

News Release

City Review: Heathrow Airport by Christie + Co

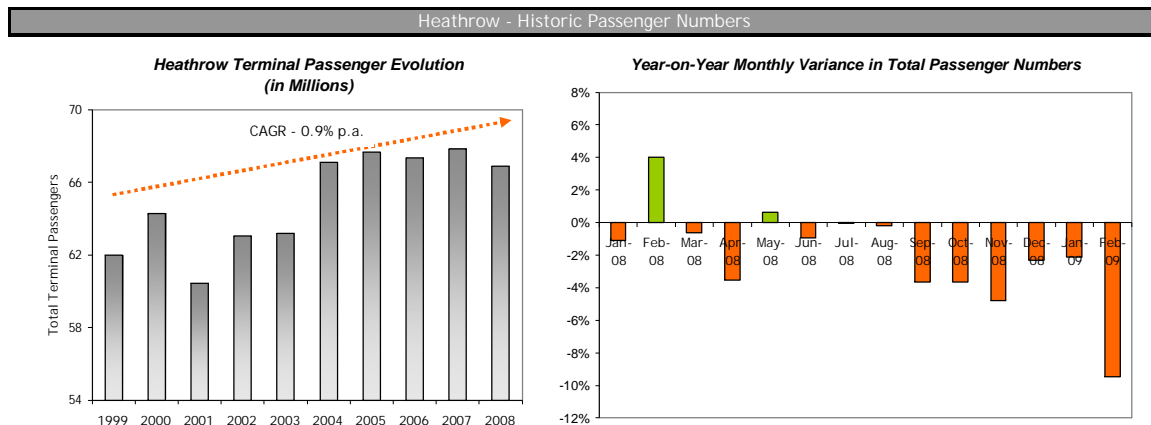
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Despite the opening of T5 in March 2008, Heathrow Airport hotels reported a 24.1 % decline in RevPAR in March 2009 compared to the previous year, driven by a c.16.3 percentage points fall in occupancy and a c. 5.0% drop in average room rate, according to the latest city review by Christie + Co, using preliminary data provided by STR Global.

Traffic at Heathrow Airport – Europe’s busiest airport in terms of passenger movements – has been severely hit by the ongoing recession and raising fuel prices. Despite the US/European Union Open Skies Treaty resulting in additional US long-haul services, as well as the relocation of long-haul flights from other national airports, passenger traffic registered a decline of c. 2.3% between the second halves of 2007 and 2008. The severe weather conditions in February 2009 compounded this negative trend, resulting in a 9.5% drop in passenger numbers versus February 2008.



Source: BAA

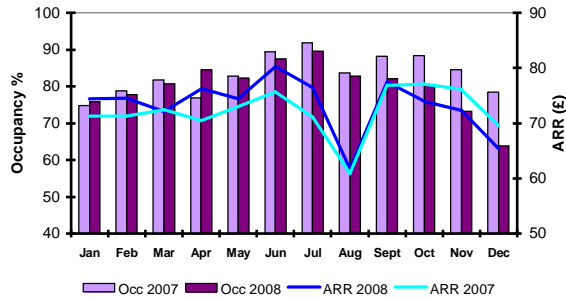
Trends in Hotel Market Performance

In line with the decline in passenger traffic, RevPAR levels at Heathrow hotels started to drop during the second half of 2008 as shown overleaf.

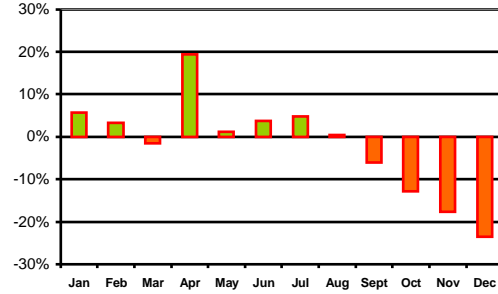


STR Global Trend Report - Heathrow Full Year 2008 vs. Full Year 2007 (£)

Heathrow Hotels - Occupancy and ARR 2008 vs. 2007



Heathrow Hotels - RevPAR % Variance 2008 vs. 2007



	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
Full Year	80.1	73.5	58.8	83.3	72.2	60.2	-3.3	1.7%	-2.3%

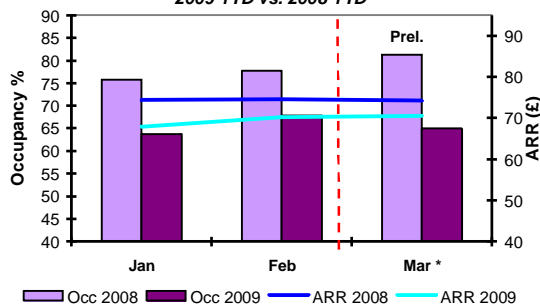
Note: the above graphs and table are based on monthly and daily data received by STR Global for a customised and consistent sample of 18 hotels, totalling c. 7,080 rooms. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2009 STR Global Limited.

During April 2008, the challenging opening of Terminal 5 led to many cancelled flights, which, together with Easter holidays, benefited airport hotels. However, from September 2008, a rapidly deteriorating performance trend, in both occupancy and average room rate, is clearly noticeable. Furthermore, the expansion of the airport led to over 1,240 rooms (c. 16% increase in room supply) being added to the market since late 2007, which also impacted the overall market performance.

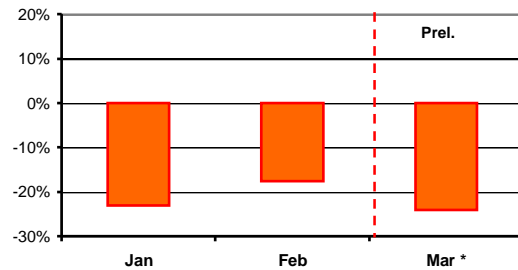
The following graphs illustrate the continued downward trend in performance during the first quarter of 2009. The February performance was positively impacted by the weather conditions which forced passengers to stay at airport hotels as flights were disrupted.

STR Global Trend Report - Heathrow 2009 YTD vs. 2008 YTD (£)

Heathrow Hotels - Occupancy and ARR 2009 YTD vs. 2008 YTD



Heathrow Hotels - RevPAR % Variance 2009 YTD vs. 2008 YTD



Note: the above graphs and table are based on monthly and daily data received by STR Global for a customised and consistent sample of 18 hotels, totalling c. 7,080 rooms, except for March figures (*) which are based on 'unaudited' preliminary daily data as available on 2 April for a sample of 19 hotels. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2009 STR Global Limited.



Trends in Hotel Supply

The development of Terminal 5 led to a number of new hotel openings over the past 18 months. In November 2007, Travelodge opened a third Heathrow property, the 297-room Travelodge Heathrow Terminal 5, close to Junction 14 of the M25. A few weeks later, capsule hotel group, Yotel, opened its second hotel with 32 cabins at Terminal 4. The long-awaited 605-room Sofitel London Heathrow, owned and operated by Arora International Hotels under a franchise agreement with Accor Hospitality, located opposite Terminal 5, opened in July 2008. Following a comprehensive refurbishment and extension programme, the former Ramada Jarvis on Bath Road reopened in September 2008 as the 200-room Ramada London Heathrow. Finally, in December 2008, the 307-room Travelodge Heathrow Central was unveiled, followed by the 53-room EasyHotel Heathrow Airport, run by Eclipse Hotels Group, in January 2009.

In terms of future hotel openings, the only confirmed development at present appears to be the Hilton Heathrow T5, currently under construction in Poyle (Junction 14 of M25), which will be run under a 20-year franchise agreement by Shiva Hotels and is due to open in 2010/11. Arora International Hotels has a number of outstanding planning applications including a new 367-room and 86-capsule hotel immediately adjacent to the new Sofitel and a 300-room hotel on the land adjoining the Jury's Inn at Hatton Cross. The Airport Bowl site on Bath Road was recently granted planning permission for a five-star, 560-room hotel and a 1,200-delegate conference centre. Thistle Hotels is also awaiting decision on its proposal to demolish the Heathrow Park Hotel and to erect a 250-room four-star Guoman hotel, together with a 353-room budget hotel. Several other hotel projects are currently under consideration around the airport but none of them appear to be fully confirmed at this stage. In light of the current economic conditions, it appears likely that some will be delayed or cancelled.

Trends in Hotel Transactions

There has been very limited single asset transactional activity over the past two years. The vast majority of Heathrow assets, which recently transacted, were part of larger portfolio deals. This included the Jurys Inn Heathrow, the Marriott London Heathrow, the Novotel and the Ibis hotels, the Thistle Hotel Heathrow and the Park Inn Heathrow.

Outlook

There is little doubt that the ongoing recession will continue to take its toll on passenger numbers during 2009 and thus on local hotel performance. However, in the longer term, Heathrow is set to see significant development, following the new runway and terminal go-ahead in early 2009. Even though the timeframe of this scheme is still unclear, it will ensure that Heathrow Airport retains its leading position as a global transportation hub. Undoubtedly, this expansion will be accompanied by a new wave of hotel developments around the airport.





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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.

Founded in 1935, Christie + Co is the leading firm of surveyors, valuers, consultants and agents specialising in the hospitality, leisure, retail and care sectors. Currently employing close to 350 professional and specialist staff, it has 17 offices throughout the UK – with valuation, agency, investment and consultancy teams focused on its key sectors. Christie + Co’s international operations are based in Barcelona, Berlin, Frankfurt, Hamburg, Helsinki, Dusseldorf, London, Marseilles, Munich, Paris and Rennes.

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