2	78.09	77.78	0.4



REGIONAL DESTINATIONS ROOMS YIELD % CHANGE Q4 2017/18



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## ECONOMIC OVERVIEW

# UK'S ECONOMIC GROWTH SLOWS SHARPLY AT END OF 2018

The UK economy grew 0.2% in the final quarter of 2018, as Brexit fears weighed on consumers and businesses. Economic growth decreased to just 0.2% in quarter four compared to 0.6% growth in quarter three, boosted by the positive results of retail and construction in July. ONS recently published data for Q4 confirming 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 Bank of England predicts the UK economic growth in 2019 to be the slowest since the financial crisis a decade ago, blaming Brexit uncertainty and the global slowdown.

### UK EMPLOYMENT RATE AT RECORD-HIGH BUT CONCERNS OVER WORKERS SHORTAGE INCREASES 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 and reaching a 43-year record low during the second quarter of 2018. Estimates from the Labour Force Survey show that both the number of people in work increased in the three months to December, whilst the number of people unemployed and not seeking to work both fell. The employment rate was at a record-high of 75.8%, joint highest since comparable estimates began in 1971.

Latest figures published by the ONS showed a record number of vacancies as EU workers leave ahead of Brexit. According to the ONS, 2.27m people from the EU were employed 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.

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

The UK inflation rate was 2.0% in December, down from 2.2% in November. The largest downward contributions to change in the 12 month rate came from falls in petrol prices and from air fares. Upward contributions included recreation, culture, restaurants and hotels. Within these categories, the most notable contributions were from package holidays and catering services.

### BREXIT WORRIES DRAG CONSUMER CONFIDENCE TO A FIVE-YEAR LOW IN DECEMBER

British consumer confidence reached a five year low in December, dragged down by worries about the economic outlook in the approach to Brexit. GfK's UK Consumer Confidence Index scored -14 in December, as a result of the decrease in several other measurements such as general economic situation, Major Purchase Index and Savings Index.

Despite government claims of an end to austerity, which according to experts should boost consumer confidence, coupled with accelerating wages growth, the prospects of a no-deal scenario continued to weigh heavily on UK's consumers attitude, during the crucial Black Friday and Christmas selling periods.



## SUMMARY OF REGIONAL DESTINATIONS PERFORMANCE



LOCATION	Q4 OCCUPANCY (%)			Q4 AARR (£)			Q4 ROOMS YIELD (£)		
	2018	2017	% ch.*	2018	2017	% ch.*	2018	2017	% ch.*
ABERDEEN	61.9	59.5	4.0	55.78	59.52	-6.3	34.53	35.41	-2.5
BATH	78.7	82.3	-4.4	88.09	95.30	-7.6	69.33	78.43	-11.6
BIRMINGHAM	78.8	78.5	0.4	74.41	73.72	0.9	58.64	57.87	1.3
BRISTOL	81.2	81.4	-0.2	80.89	82.74	-2.2	65.68	67.35	-2.5
CAMBRIDGE	85.7	82.7	3.6	95.21	92.63	2.8	81.59	76.61	6.5
CARDIFF	84.5	87.5	-3.4	76.85	75.67	1.6	64.94	66.21	-1.9
DERBY	77.8	77.9	-0.1	64.80	63.60	1.9	50.41	49.54	1.8
EDINBURGH	84.5	86.4	-2.2	89.34	88.31	1.2	75.49	76.30	-1.1
GLASGOW	83.2	84.0	-1.0	75.61	71.10	6.3	62.91	59.72	5.3
HEATHROW SLOUGH	84.9	84.8	0.1	65.10	66.77	-2.5	55.27	56.62	-2.4
LEEDS	81.0	79.5	1.9	78.08	78.46	-0.5	63.24	62.38	1.4
LEICESTER	64.8	68.3	-5.1	83.30	83.29	0.0	53.98	56.89	-5.1
LIVERPOOL	83.8	81.3	3.1	82.10	78.04	5.2	68.80	63.45	8.4

## SUMMARY OF REGIONAL DESTINATIONS PERFORMANCE

LOCATION	Q4 OCCUPANCY (%)			Q4 AARR (£)			Q4 ROOMS YIELD (£)		
	2018	2017	% ch.*	2018	2017	% ch.*	2018	2017	% ch.*
MAIDSTONE	70.5	71.6	-1.5	76.66	76.65	0.0	54.05	54.88	-1.5
MANCHESTER	82.2	82.8	-0.7	81.87	81.97	-0.1	67.30	67.87	-0.8
MILTON KEYNES	81.7	81.4	0.4	77.03	77.79	-1.0	62.93	63.32	-0.6
NEWCASTLE	79.1	79.8	-0.9	73.02	73.08	-0.1	57.76	58.32	-1.0
NORTHAMPTON	73.8	74.4	-0.8	73.59	75.34	-2.3	54.31	56.05	-3.1
OXFORD	82.3	81.7	0.7	84.12	82.33	2.2	69.23	67.26	2.9
READING	75.0	77.6	-3.4	102.27	102.20	0.1	76.70	79.31	-3.3
SOLIHULL & BHX AIRPORT	72.5	75.2	-3.6	81.92	80.12	2.2	59.39	60.25	-1.4
SWANSEA	76.3	76.2	0.1	75.01	74.24	1.0	57.23	56.57	1.2
SWINDON	74.6	75.3	-0.9	76.68	77.30	-0.8	57.20	58.21	-1.7
WINDSOR/ MAIDENHEAD	77.0	80.7	-4.6	91.63	87.84	4.3	70.56	70.89	-0.5
YORK	80.5	79.8	0.9	93.16	93.68	-0.6	74.99	74.76	0.3

Based on the Average Achieved Room Rate (AARR) in 2016 and 2017. Rooms equals the available rooms/day relates to 2017 figures only and is rounded to the nearest 50. AARR and Rooms Yield values are Net of VAT. \* Differences may be due to rounding.



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- Systems reviews
- Turnaround and distressed situations
- Need analysis.

### OUR HOTELS TEAM



**ROBERT BARNARD**  
PARTNER - MANAGEMENT CONSULTING

[Robert.barnard@bdo.co.uk](mailto:Robert.barnard@bdo.co.uk)



**STUART COLLINS**  
PARTNER - AUDIT

[Stuart.collins@bdo.co.uk](mailto:Stuart.collins@bdo.co.uk)



**JUAN A. GOMEZ GARCIA**  
HOSPITALITY RESEARCH MANAGER

[Juanantonio.gomezgarcia@bdo.co.uk](mailto:Juanantonio.gomezgarcia@bdo.co.uk)

### OTHER KEY CONTACTS



**MARK EDWARDS**  
PARTNER - AUDIT

[Mark.edwards@bdo.co.uk](mailto:Mark.edwards@bdo.co.uk)



**JAMES WELCH**  
PARTNER - TAXATION

[James.d.welch@bdo.co.uk](mailto:James.d.welch@bdo.co.uk)



**ANDY HARRIS**  
PARTNER - CORPORATE FINANCE

[Andy.harris@bdo.co.uk](mailto:Andy.harris@bdo.co.uk)



**SARAH RAYMENT**  
PARTNER - BUSINESS RESTRUCTURING

[Sarah.rayment@bdo.co.uk](mailto:Sarah.rayment@bdo.co.uk)





## FOR MORE INFORMATION

**JUAN A. GOMEZ GARCIA**  
HOSPITALITY RESEARCH MANAGER  
BDO CONSULTING. LEISURE AND HOSPITALITY

T: +44 (0)20 7893 2413

E: [juanantonio.gomezgarcia@bdo.co.uk](mailto:juanantonio.gomezgarcia@bdo.co.uk)

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