

PRESS RELEASE

January 2012

What happened to the hotel world in 2011?

It is that time of year when everyone takes stock as to what has happened of any major consequence in the past 12 months; how does it affect them; and what can be expected over the next 12 months.

The following, with a property bias, is our take on the past 12 months.

January 2011

VAT has risen to an all-time high of 20% from first thing today. Some two thirds of retailers have told the British Retail Consortium that they expect to perform less well in 2011 than they did last year.

Grosvenor House changes hands for £470m.

The Town House Company has sold two hotels in Edinburgh for around £9m to Palm Holdings. The sellers said that smaller hotels simply didn't offer the economies of scale required.

HVS London have suggested that London hoteliers are looking forward to two of the best trading years ever this year and next.

Focus Hotels is reported to have signed a franchise agreement with Accor to re-flag 10 hotels under the Mercure brand. The deal will add 763 rooms to Mercure's estate.

Marcus Cooper Group has emerged as the buyer of a portfolio of four Hilton hotels, including the landmark Brighton Metropole for close to £100m.

Travelodge plans to build 35 hotels in the U.K. this year, to take its estate to 495 hotels with 35,800 rooms.

Accor saw a business recovery boost its UK performance at the end of last year. London had turned in a solid performance with the return of the business customer lifting hotel performance in the provinces.

The UK government is expected to remove its backing for the star-rating system when it publishes its tourism strategy document. The star-rating system has been criticised because it takes into account breadth of service, rather than standard.

Hillbrooke Hotels is opening two sites in the historic town of Stamford in Lincolnshire. The company has taken leases on two sites in the town owned by the Burghley estate.

Holiday camp operator Pontin's has been bought out of administration by Britannia Hotel Group.

Haven has said that it has seen a 50% increase in bookings for spring breaks and that summer bookings at its 35 sites are running 15% ahead of those to the same period last year. The company is benefitting from trading down as holidaymakers are reluctant to give up their main holiday.

February 2011

Akkeron has bought 10 hotels from the administrators of Butterfly Hotels.

The UK's largest banks have committed to lending £190bn to UK business during 2011. The government's Project Merlin goes on to say that £76bn of this must be lent to small businesses.

London is experiencing a luxury hotel boom ahead of the Olympics. There could be a 27% increase in luxury rooms in London by 2012.

Travelodge has reported an increase of 13% in sales for the year to end-December 2010. The group points out that it opened 70 new hotels in 2010..

March 2011

Room rates predicted to remain unchanged in 2011 – Although London rates continue to rise.

Marco Pierre White has completed the acquisition of the Maypole Group, the operator of six rural inns, out of administration.

Travelodge announces that 'it is no exaggeration to say that every tube station could sustain a budget hotel'.

April 2011

The historic Cadogan Hotel has been purchased by the family-owned Cadogan Estate for £15.4m.

Von Essen Hotels has been put into administration with debts of more than £250 million.

Travelodge has teamed up with a variety of pub companies to develop 36 new hotels adjacent to pubs across the UK.

Fuller's purchased The White Swan Hotel in Stratford upon Avon from Pebble Hotels.

May 2011

A quartet of four-star hotels previously owned by the Pederson group which went into administration last year, have now been sold.

MWB Group has completed a sale-and-leaseback agreement on three of its regional hotels to Legal & General Property and also sold its Malmaison hotel in Charterhouse Square, in the City, to German property investor Deko in a sale and leaseback deal.

The Hoxton in Shoreditch has been placed on the market with an asking price of £70m.

VisitEngland has said that 36% of accommodation businesses saw visitor numbers increase over the Easter period.

Experian has reported that the number of hotel and small leisure businesses becoming insolvent fell by 5% in April compared with the same month a year earlier.

June 2011

The Royal Wedding was something of a damp squib as far as the hotel industry was concerned. The expected demand did not materialise and the shorter working week actually cut down on corporate business.

The BHA has said that the high rate of VAT levied on hospitality goods and services in the UK compared with territories overseas, is a deterrent to tourism.

Three Ramada hotels in the West Midlands have been put on the market after the owner Fortmore Group, fell into administration.

The Royal Bank of Scotland has taken control of a £1bn property portfolio of Marriott hotels and appointed receivers to the 42-strong estate.

Choicezone, the company that owns the Wardolff in London's West End, was placed into administration after it defaulted on loans totaling more than £100m.

July 2011

The Reuben brothers acquired the Piccadilly Estate in London's Mayfair, which was once home to the In and Out Club, for £130m.

Piccadilly Hotels, the holding company of the 16 Menzies properties and six Travelodge hotels went into administration last week. Lloyds Banking Group restructured £230 million of debt enabling Menzies' management to buy back the 16 hotels through a new company. The six Travelodges will now be put up for sale.

August 2011

Whitbread agreed to sell seven Premier Inn sites to real estate investment company LaSalle Investment Management for £53.8m in a sale and leaseback deal.

September 2011

19 of the 28 von Essen hotels on the market are now under offer. The hotels will be sold to a number of high-net-worth individuals and experienced hotel operators.

The 96-room Hilton Glasgow Grosvenor, in Scotland, has been sold by the Royal Bank of Scotland to an unnamed private investor for £9.45 million.

Splendid Hotel Group put two unfinished hotel developments in London on the market. Offers in excess of £80 million are being sought for the InterContinental London Westminster, which is partially completed. Hilton Bankside is on the market for more than £35 million.

The 263 bedroom Radisson Edwardian hotel in the city of Manchester, northwest England, has been put on the market after its owner, Free Trade Hall Hotel Ltd, went into administration.

Four hotels from UK-based chain English Rose Hotels' six-strong portfolio have been put on the market by administrators. All are located in the seaside resort of Scarborough.

Ireland's National Asset Management Agency announced that the Barclay brothers have acquired £696m of loans backing three of London's most prestigious hotels - The Berkeley, the Connaught and Claridge's.

October 2011

Urban & Country Leisure has secured three more sites for its Lazy Cow boutique chain and trimmed its pub estate to 10.

Capital Hill reputedly acquired the 150-room Sanderson and 204-room St Martins Lane hotels, in London, from US-based Morgans Hotel Group.

Crimson Hotels Group acquired the 212-room Hesperia London Victoria Hotel.

Malaysian-based Tune Hotels announced plans to open the 183-room Tune Hotel Liverpool Street in January 2012.

Entrepreneur Andrew Brownsword agreed terms for the purchase of four former von Essen hotels for a reported £32 million.

November 2011

BDO has announced that it has handled the sale and leaseback of five hotels and organised a 282.5m refinancing for the MWB Group.

A survey by the European Tour Operators Association (ETOA) reveals that the upcoming London Olympics and high room rates has led to a 95% slump in inbound leisure tourism bookings to London in 2012.

The number of people taking a 'staycation' in 2011 has remained similar to 2010 levels, with VisitEngland saying its research shows seven in ten holidaymakers have either taken a break in England this year or plan to before the start of 2012.

Longleat Enterprises acquired another former von Essen hotel, the 21-room Homewood Park Hotel & Spa, just outside the city of Bath.

MWB Group has reported a softening in demand for both accommodation and food & beverage across its estate, which resulted in a decrease in volumes for the first four months of its latest financial year.

The Bank of England warned that the risk of a financial crisis in the UK is the greatest since the collapse of Lehman Brothers in 2008.

December 2011

Eden Hotel Collection has purchased its third former von Essen hotel. After acquiring the Greenway Hotel & Spa last month and Brockencote Hall in August, the group is now the owner of the Mount Somerset Hotel & Spa.

Accountants PwC have suggested that London hoteliers should have a reasonable 2012, not least due to the Olympics and the Queen's Diamond Jubilee but that the UK's regional hotels could have a tougher year.

The British Hospitality Association has reported that the UK hotel industry expanded in 2011 with some 106 hotels opening during the year.

So what does this all mean?

It is pretty much a mixed bag. Company failures are said to be down on 2010 but a very high proportion of the reported sales are the result of receiverships and administrations. Even so occupation levels and room rates have held up remarkably well especially in London. Money has apparently been made available for some quite substantial purchases despite banks being keen to reduce their exposure to the sector.

What is 2012 likely to bring?

Opinion seems to be divided as to whether the Olympics will be good or bad for the London market with the majority view that it will not bring extra profit to London and will be strongly negative for the rest of the UK. The recovery of business bookings

cannot be long delayed although it is unlikely to show a strong growth in profits until late 2012 or even 2013. Banks are likely to continue to look carefully at the sector and this could result in pressure to sell moving “down the leagues” to the smaller owner occupied sectors.

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