

# News Release

## City Review: Liverpool Compiled by Christie + Co

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Liverpool is the main commercial and leisure activity driver in the Merseyside region, with a population of c.450, 000. After decades of high unemployment and limited investment, the city has attracted a great deal of inward investment since 2000, as a result of some key decisions:

- + The city was designated as an Objective One area by the European Union in 2000 – this has resulted in an investment programme of £2 billion in grants between 2000 and 2008.
- + In 2003 the City was awarded European Capital of Culture status for 2008.
- + In 2004 UNESCO named Liverpool Maritime Mercantile City as a World Heritage Site.

These factors have combined to drive an impressive regeneration programme for Liverpool's city centre, with development activity accelerated in recent years by the need to have projects ready in time for 2008. Recent development projects include; a cruise liner terminal (opened September 2007), the ACC Liverpool arena and convention centre at Kings Waterfront (opened in January this year), and Grosvenor's retail-led Liverpool ONE development (first launch phase May 2008).

Since 2002 the city centre has seen its hotel room stock grow from c.2,300 rooms to c.2,900 rooms. During this period occupancy levels remained largely stable at around 73% – except for 2004 when the effects of hotel openings in 2003 and 2004 forced occupancy levels down – whilst the average room rate (ARR) has grown from around £53 to £63. The Liverpool hotel market performs particularly well at weekends with leisure visitors being drawn to Liverpool's excellent night life, sporting events and cultural attractions. Demand is softer in comparison during the week, as a result of relatively low business visitation.

According to data sourced from The Bench, from a sample including eight separate hotels comprising 1,210 bedrooms, the Liverpool hotel market showed an overall 3% fall in RevPAR in 2007, when compared with 2006. This was the result of a drop in room occupancy (Occ) of 3pts for 2007 against 2006, which negated the slight rise in average room rates (ARR) for the period.

The Bench Performance Monitor – Liverpool 2007 vs 2006									
2007			2006			Variance			
	Occ %	ARR £	RevPAR £	Occ %	ARR £	RevPAR £	Occ pts	ARR %	RevPAR %
January	66.64%	74.99	49.98	64.88%	70.08	45.46	1.77	7.02%	9.93%
February	73.41%	74.65	54.80	78.16%	74.73	58.41	-4.75	-0.11%	-6.18%
March	77.03%	77.17	59.44	83.06%	76.70	63.71	-6.03	0.61%	-6.69%
April	73.89%	90.30	66.72	77.29%	85.05	65.73	-3.39	6.17%	1.51%
May	74.71%	77.60	57.97	78.77%	72.11	56.79	-4.05	7.62%	2.08%
June	74.23%	71.00	52.70	77.34%	70.16	54.27	-3.12	1.19%	-2.89%
July	75.83%	71.22	54.01	81.39%	88.55	72.07	-5.56	-19.56%	-25.06%
August	70.03%	71.80	50.28	73.88%	69.60	51.43	-3.85	3.16%	-2.22%
September	79.86%	79.31	63.33	84.55%	76.18	64.41	-4.69	4.11%	-1.67%
October	81.60%	80.24	65.47	84.90%	76.91	65.30	-3.30	4.32%	0.27%
November	79.35%	79.92	63.42	82.94%	77.89	64.60	-3.59	2.60%	-1.83%
December	65.07%	78.34	50.98	65.58%	74.77	49.04	-0.51	4.78%	3.97%
<b>Full Year</b>	<b>74.28%</b>	<b>77.27</b>	<b>57.40</b>	<b>77.69%</b>	<b>76.25</b>	<b>59.24</b>	<b>-3.41</b>	<b>1.34%</b>	<b>-3.10%</b>

Numbers are rounded and may not cast correctly  
The Bench uses consistent samples to ensure comparability of data  
Source: The Bench, © 2007 The Bench Limited

The Liverpool hotel market would show an overall improvement for 2007 versus 2006 if we discounted the month of July, where 2007 figures show a 25% fall in RevPAR when compared to the same month in the previous year. This fall in performance is predominantly the result of the Royal Liverpool Golf Club hosting the British Open Championship from Thursday 20th to Sunday 23rd July 2006. The event caused a surge in hotel demand for that period, which was not repeated in 2007.

According to data sourced from The Bench, from a slightly varied sample made up of 10 separate hotels comprising 1,393 bedrooms, Liverpool's hotels are showing a strong improvement for the first two months of 2008. RevPAR is up around 7% on equivalent 2007 trading, with the month of February showing a very strong increase from the previous year.

The Bench Performance Monitor - Liverpool 2008 YTD vs 2007 YTD									
2008			2007			Variance			
	Occ %	ARR £	RevPAR £	Occ %	ARR £	RevPAR £	Occ pts	ARR %	RevPAR %
January	65.94%	73.42	48.41	66.90%	72.98	48.82	-0.96	0.60%	-0.83%
February	77.38%	78.40	60.67	74.13%	71.55	53.04	3.25	9.57%	14.38%
YTD	71.47%	76.02	54.34	70.33%	72.26	50.82	1.14	5.20%	6.91%

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Source: The Bench, © 2007 The Bench Limited

It appears that Liverpool is enjoying stronger month-on-month performance for 2008 versus 2007 as visitor numbers surge as a result of Capital of Culture events during the year.

Since 2006 Liverpool has seen the quality of its hotel offering improve dramatically, with the opening of a number of boutique and lifestyle hotels including:

- + The 20-bedroom Castle Street hotel, which opened in July 2006.
- + The 131-bedroom Malmaison Hotel, which opened in January 2007.
- + The 18-bedroom Eleanor Rigby Hotel, which opened in November 2007.
- + The 118-bedroom Hard Days Night Hotel, which opened in February 2008.

These openings have served to complement the full-service hotels, such as the Marriott, Crowne Plaza and Radisson SAS, already operating in the city,

The hotel supply in Liverpool is set to continue to grow, with in excess of 900 additional rooms potentially opening in the next two years. The Kings Waterfront will see the opening of another two hotels this year; a 310-bedroom Jurys Inn is due to open in April, whilst the UK's first Staybridge Suites Hotel, consisting of 132 suites for extended stay travellers, is due to open in July. Christie + Co acted for the developer in identifying InterContinental Hotel Group as the extended-stay operator. The boutique Hope Street Hotel is adding an additional 40 bedrooms to its existing stock, giving it a total of 88, with the extension due to open in October of this year. Folio Hotels has taken a 35-year lease at the Heywood's building, with plans to open a 36-bedroom town house hotel by Christmas of this year. Two hotels, a 209-bedroom full-service Hilton and a 107-bedroom Novotel, are scheduled to open at

Grosvenor Estates' Liverpool ONE development in 2009. Elsewhere, the Layla Hotel, Club & Spa is due to open in January of 2009; the hotel will be operated by Bespoke Hotels, and will provide 86-bedrooms and 26 suites.

Looking further into the future there are a number of other developments being planned in the city, which include a hotel provision. A 173-bedroom Ramada Plaza hotel is scheduled to open in June 2010 at The Quarter – a mixed-use site behind Liverpool's waterfront. Developers Lead Asset Strategies have planning permission for the New World Square development, a scheme that includes a provision for an eight-storey five-star hotel. Mersey Property Company has submitted plans for a 36-storey mixed-use scheme at Princes Dock, with a 135-bedroom hotel proposed as part of the scheme. Merepark has planning permission for a 157-bedroom three-star hotel as part of its Central Village mixed-use scheme and is also proposing a boutique hotel as part of the redevelopment of the recently acquired Lewis's building into a mixed-use leisure destination. Finally, Chieftain Group has permission for a 151-bedroom hotel as part of its Skelhorne Street tower scheme.

Despite the growth in the market in recent years, there has been a dearth of single-asset corporate hotel sales, with owners keen to hold onto their assets and maximise their operational earnings during Capital of Culture year. The only single-asset transaction of note in recent years has been the forward sale of the 209-bedroom Hilton Hotel at the Liverpool ONE development to Ability Group for a reported £60 million. Hotels in the city have transacted as part of wider portfolio deals in the last couple of years however. The Marriott in the city centre provides an example, as it has changed hands twice since April 2006. We expect transactional activity to pick up from 2009 onwards, once the temporary effect of Capital of Culture year has passed.

In 2008 the performance of Liverpool's hotels will no doubt be excellent with room occupancy and average room rates far exceeding previous years as visitors flock to events in the city. The weekend periods are likely to experience exceptional demand, particularly when football games at Anfield and Goodison coincide with Capital of Culture events. The ACC Liverpool Arena and Convention centre will help to boost midweek demand, with a number of major conferences and exhibitions planned for the year. In June Paul McCartney's concert at Anfield Stadium will no

doubt send hotel room demand through the roof, as will the MTV Music Awards ceremony taking place in November at the new Arena and Convention Centre.

Liverpool's success in maintaining visitor demand post 2008 will be vital to the future performance of the hotel market. We expect performance in 2009 to return to the long-run trend witnessed pre-2008, as visitation to the city recedes and as the hotel market feels the effects of increased competition. More than 900 hotel rooms will potentially come online in 2008 and 2009. Liverpool's ongoing status as a key cultural and entertainment destination and its ongoing regeneration post-2008 will however help to maintain both business and leisure visitation to the city.

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## Notes to Editors

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

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