

ARMSTRONG WATSON

Hotel Occupancy Report

ANNUAL DATA TO SEPTEMBER 2016

SCOTLAND

CARLISLE

THE LAKE DISTRICT

THE NORTH EAST

LEEDS & BRADFORD

HARROGATE & YORK

ArmstrongWatson®

Accountants, Business & Financial Advisers



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REPORT KEY

ADR = AVERAGE DAILY RATE

Room Revenue divided by rooms sold, displayed
as the average rental rate per room

REVPAR = REVENUE PER AVAILABLE ROOM

Room Revenue divided by number of rooms available

Data supplied by STR Global

Images supplied by Askham Hall, near Penrith, Langdale Chase Hotel, Windermere
and Comlongon Castle, Dumfries



Hello and welcome ...

Welcome to our latest issue of our occupancy benchmarking report for hotels based in the North of England and Scotland.

Our report is split into six distinct regions, allowing you to focus on regional trends applicable to your business alongside wider movements affecting the industry as a whole. This should allow you to benchmark your business against local data, whilst also keeping an eye on the wider market.

The data used within this report is based on hotels, however we believe it will still be a useful tool if you are a guest house owner, as it gives you an insight into emerging trends within the hospitality industry.

Looking at the hospitality industry we can see that following the Brexit decision back in June the pound remains weak, with any impact of the recent Presidential Election in America, still to filter through. The weaker pound certainly presents opportunities to the hospitality industry as it makes inbound and domestic tourism increasingly attractive when compared to more expensive overseas travel, however this opportunity has to be balanced against inflation and the threat of rising commodity prices.

Over the past few years the hospitality industry has had to overcome rising energy prices, escalating commission charges, and mounting employment costs. All of these factors have already had a significant impact on the margins generated within the industry and now food costs are set to rise. The profit margins within the hospitality industry have never faced such pressure, thus it is imperative that the industry works smarter in order to overcome these threats whilst fully exploiting all available opportunities, to this end you may find our guest article written by Enhance of interest.

Whilst the UK hospitality industry continues to find itself surrounded by uncertainty, what we do know is real opportunities exist to grow turnover. The biggest challenge facing the industry over the coming six months will be protecting this income and making it work to generate acceptable profit margins.

We will see the impact of inflation and rising commodity prices start to come through in our next report to March 2017, but for now let's see what has actually happened in your region to September 2016.

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Scotland

OCCUPANCY DATA

		SEPT 16	SEPT 15	MARCH 16	
OCCUPANCY	MONTH	90%	89%	75%	Occupancy Levels were 90% for September 2016, similar to that achieved in September 2015. Levels peaked in August 2016 at 91%. The average occupancy over the six months to September 2016 was 86%. The 12 months to September 2016 reported average occupancy of 80%, which is 12% higher than that reported for the 12 months to March 2016.
	YEAR TO DATE	80%	80%	68%	
AVERAGE DAILY RATE	MONTH	£86.52	£83.53	£69.92	The month of September 2016 reported an average room rate of just under £87, up £3 on September 2015. Predictably the average daily rate spiked in August 2016 at £106. In respect of the year to September 2016 reported ADR was £81.32 compared to £78.24 in September 2015. Average annual room rates being achieved six months earlier in March 2016 were over £15 lower.
	YEAR TO DATE	£81.32	£78.24	£65.62	
REVENUE PER AVAILABLE ROOM	MONTH	£77.56	£74.66	£52.28	The average revenue secured per available room in September 2016 was £77.56, this is up by £25 compared to that being secured 6 months earlier in the month of March 2016. The average revenue secured per available room in the 12 months to September 2016 was £65.30 compared with £62.94 in the 12 months to September 2015.
	YEAR TO DATE	£65.30	£62.94	£44.67	

COMMENTARY FROM DOUGLAS RUSSELL



The data set for this region is the central belt ie Stirling and all areas South. Over 200 separate establishments including national chains, contribute to these regions results.

The data clearly demonstrates a strong summer for our region, with an average occupancy of 86%, second only to Carlisle across the six regions covered by this report. This is fantastic news. In addition our summer average daily room rates are up, £87 was reported in September compared to £70 in March. Whilst this is a great set of results they are not overly surprising as our summer is always stronger than our winter.

Looking at this summer in comparison to last and the results are rather less buoyant; occupancy remains in line and average daily rates, whilst up, are only up by £3. So a strong summer definitely but minimal growth demonstrated on the year previous.

The hospitality industry is key to our region, its one industry that has benefited from significant investment in recent years, we need to continually publicise this investment and promote Scotland as a key holiday destination within the UK. With the correct marketing we could benefit from the weaker pound and then hopefully our strong summer can be continued through to Christmas, Hogmanay and beyond.

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Carlisle

OCCUPANCY DATA

		SEPT 16	SEPT 15	MARCH 16	
OCCUPANCY	MONTH	92%	89%	76%	Occupancy Levels were 92% for September 2016 compared to 89% achieved in September 2015. Levels peaked in July 2016 at 93%. The average occupancy over the six months to September 2016 was 89%.
	YEAR TO DATE	84%	81%	74%	
AVERAGE DAILY RATE	MONTH	£54.44	£52.63	£52.54	The month of September 2016 reported an average room rate of just over £54. In the months of June and August the ADR reached over £56. In respect of the year to September 2016 reported ADR was £53.58 compared to £50.23 in September 2015. Average annual room rates being achieved six months earlier in March 2016 were £3 lower.
	YEAR TO DATE	£53.58	£50.23	£50.90	
REVENUE PER AVAILABLE ROOM	MONTH	£49.78	£46.82	£40.05	The average revenue secured per available room in September 2016 was £49.78, this is up by almost £10 compared to that being secured 6 months earlier in March 2016. The average revenue secured per available room in the 12 months to September 2016 was £44.89 compared with £40.58 in the 12 months to September 2015.
	YEAR TO DATE	£44.89	£40.58	£37.61	

COMMENTARY FROM RICHARD RANKIN



Once more a great set of results for the City of Carlisle, our region throughout the summer months reported an average occupancy of 89%, this is the strongest across all six regions included within this report. Occupancy levels have grown by 3% in the 12 months to September 2016, compared to the previous 12 months demonstrating sustained growth as opposed to just a strong summer.

The hotels contributing to this data set are primarily national chains of large hotels with an average of 70 rooms per establishment.

It should be noted that occupancy rates reported here will still be benefiting from the flooding our region suffered in December 2015, as residents affected were temporarily rehoused into hotels. This should be coming to an end now as the residents finally return home and thus it will be interesting to see how occupancy rates fluctuate over the coming months.

Average room rates have remained fairly static over the past 24 months, which given the economy isn't a huge surprise. Looking forward to March 2017 I hope our regions results continue on their current trend, reporting sustained growth in terms of occupancy, which, if coupled with a slight increase in rates, will ultimately benefit us all.

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"another great set of results for the City of Carlisle"

The Lake District

OCCUPANCY DATA

		SEPT 16	SEPT 15	MARCH 15	
OCCUPANCY	MONTH	84%	80%	61%	Occupancy Levels were 84% for September 2016 compared to 80% achieved in September 2015. Levels peaked in August 2016 at 88%. The average occupancy over the six months to September 2016 was 80%.
	YEAR TO DATE	70%	70%	52%	The 12 months to September 2016 reported average occupancy of 70%, which is 18% higher than that reported for the 12 months to March 2016. After a slow start to 2016 it appears that indicators were correct and occupancy has increasingly improved from March 2016.
AVERAGE DAILY RATE	MONTH	£103.09	£100.62	£89.75	The month of September 2016 reported an average room rate of just over £103. The highest average room rate of the summer was reported in August at £108.
	YEAR TO DATE	£97.35	£94.10	£85.31	In respect of the year to September 2016 reported ADR was £97.35 compared to £94.10 in September 2015. Average annual room rates being achieved six months earlier in March 2016 were £85.31.
REVENUE PER AVAILABLE ROOM	MONTH	£86.95	£80.61	£55.12	The average revenue secured per available room in September 2016 was £86.95, this is up by over £30 compared to that being secured 6 months earlier in March 2016.
	YEAR TO DATE	£68.44	£66.08	£43.99	The average revenue secured per available room in the 12 months to September 2016 was £68.44 compared with £66.08 in the 12 months to September 2015.

COMMENTARY FROM RICHARD ANDREW



As predicted in our last report the summer months through to September 2016 have been strong for the hospitality industry within the Lake District, occupancy levels over the six months to September 2016 have averaged 80% this is 2% up on the same period last year. This demonstrates that any negative impact from the flooding which occurred in our region back in December 2015 has been successfully navigated, by the hoteliers at least.

The hoteliers provided temporary accommodation to many of the flood victims and once these individuals began to get rehoused in to more suitable long term accommodation the hoteliers continued to benefit from a surge in relief workers requiring accommodation in the area throughout the week. The week pound may also have contributed from July onwards.

Room rates have also increased by 3% over the 24 months to September 2016.

Across the six regions reported upon in this report The Lake District reported the highest average daily rate for the 12 months to September 2016 at £97. This puts the regions hotels in a good position as we move into winter. With the flood repair work now complete and the victims returned to their homes we need to focus on keeping occupancy levels high alongside this however we must ensuring the room rates secured are adequate to cover the rising commodity costs. Average Daily Rates and Revenue per Available Room will become increasingly significant statistics to all hotel owners over the coming 12 months.

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" the summer months have been strong for the hospitality industry within the Lake District "

The North East

OCCUPANCY DATA

		SEPT 16	SEPT 15	MARCH 16	
OCCUPANCY	MONTH	79%	82%	66%	Occupancy Levels were 79% for September 2016 compared to 82% achieved in September 2015. Levels peaked in July 2016 at 81%. The average occupancy over the six months to September 2016 was 76%. The 12 months to September 2016 reported average occupancy of 72%, which is 8% higher than that reported for the 12 months to March 2016. Demonstrating an improving summer in 2016.
	YEAR TO DATE	72%	76%	64%	
AVERAGE DAILY RATE	MONTH	£64.48	£65.83	£59.52	The month of September 2016 reported an average room rate of just over £64, this was the highest rate achieved during the period. In respect of the year to September 2016 reported ADR was £61.51 compared to £61.84 in September 2015. Average annual room rates being achieved six months earlier in March 2016 were £59.18.
	YEAR TO DATE	£61.51	£61.84	£59.18	
REVENUE PER AVAILABLE ROOM	MONTH	£51.04	£53.86	£39.43	The average revenue secured per available room in September 2016 was £51.04, this is up by just over £11 compared to that being secured 6 months earlier in March 2016. The average revenue secured per available room in the 12 months to September 2016 was £44.27 compared with £46.69 in the 12 months to September 2015.
	YEAR TO DATE	£44.27	£46.69	£38.02	

COMMENTARY FROM TONY BULLOCK



The data set used for this region comprises over 100 hotels, including national chains and locally owned boutique hotels. The data set incorporates Newcastle, Durham, Gateshead, Sunderland and Middlesbrough.

Unfortunately our regions results do not compare favorably with the other regions covered in this report, with the lowest occupancy rate (76%) for the summer months. Additionally our average daily rates secured in the 12 months to September 2016 were down on the same period last year.

These results are clearly disappointing given the backdrop of the stunning countryside, historically landmarks and energetic cities we have within our region. Our region needs to promote ourselves better going forward in the hope we can secure some of this increasing demand.

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"results are clearly disappointing given the backdrop of the stunning countryside,"

Leeds & Bradford

OCCUPANCY DATA

		SEPT 16	SEPT 15	MARCH 15	
OCCUPANCY	MONTH	81%	82%	70%	Occupancy Levels were 81% for September 2016 compared to 82% achieved in September 2015. Unusually levels dropped in August to 76% and peaked in July and September at 81%. The average occupancy over the six months to September 2016 was 77%.
	YEAR TO DATE	74%	73%	69%	
AVERAGE DAILY RATE	MONTH	£71.42	£69.62	£67.79	The month of September 2016 reported an average room rate of just over £71, which was the highest rate achieved during the period. In respect of the year to September 2016 reported ADR was £68.65 compared to £66.63 in September 2015. Average annual room rates being achieved six months earlier in March 2016 were £67.41.
	YEAR TO DATE	£68.65	£66.63	£67.41	
REVENUE PER AVAILABLE ROOM	MONTH	£58.16	£57.25	£47.55	The average revenue secured per available room in September 2016 was £58.16, this is up by just over £10 compared to that being secured 6 months earlier in March 2016. The average revenue secured per available room in the 12 months to September 2016 was £51.05 compared with £48.49 in the 12 months to September 2015.
	YEAR TO DATE	£51.05	£48.49	£46.59	

"our average daily room rates are considerably higher than other regions"

COMMENTARY FROM DAVID RICHMOND



This region has reported the second lowest average occupancy for the summer months, after The North East, with an average occupancy of only 77%. This is 12% lower than that reported by the City of Carlisle for the same period. Initially you might think these two regions should be more comparable as our region is also dominated by large cities, however, the Carlisle data set includes national chains of budget hotels were as this regions data comprises hotels, all of a significant size, but not national budget chains.

So whilst our occupancy rates appear low our average daily room rates are considerably higher. In the year to September 2016 our average room rate was over £68, which is at the higher end of those being secured across all six regions within this report.

Given the current opportunities faced by the Hospitality Industry due to the weak pound it is disappointing to see that our regions occupancy levels have remained static in the 24 months to September 2016, if we can get some traction in improving our occupancy rates, then this coupled with the good rates currently being secured, will result in some strong results coming through for our region.

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Harrogate & York

OCCUPANCY DATA

		SEPT 16	SEPT 15	MARCH 15	
OCCUPANCY	MONTH	84%	82%	71%	Occupancy Levels were 84% for September 2016 compared to 82% achieved in September 2015. The average occupancy over the six months to September 2016 was 81%.
	YEAR TO DATE	76%	72%	66%	The 12 months to September 2016 reported average occupancy of 76%, which is 10% higher than that reported for the 12 months to March 2016.
AVERAGE DAILY RATE	MONTH	£97.99	£89.11	£84.89	The month of September 2016 reported an average room rate of over £97, the highest rate achieved during the period was £102 in July 2016.
	YEAR TO DATE	£91.83	£89.72	£82.07	In respect of the year to September 2016 reported ADR was £91.83 compared to £89.72 in September 2015. Average annual room rates being achieved six months earlier in March 2016 were £82.07.
REVENUE PER AVAILABLE ROOM	MONTH	£82.24	£72.60	£60.05	The average revenue secured per available room in September 2016 was £82.24, this is up by just over £22 compared to that being secured 6 months earlier in March 2016.
	YEAR TO DATE	£69.65	£63.84	£53.83	The average revenue secured per available room in the 12 months to September 2016 was £69.65 compared with £63.84 in the 12 months to September 2015.

COMMENTARY FROM DAVID RICHMOND



Another fantastic set of results for this region.

The summer months have been very strong reporting an average occupancy of 81%, occupancy levels at September 2016 are 2% higher than they were 12 months earlier.

In addition to strong occupancy this region has also reported high average daily room rates, reporting the second highest average daily room rate across all six regions, lagging only to The Lake District.

The strong occupancy together with the high average daily room rates have resulted in this region reporting the best Revenue Per Available Room for the 12 months to September 2016, this is fantastic news, hopefully we can build on this going forward and excel even more.

This data set is made up of independent hotels only, it does not include national budget chains.

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"Another fantastic set of results for this region."

What can the hospitality industry do to combat inflation and rising commodity prices?

A few months on from the landmark "Brexit" vote, and whichever way you voted, there seems little point looking back at the past when all energies need to be focused on the future. With the recent unprecedented drop in the value of the pound, inflation is inevitable with prices set to rise between 10 to 15% on imported goods.

WHAT PURCHASING POWER?

With the recent media coverage on the very public fallout between Tesco and Unilever over commodity price inflation, it goes to show that even the purchasing power of a supermarket heavy weight can't stop the rise in supplier pricing. That it took such a public and bold step to withdraw products from the shelves in protest to bring back Unilever to the table and reach a resolution, goes to show that the hospitality industry will need to bring their A game to weather the incoming storm of price increases.

ENSURING YOU PAY THE RIGHT PRICE

Simply put, a 10% increase in costs will see your margins drop by 3%. Whereas some larger organisations have teams of experienced buyers who know exactly what the markets are doing and what the best price is, other organisations cannot afford to run a procurement department and instead rely on suppliers to give them the best price. The key question is – how do you know you are paying the right market price?

To determine how much control you have on your commodity purchasing quickly run through the following checklist:

PURCHASING CHECKLIST

Do you benchmark supplier performance against market prices?

Do you run a tender calendar schedule by commodity group?

Is your tender basket correctly weighted for the products you buy?

Do you analyse your off contract spend?

Have you reviewed your current purchase range for best price saving?

In an ideal world the answer to each of the above would be yes. Realistically it takes a team of buyers, who receive daily market intelligence and have the skills and knowledge to negotiate pricing with suppliers. A purchasing team will ensure price stability whilst simultaneously anticipating future price fluctuations based on market conditions.

With decades of experience in purchasing and tenders, contact the Enhance experts and challenge them to renegotiate your supplier prices to not only maintain, but improve your profitability.



Let us help you to...

...make more money

We run regular surveys of the Lake District hotel and guest accommodation market to help you compare your business with others in the area. We can analyse the results for you in more detail and help you to understand how you can improve your business and make more money.

We also offer a management accounts service which helps you to monitor your business, make changes to your business and make more money.

...save tax

We have a number of bespoke tax products for the hospitality sector which can help save you tax. We have a track record of obtaining significant tax refunds and savings for our hospitality clients.

...get a loan

With a dedicated finance raising team we can help you to raise money in order to expand, refurbish or acquire another business. We understand cash flow cycles of the hospitality sector and the lending process used by banks. So, we can present your plans in the right way to give you the best chance of obtaining a loan.

Our dedicated hospitality team is trusted by local businesses for their specialist knowledge of the industry.

General Contact

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