

News Release

City Review: London - Upscale Hotels¹ by Christie + Co

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July 2009

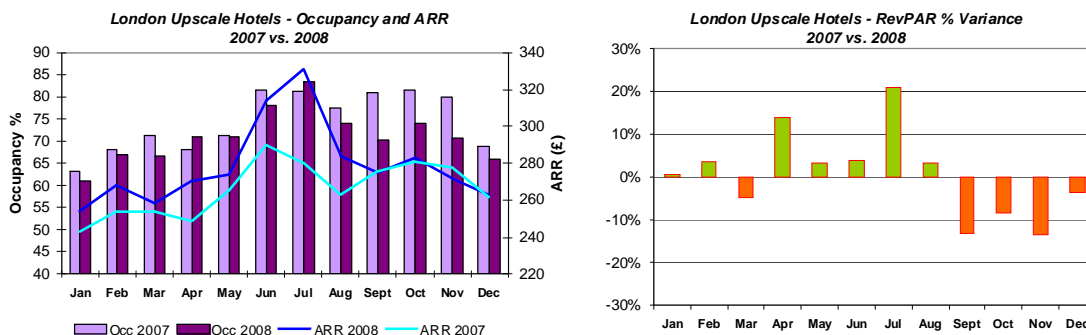
According to the latest city review by Christie + Co, using data provided by STR Global, RevPAR across London's Upscale hotels remained flat during 2008 compared to the previous year, due to a 5% increase in ARR, which was offset by a 3.4 percentage points decline in occupancy. Whilst in 2008 the upscale sector maintained rates at the expense of occupancy, STR Global data for 2009 indicates that this year upscale hoteliers are offering better deals to maintain occupancy. This has translated into an ARR decline of 7.4% for the first five months of 2009. Preliminary figures for the month of June suggest that the downturn has continued, with RevPAR down by 9.7% on the previous year.

London is one of the world's most popular tourist destinations and considered the capital of the European financial markets. It has a well established luxury hotel market achieving some of the world's highest occupancies and average room rates. The 2012 Olympic Games look set to cement the city's global reputation further while large infrastructure projects such as Wembley Stadium, the ongoing regeneration of the Kings Cross area and the Crossrail project among others, will undoubtedly further enhance London's attractiveness as a tourist and commercial destination.

Trends in Hotel Market Performance

According to data provided by STR Global, London Upscale hoteliers witnessed an overall ARR increase of 5% and a decrease of 3.4 pts in occupancy during 2008.

STR Global Trend Report - London Upscale Hotels Full Year 2007 vs. Full Year 2008 (£)



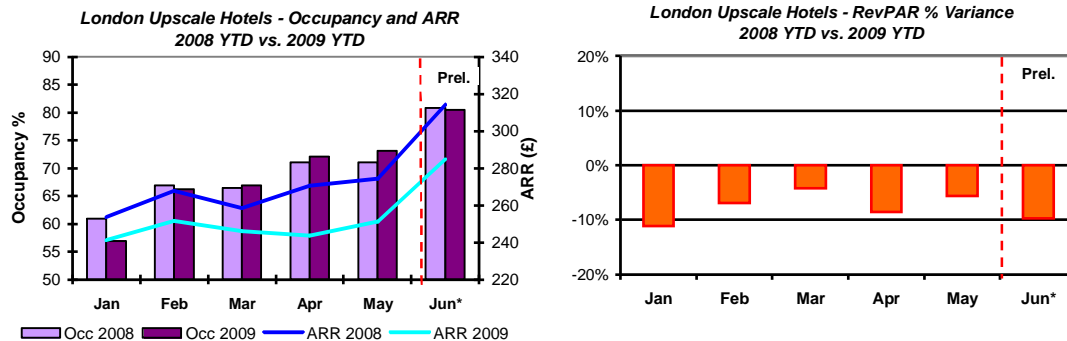
STR Global Trend Report – London Upscale Hotels 2007 vs. 2008									
	2007			2008			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts [^]	ARR %	RevPAR %
Full Year	74.5	267.3	199.1	71.1	280.6	199.4	-3.4	5.0%	0.1%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a customised and consistent sample of 55 hotels, totalling c.8,450 rooms. The variance in occupancy (%) is expressed in percentage points.
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¹ London - Upscale Hotels defined as those hotels achieving an average rate of £200 or greater

The following table and graphs illustrate the year-to-date 2009 results as provided by STR Global.

STR Global Trend Report - London Upscale Hotels 2008 YTD vs. 2009 YTD (£)



STR Global Trend Report – London Upscale Hotels 2008 YTD vs. 2009 YTD									
	2008			2009			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
YTD May	67.3	265.4	178.5	65.5	245.7	160.9	-1.8	-7.4%	-9.8%
Jun*	80.8	314.3	253.9	80.5	284.7	229.2	-0.3	-9.4%	-9.7%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a customised and consistent sample of 55 hotels, totalling c.8,450 rooms, except for June figures (*) which are based on 'unaudited' daily data as available on 14 July for a sample of 50 hotels. The variance in occupancy (^) is expressed in percentage points.
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As can be observed from the graph above, after a difficult January, occupancy has managed to hold up at the expense of rate and has shown a slight increase during April and May in comparison to the same period last year. However, the sharp decline in ARR has caused a decrease of almost 10% in RevPAR and, year to May 2009 RevPAR figures are not only below those recorded in 2008 but also below 2007 figures. Preliminary figures for June show a year on year RevPAR decline of 9.7%, steeper than any other month this year with the exception of January.

The current economic climate, which has forced business travellers and tourists to seek more affordable accommodation, has resulted in the strong decline in rates. In fact, an EIU survey analysing the effect of the economic downturn on executives' choice of hotel, revealed that 47% of the executives expect to take fewer trips during 2009, and 28% expect to downgrade from 4 and 5-star hotels. In addition, 63% of respondents expected their companies to use the economic downturn to their advantage to try to negotiate lower rates.

Trends in Hotel Supply

The London upscale segment has seen limited growth in hotel supply over the last 18 months with only two new branded hotels entering the market. The Andaz Hotel in Liverpool Street reopened its doors having undergone a full refurbishment at the end of 2007, while in January this year, the Sanctum Soho Hotel opened offering 30 individually designed bedrooms. Furthermore, The Bentley Hotel was rebranded as a Waldorf Astoria Collection Hotel in March with only minimum refurbishment required for the rebranding.

Despite this limited growth, the upscale segment has seen a number of hotels reopen following completion of refurbishment programmes to be carried out. During the second half of 2008, the St James's Hotel & Club and The Connaught opened after a full refurbishment. The Kensington Hotel reopened this March, whilst the Langham Hotel had its re-launch party in June. There are currently, a number of other hotels closed for full refurbishment representing some 850 rooms. These include the Montcalm Hotel and The Savoy, which are due to open later this year, the Four Seasons Park Lane and The Berners, both due to reopen during 2010.

The London pipeline for 2009 calls for the opening of approximately 2,000 hotel rooms across the city, which will no doubt putting further pressure on rates across all sectors. In terms of upscale developments, there are at least 11 projects scheduled to open between 2010 and 2012 representing in excess of 2,000 rooms. Some of the more notable anticipated openings include: the Silken Hotel (170 rooms) which was expected to open in 2009 but is now rumoured to be on hold, 45 Park Lane to be operated by the Dorchester Collection with 50 rooms due to open early 2010; the W Hotel Leicester Square (194 rooms) to open mid 2010; Corinthia Hotels will convert the recently acquired Metropole Building to offer 300 bedrooms as from late 2010; the Shangri-La London (195 rooms) located near London Bridge opening late 2012; a Hotel at Trinity Square with 121 rooms; and the Jumeirah No1 in Blackfriars with 261 rooms. It is worth mentioning that the Poultry scheme, a proposed 181-bedroom luxury hotel, has now been placed into administration and the site is currently being marketed. Finally, Heron International has agreed terms with luxury hotel chain Four Seasons to develop a hotel (subject to planning consent being granted) as part of its Heron Plaza in the City of London.

Trends in Hotel Transactions

During the past 18 months there has been a reduction in the number of transactions featuring London upscale hotels. In 2008, a total of seven transactions (four trading hotels and three sites) representing approximately 1,200 bedrooms were recorded for a total value in excess of £620m. The trading hotels were The Waldorf Hilton in Covent Garden, the Pelham Hotel in South Kensington, the Crowne Plaza Blackfriars and the Montcalm Hotel in Marylebone; the sites purchased were the Café Royal in Regent St, the Metropole Building in White Hall Place and a site in Aldwych for a proposed Silken Hotel. The Waldorf Hilton London recorded the highest price per available room at approximately £620,000.

The Le Meridien Piccadilly sale, which was scheduled to exchange hands earlier this year for approximately £67m, fell through at the last minute. In addition the Stafford Hotel in Mayfair is up for sale for an estimated asking price of £80m.

Outlook

The second half of 2009 will continue to feel the effects of the current economic climate, with continued pressure on occupancy and more so, rates. The longer trading performance remains depressed the more likely a reversion to the average rate 'dumping' witnessed in previous recessions becomes. This might potentially put at risk the image of exclusivity that many of the assets in this market segment enjoy.

Any meaningful recovery is unlikely to materialise until 2010 at the earliest and when it arrives is expected to be moderate. For the upscale sector in particular, the corporate segment will be a determining factor in any recovery. This will need to be supported by high-spending international leisure guests, some of which may see London as a slightly more affordable destination given the softening of the pound against many other currencies.

On a more positive note, there are have been some tentative signs of an economic stabilisation and the Olympic Games will certainly positively impact London in the mid to long term.

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Notes to Editors

Christie + Co use desk-based research and experienced local industry specialists to produce bi-monthly city reviews. Hotel trading data is provided by STR Global.

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