

# ROOMSERVICE

News for the Hotels industry



Welcome to the April 2017 edition of Room Service, a new regular newsletter from PKF Littlejohn's Hotel and Leisure team, providing a round-up of the main developments in accounting and general market matters.

## A great start to 2017 for the UK hotel sector

The UK hotel sector enjoyed a strong first quarter, according to our analysis of the latest hotel performance statistics from STR.

For the UK as a whole, occupancy averaged 70.6% during the first three months of 2017, up from 68.8% in the same period last year. Average daily rates also increased, by 4.1% to £83.73 from £80.44 a year ago. This resulted in a 6.8% rise in revenue per available room from £55.36 to £59.12 comparing the same period.

London enjoyed a particularly buoyant quarter, reflecting its status as a global business and leisure destination, although the regions also posted positive results based on the major metrics.

This impressive performance has been driven by the continued weakness of sterling, which is boosting spending by overseas visitors to the UK. It is consistent with the latest research from the World Travel & Tourism Council, which forecasts that the amount spent by foreign visitors in the UK will grow by 6.2% this year.

We believe that the outlook for the sector remains encouraging over the next few months. Our conversations with clients suggest that neither sterling's recent mini-revival nor the terrorist attack in London at the end of March have had a meaningful impact on the industry's top line, while the late Easter this year should provide a fillip to April performance.

How did you perform against these benchmarks? Get in touch and let us know.

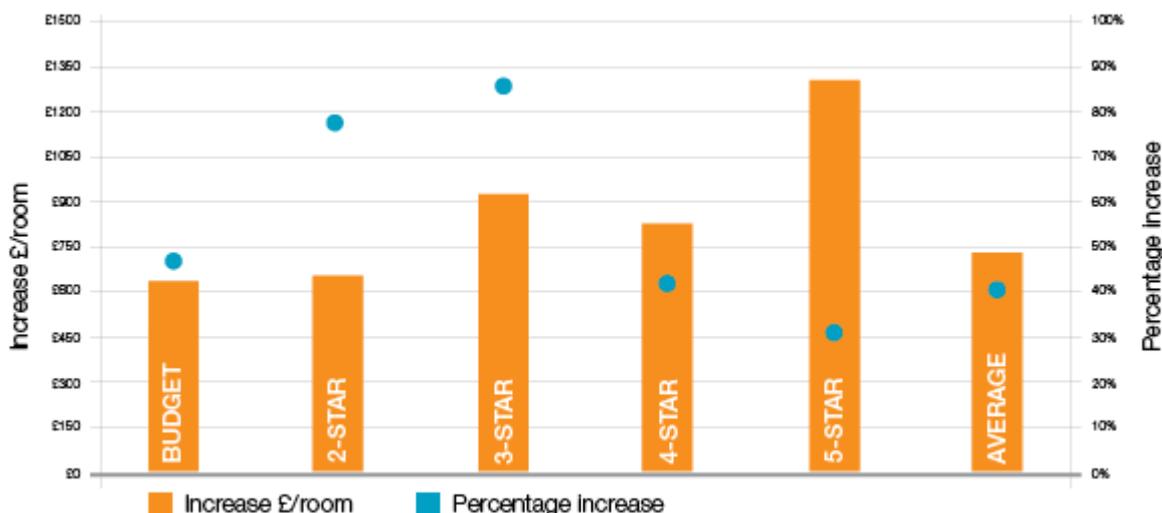
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## Business rates – added expenses in a time of uncertainty

With the introduction of the National Living Wage, uncertainty surrounding Brexit and the changes to Business Rates, hoteliers face many challenges in the coming years to maintain their profit margins.

To better understand the scale of the increase in Business Rates, we compared the estimated 2017 business rates to those charged in 2016 for a sample of 65 hotels located in Victoria and Southwark in Central London. The following chart shows the results of our findings.

Estimated increase of business rates in Victoria and Southwark by grade of hotel (per annum)



Hotels in our sample will experience an average increase of 40%, equivalent to £745 per guestroom per annum. This is equivalent to just under eight nights of room revenue for an average hotel - quite a significant increase in costs.

5-star hotels are set to experience the largest rise in Business Rates in monetary terms, with an average increase of £1,325 per room per annum. In percentage terms, hotels in the 2- and 3-star category are most affected and face increases of 78% and 86% respectively.

A hotel is typically valued by investors using a discounted cash flow analysis based on reasonable assumptions of future net income levels. With increasing costs, the threat of new supply from traditional and new sources, and the growing power of intermediaries, both owners and operators will have to carefully manage their businesses to maintain profit levels and business values.

If you would like to discuss the impact of the Rates changes on your business, please get in touch.

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## Hot topics – what you need to know

Here's our round-up of what's been making the news in the market over the past few weeks\*.

**UK continues to attract investment** – The UK is named the top European target for hotel investment in 2017. [Read more](#)

**UK tourist boom** – Weak pound draws overseas visitors. [Read more](#)

**Be more direct** - Business travellers are increasingly booking direct with suppliers. [Read more](#)

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\*PKF Littlejohn is not responsible for the content of external websites. The inclusion of a link to an external website from this document should not be understood to be an endorsement of that website.

**We hope you've found this issue useful. If anyone within your business would like to receive future issues, please send their details to Cathy Brown (cbrown@pkf-littlejohn.com).**

**Our specialist team is here to help. If you would like advice on any of the issues discussed in this newsletter, please contact one of our Hotel and Leisure team.**



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