

ARMSTRONG WATSON

# Hotel Occupancy Report

ANNUAL DATA TO SEPTEMBER 2017

SCOTLAND  
CARLISLE  
THE LAKE DISTRICT  
THE NORTH EAST  
LEEDS & BRADFORD  
HARROGATE & YORK

**ArmstrongWatson<sup>®</sup>**  
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

Photography supplied by Askham Hall, Riverside Hotel, Damson Dene Hotel, Newby Bridge Hotel, Matfen Hall and Rusland Pool Hotel.







# Hello and welcome ...

**Welcome to the 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: Scotland, Carlisle, The Lake District, The North East, Leeds & Bradford and Harrogate & York. This allows us to focus on regional trends applicable to your business, alongside wider movement affecting the industry as a whole, and enables you to benchmark your business against local data, whilst also keeping an eye on the broader market.

Although the data used within this report is based on hotel occupancy, we believe this is also a useful tool for guest house owners too, as it provides an insight into emerging trends within the hospitality industry as a whole.

Whilst the historic decision to exit the EU back in June 2016 - and a lack of clarity on the final Brexit deal - may have left the UK hospitality industry facing a time of uncertainty, it has also provided great opportunity too. With a weakening pound, inbound and domestic tourism becomes increasingly attractive and, as a result, the UK remains one of the most visited countries in the world despite an unpredictable economic future.

Unfortunately however, these opportunities are balanced by the increased risk of inflation. The weak pound is causing food, commodity and energy costs to rise. UK employment costs continue to escalate due to the national minimum living wage and the knock-on effect to supervisor and management salaries. This has a direct impact on the hospitality industry but also further drives inflation.

All of these factors have already had a significant impact on margin, and therefore the biggest challenge facing the industry is how to grow revenue ahead of these cost base increases. Fortunately there are real openings to do this. To capitalise on these, it is imperative that the hospitality industry in the North of England and Scotland works smarter, focusing on successful strategies to provide a world class quality offering. To this end you will find our guest article written by AJ Consultancy of interest.

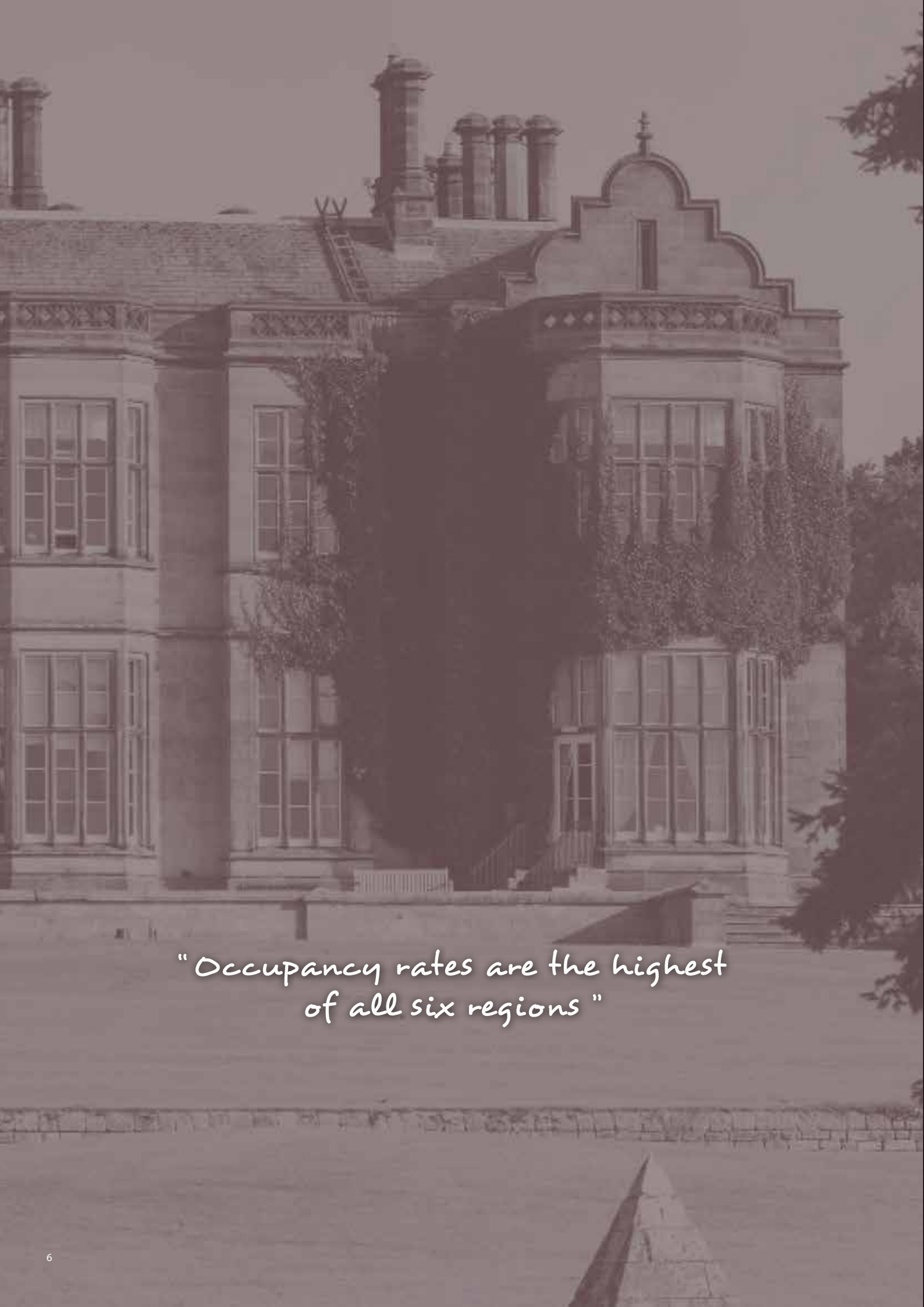
Let's see what has happened in your region over the past year to September 2017.

## CONTACT RICHARD ANDREW

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Richard Andrew - Partner  
Email: [richard.andrew@armstrongwatson.co.uk](mailto:richard.andrew@armstrongwatson.co.uk)  
Telephone: 01539 942030  
Office: Kendal





*"Occupancy rates are the highest  
of all six regions"*

# Scotland

## OCCUPANCY DATA

OCCUPANCY	SEPT 17	SEPT 16	Occupancy levels were 90% for September 2017, in line with those achieved in September 2016. Levels peaked in August 2017 at 93%. The average occupancy rate during the year to September 2017 was 82%. This represents a 2% increase on the year to September 2016.
	MONTH	90%	
YEAR TO DATE	82%	80%	
AVERAGE DAILY RATE	SEPT 17	SEPT 16	The month of September 2017 reported an average daily rate (ADR) of £94.62, up over £8 on September 2016. As expected the ADR spiked in August 2017 at £115, up £9 on the prior year. In respect of the year to September 2017, reported ADR was £87.61, compared to £81.32 in the year to September 2016, an increase of over £6.
	MONTH	£94.62	
YEAR TO DATE	£87.61	£81.32	
REVENUE PER AVAILABLE ROOM	SEPT 17	SEPT 16	The average revenue secured per available room in September 2017 was £85.49, up by almost £8 on September 2016. The average revenue per available room in the 12 months to September 2017 was £71.81 compared with £65.30 in the prior year.
	MONTH	£85.49	
YEAR TO DATE	£71.81	£65.30	

### COMMENTARY FROM DOUGLAS RUSSELL



The data for this region covers the central belt of Scotland, from Stirling south. Over 200 separate establishments, including national chains, contribute to the results.

The data demonstrates a strong year for the region with an average occupancy of 82%, up 2% on last year. Occupancy rates and the growth demonstrated in them are the highest of all 6 regions included within the report. In addition, average daily room rates have increased to £87.61, up over £6 on the previous year. These increases are reflected in the average revenue per room, which has also increased over £6 to £71.81.

This is an excellent result for the region, which is also reflected in the results for the summer. Whilst occupancy rates remained constant in September when compared to the prior year, the average daily rate increased by over £8. Daily rates peaked in August at £112, again increasing on the previous year.

The hospitality industry is key to the south Scotland region. Significant investments have been made and the fruits of this investment have been demonstrated. Strong results have been seen over the past year, which continues to build on the growth seen over 2015/16. The challenge will be to maintain these improvements if Sterling strengthens, as a lot of the revenue increases will be driven by overseas tourists.

"Staycations" are becoming more popular, the trend being that people are taking more short breaks in the UK rather than traditional longer foreign holidays. Scotland should be a winner from this if marketed effectively.

The region needs to continue to publicise the investment made to ensure strong results are maintained and that growth continues into the future. By continuing to promote the region and provide excellent customer service, we can continue our strong results through 2017/18.

Douglas Russell - Partner  
 Email: [douglas.russell@armstrongwatson.co.uk](mailto:douglas.russell@armstrongwatson.co.uk)  
 Telephone: 01387 955900  
 Office: Dumfries





*"Overall a mixed result  
for Carlisle"*



# Carlisle

## OCCUPANCY DATA

		SEPT 17	SEPT 16	
OCCUPANCY	MONTH	88%	92%	Occupancy levels were 88% for September 2017, 4% behind the rates achieved in September 2016. Levels peaked in August 2017 at 88%. The average occupancy rate during the year to September 2017 was 78%. This represents a 6% decrease on the year to September 2016.
	YEAR TO DATE	78%	84%	
AVERAGE DAILY RATE	MONTH	£52.92	£54.44	The month of September 2017 reported an average room rate (ADR) of almost £53, down £1.50 on September 2016. The ADR was at its highest in July at £59.13. In respect of the year to September 2017, reported ADR was £53.65, broadly in line with the ADR of £53.58 to September 2016.
	YEAR TO DATE	£53.65	£53.58	
REVENUE PER AVAILABLE ROOM	MONTH	£46.42	£49.78	The average revenue secured per available room in September 2017 was £46.42, down by over £3 on September 2016. The average revenue per available room in the 12 months to September 2017 was £41.64 compared with £44.89 in the prior year, also reflecting a decrease of over £3.
	YEAR TO DATE	£41.64	£44.89	

### COMMENTARY FROM RICHARD RANKIN



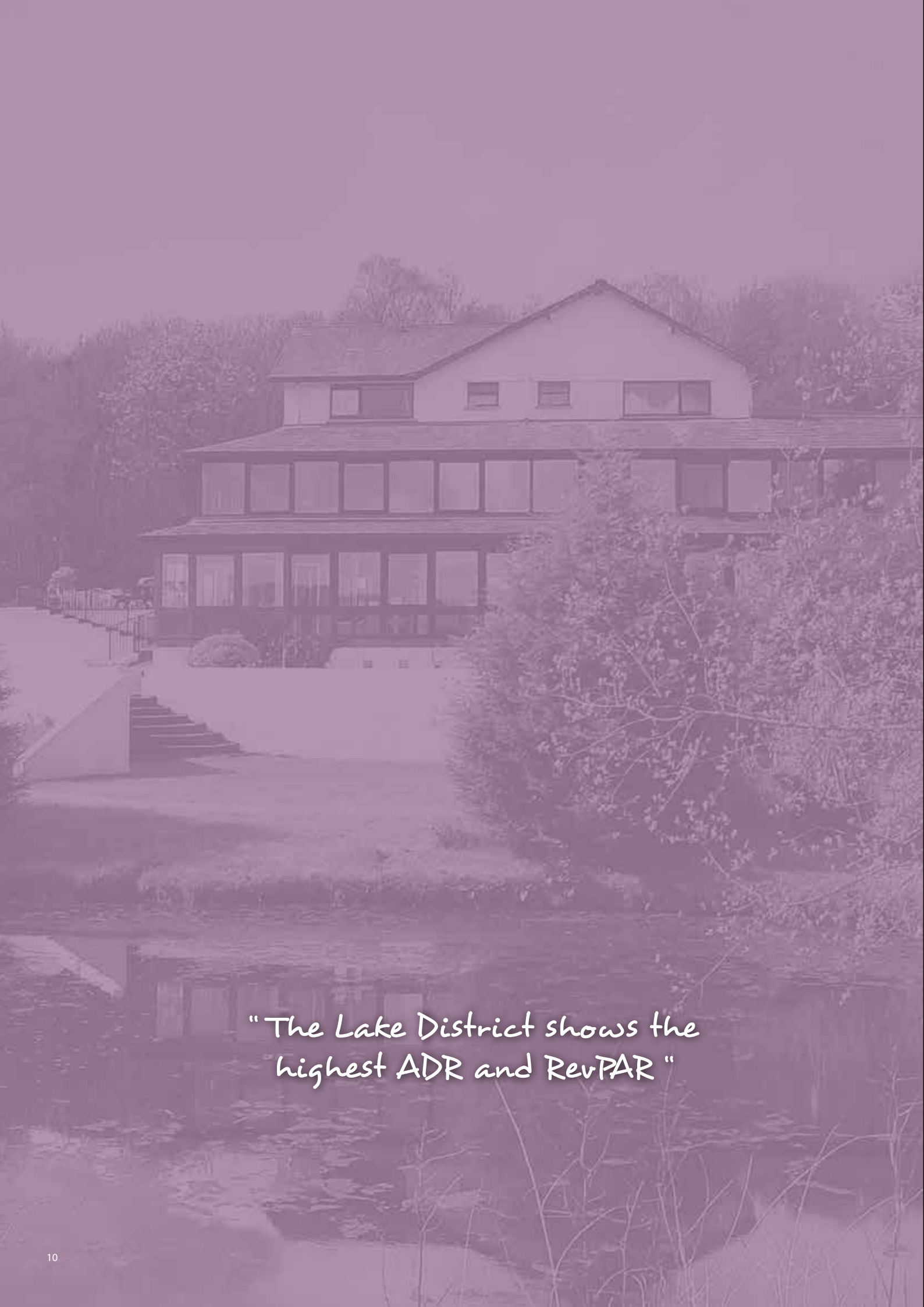
The data shows a fall in occupancy in the region for both year to date of 6%, and the month of September at 4%. This is as predicted in our report last year. Occupancy rates were bolstered during 2015/16 as a result of the flooding in December 2015 when residents were temporarily rehoused into hotels. This had largely come to an end by December 2016 and occupancy rates have therefore been negatively impacted during the year to September 2017. However it is important to note that Carlisle is still showing strong results when compared with the other regions included in this report, with the second highest occupancy rates for both the year and month.

The hotels contributing to this data set are primarily national chains of large hotels with an average of 70 rooms per establishment. As such ADR and RevPAR is the lowest of any region in the report, given most of these establishments do not expect a high contribution from food and drink.

Average daily rate has remained fairly static over the past 12 months which, given the uncertain state of the economy and the return home of residents housed during the floods, isn't really a surprise. RevPAR has fallen which again may be impacted by housing residents through the flooding. This had seen an increase of £4 in the year to September 2016 but has seen a fall in the year to September 2017 of £3.

Overall a mixed result for Carlisle. Whilst the reductions in occupancy and RevPAR can be explained, the region needs to work on increasing these over the coming year to the benefit of the whole area.

**Richard Rankin - Partner**  
 Email: [richard.rankin@armstrongwatson.co.uk](mailto:richard.rankin@armstrongwatson.co.uk)  
 Telephone: 01228 690200  
 Office: Carlisle (Fairview House)



*"The Lake District shows the  
highest ADR and RevPAR"*



# The Lake District

## OCCUPANCY DATA

		SEPT 17	SEPT 16	
OCCUPANCY	MONTH	76%	84%	Occupancy levels were 76% for September 2017, 8% behind the rates achieved in September 2016. Levels peaked in August 2017 at 81%, 7% behind the rate of 88% in August 2016. The average occupancy rate during the year to September 2017 was 69%, broadly in line with the year to September 2016.
	YEAR TO DATE	69%	70%	
AVERAGE DAILY RATE	MONTH	£109.96	£103.09	The month of September 2017 reported an average daily rate (ADR) of almost £110, up almost £7 on September 2016. The highest ADR was recorded in August 2017 at £116.51. In respect of the year to September 2017 reported ADR was £106, an increase of £9 on the year to September 2016.
	YEAR TO DATE	£106.37	£97.35	
REVENUE PER AVAILABLE ROOM	MONTH	£84.04	£86.95	The average revenue per available room in September 2017 was £84.04, down by almost £3 on September 2016. The average revenue per available room in the 12 months to September 2017 was £73.12 compared with £68.44 in the prior year, reflecting an increase of almost £5.
	YEAR TO DATE	£73.12	£68.44	

### COMMENTARY FROM EMMA ARMSTRONG



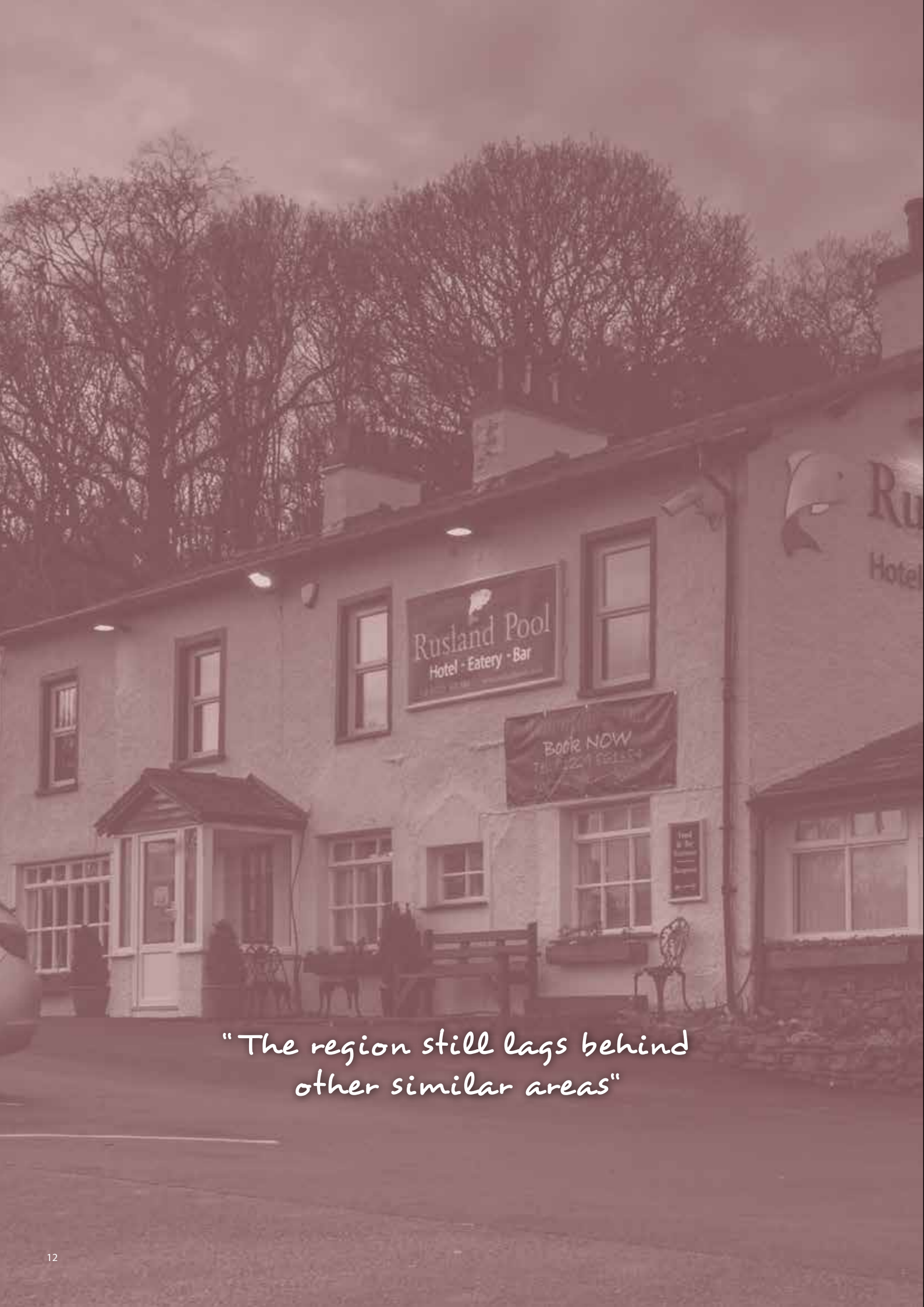
Occupancy over the year to date has remained in line with the previous year. This is despite a weaker summer than that seen in 2016, with September's occupancy rates showing an 8% fall. This may be as a result of the cessation of hotel occupation by relief workers and residents following the flooding in December 2015. It is a testament to the industry that, despite the sharp drop over the summer once this had been withdrawn, average room occupation rates have been maintained.

Average daily rates have shown strong increases both in the month and year to date, possibly reflecting the fact that hotels have been occupied by a more traditional mix of tourist customers. These customers are more likely to spend money on additional offerings (such as spa treatments) which rehomed residents and relief workers may not take advantage of.

RevPAR has increased over the past 12 months for the reasons given above (as ADR has increased and occupancy is static). The fall in September 2017 reflects the much reduced occupancy rates for the month, which have not been entirely offset by the increase in ADR.

The Lake District shows the highest ADR and RevPAR of any region included in this report. However, occupancy rates are the lowest. The region has recently been granted World Heritage status, which is a fantastic achievement. Looking to the future, the hospitality industry should aim to capitalise on the boost this status will give focusing on keeping occupancy levels high, at the right price, to ensure the rising cost of commodities can be covered. These statistics will become ever more important to hotel operators over the coming months.

Emma Armstrong - Director  
 Email: [emma.armstrong@armstrongwatson.co.uk](mailto:emma.armstrong@armstrongwatson.co.uk)  
 Telephone: 01529 942030  
 Office: Kendal



*"The region still lags behind other similar areas"*



# The North East

## OCCUPANCY DATA

		SEPT 17	SEPT 16	
OCCUPANCY	MONTH	82%	79%	Occupancy levels were 82% for September 2017, 3% ahead the rates achieved in September 2016. Levels peaked in July 2017 at 80%. The average occupancy rate during the year to September 2017 was 73%, broadly in line with the year to September 2016.
	YEAR TO DATE	73%	72%	
AVERAGE DAILY RATE	MONTH	£66.05	£64.48	The month of September 2017 reported an average room rate of £66.05, up £1.50 on September 2016. This was the highest rate received in the period. In respect of the year to September 2017, reported ADR of £61.15 was broadly in line with the year to September 2016.
	YEAR TO DATE	£61.15	£61.51	
REVENUE PER AVAILABLE ROOM	MONTH	£54.38	£51.06	The average revenue per available room in September 2017 was £54.38, up by over £3 on September 2016. The average revenue per available room in the 12 months to September 2017 was £44.51, broadly in line with the prior year.
	YEAR TO DATE	£44.51	£44.27	

### COMMENTARY FROM TONY BULLOCK

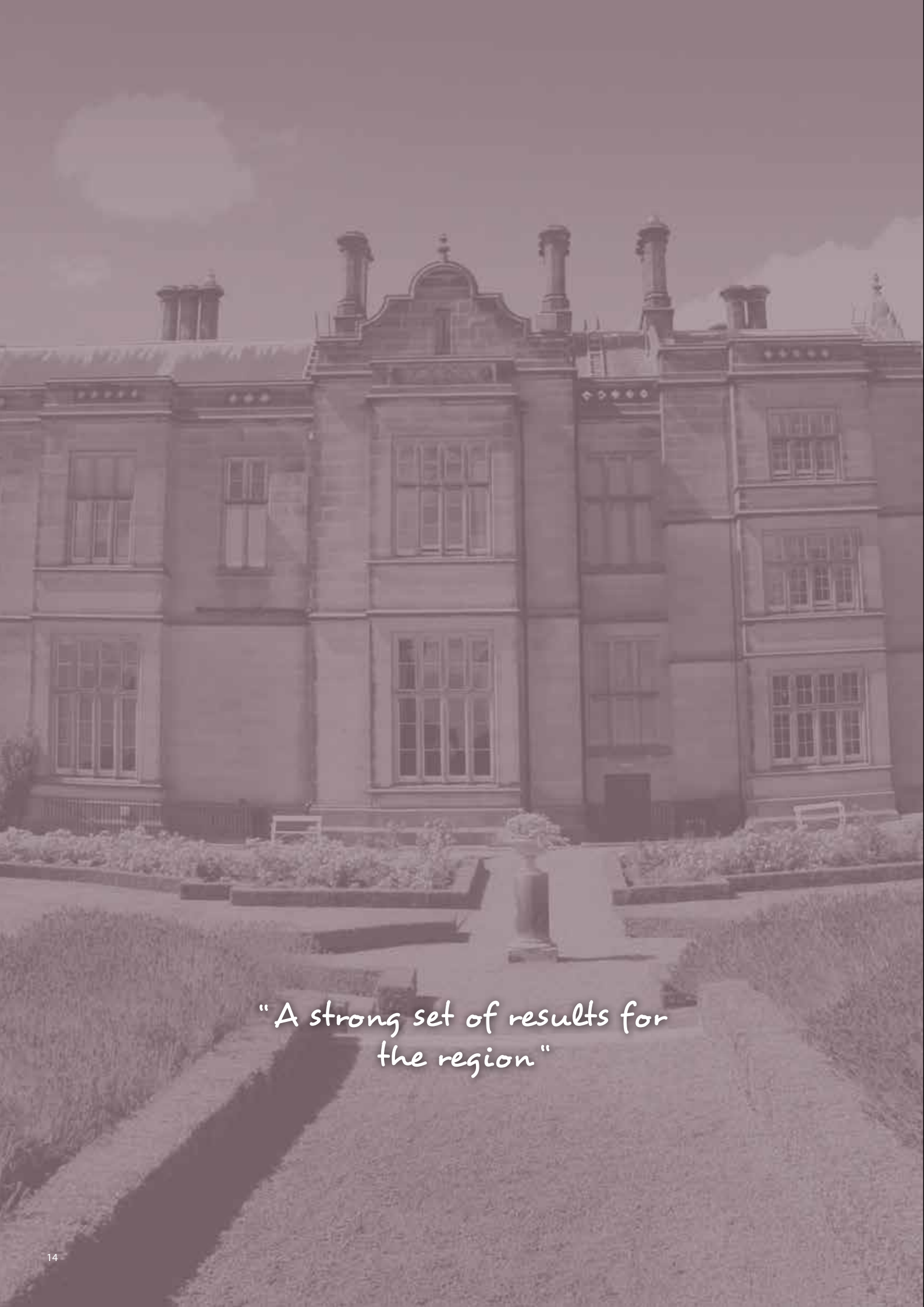


The data used for this region comprises over 100 hotels, including national chains and locally owned boutique hotels. It incorporates a number of cities including Newcastle, Durham, Gateshead, Sunderland and Middlesbrough.

The region has shown a fair set of results for the period. Occupancy rates have increased, although these are still some of the lowest of the regions included. The results do however show less seasonality than some of the other regions. ADR and RevPAR have remained constant in the period and have shown an increase in the month of September.

Overall the region still lags behind other similar areas, which is clearly disappointing given the backdrop of stunning countryside and vibrant cities which define the region. We need to focus on promoting ourselves more and offering a truly quality experience going forward in the hope of securing growth.

**Tony Bullock - Partner**  
 Email: [tony.bullock@armstrongwatson.co.uk](mailto:tony.bullock@armstrongwatson.co.uk)  
 Telephone: 01434 375550  
 Office: Hexham



*"A strong set of results for  
the region"*



# Leeds & Bradford

## OCCUPANCY DATA

		SEPT 17	SEPT 16	
OCCUPANCY	MONTH	82%	81%	Occupancy levels were 82% for September 2017, compared to 81% in September 2016. Levels peaked in July and September at 82%, with a dip in August at 78%. The average occupancy rate during the year to September 2017 was 76%, an increase of 2% on the year to September 2016.
	YEAR TO DATE	76%	74%	
AVERAGE DAILY RATE	MONTH	£70.96	£71.42	The month of September 2017 reported an average daily rate (ADR) of £70.96 which was the highest rate in the period. In respect of the year to September 2017, reported ADR was £68.17, broadly in line with the year to September 2016.
	YEAR TO DATE	£68.17	£68.65	
REVENUE PER AVAILABLE ROOM	MONTH	£58.20	£58.16	The average revenue per available room in September 2017 was £58.20, in line with September 2016. The average revenue per available room in the 12 months to September 2017 was £52.06, an increase of £1 on the prior year.
	YEAR TO DATE	£52.06	£51.05	

### COMMENTARY FROM DAVE RICHMOND

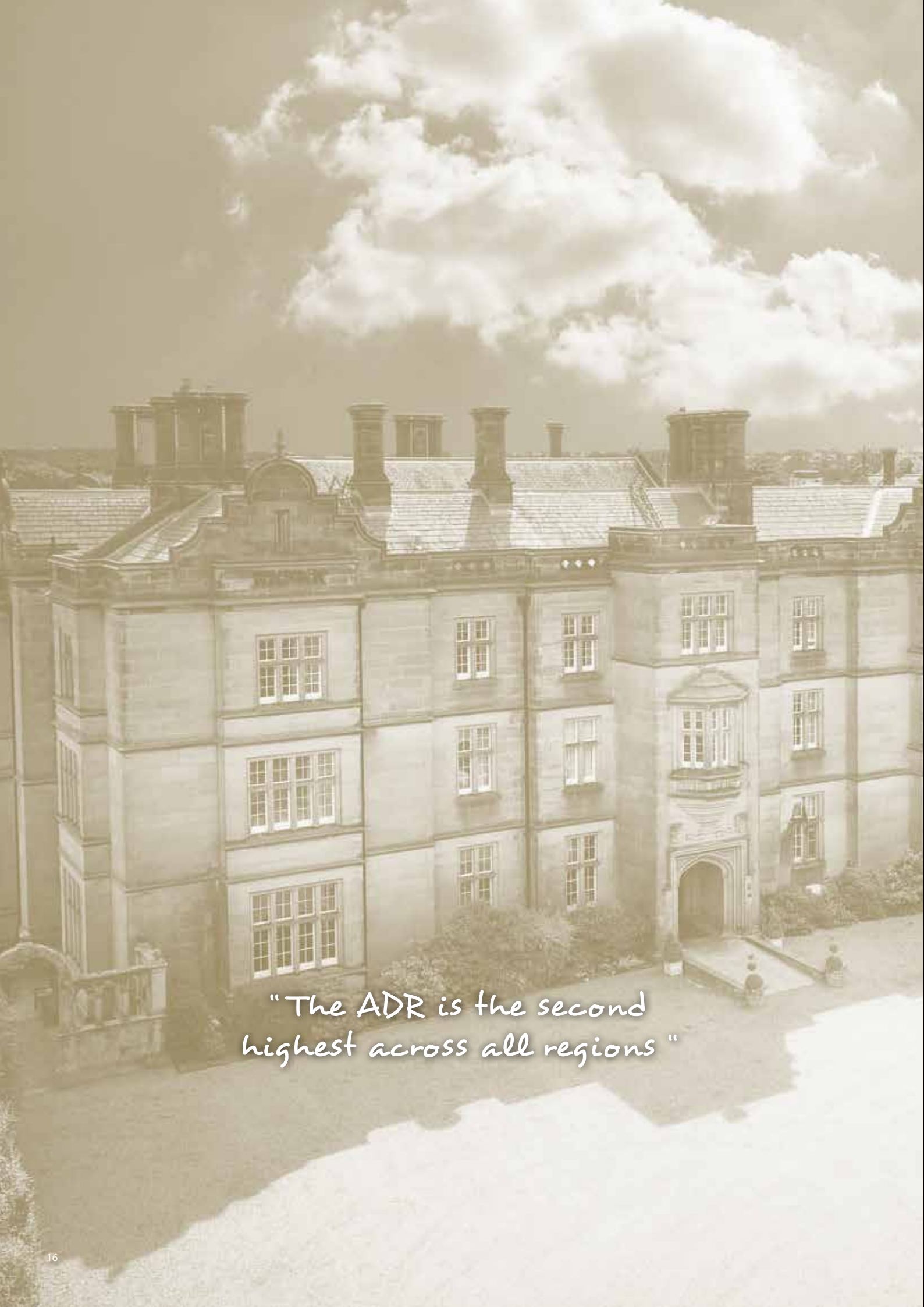


The data used for this region comprises locally owned hotels of all sizes, but not national budget chains. It incorporates a number of cities including Leeds and Bradford. The region has shown a fair set of results for the period. Whilst occupancy rates are not the highest across all regions examined in this publication, they are comparable with levels in other urban demographics, such as Carlisle and the North East. Levels in the year have increased by 2% which is a positive improvement.

ADR and RevPAR have remained broadly in line with the prior year in both September and throughout the year. Whilst not the highest rates, this would not be expected given the urban nature of the region. The rates do compare favourably with the North East and Carlisle, albeit the stats for these regions do contain national chains. The urban background means the results show less seasonality than some of the other regions, with rates varying much less over the year.

Opportunities to grow hospitality are available given the weak pound, increasing holidays at home and potential for overseas visitors. However, there is also risk to be faced in terms of a rising cost base. Given the challenges facing the hospitality industry over the coming 12 months, it will be important for the region to continue to focus on growing ADR, RevPar and occupancy. If the region does this we can hope to see some strong results coming through in the future, building on the already good results.

**Dave Richmond - Partner**  
 Email: [david.richmond@armstrongwatson.co.uk](mailto:david.richmond@armstrongwatson.co.uk)  
 Telephone: 01756 620025  
 Office: Skipton



*"The ADR is the second highest across all regions"*



# Harrogate & York

## OCCUPANCY DATA

		SEPT 17	SEPT 16	
OCCUPANCY	MONTH	81%	84%	Occupancy levels were 81% for September 2017, falling 3% compared to September 2016 at 84%. Levels peaked in August at 83%. The average occupancy rate during the year to September 2017 was 75%, a decrease of 1% on the year to September 2016.
	YEAR TO DATE	75%	76%	
AVERAGE DAILY RATE	MONTH	£101.92	£97.99	The month of September 2017 reported an average daily rate (ADR) of £101.92 compared to £97.99 in September 2016, an increase of almost £4. The highest ADR was seen in August at £104.76. In respect of the year to September 2017, reported ADR was £94.63, showing an increase of almost £3 from £91.83 in September 2016.
	YEAR TO DATE	£94.63	£91.83	
REVENUE PER AVAILABLE ROOM	MONTH	£82.68	£82.24	The average revenue per available room in September 2017 was £82.68, broadly in line with September 2016. The average revenue per available room in the 12 months to September 2017 was £71.27, an increase of just over £1 on the prior year.
	YEAR TO DATE	£71.27	£69.65	

### COMMENTARY FROM DAVE RICHMOND



Another strong set of results for the region. The data set comprises independent hotels only, like the Leeds & Bradford and Lake District regions. Although occupancy rates have fallen on the prior year in September, the average rate for the summer months of June, July, August and September is 81%, which is in line with the prior year. This is reflected by the small movement in overall occupancy rates for the year.

In addition to maintaining strong occupancy rates, the region has also reported high average daily rates. These have shown growth on the prior year, both in September at £4 and over the year of £3. The ADR is the second highest across all regions, surpassed only by the Lake District. Occupancy exceeds that in the Lake District.

The strong occupancy together with the high average room rates have resulted in the region showing the strongest RevPAR in the year to September for the second year running. This is great news and shows the region is continuing to build on the strong results demonstrated. By taking advantage of the opportunities offered by the current state of the economy, and managing the risks, the region should continue to excel.

**Dave Richmond - Partner**  
 Email: [david.richmond@armstrongwatson.co.uk](mailto:david.richmond@armstrongwatson.co.uk)  
 Telephone: 01756 620025  
 Office: Skipton

# How can the hospitality industry cope with the migration of labour and the uncertainty of Brexit in the workplace?

At present, there is no clear defined brief of what is to be agreed with our EU migrant hospitality workers in the UK. The industry is very nervous about the future of recruitment. Being the 4th largest employer in the UK and the 6th largest contributor to export earnings, the hospitality industry has a fundamental role to play in the UK to ensure Brexit is a success.

It has been well documented by the BHA that the hospitality industry in the UK is heavily reliant on EU workers. It has been calculated this sector of our workforce makes up to 23.7% of the overall hospitality sector workforce.

It is a frightening thought that without future EU migration, the hospitality sector will face a recruitment shortfall upwards of 60,000 workers by 2019. The industry could face a total recruitment gap of over one million workers, over a quarter of its expected workforce by 2029, unless this can be replaced by other prospective workers, such as those currently unemployed or others not currently in the workplace.

## **So, the challenges are there, what can we do to reduce the issues facing us as an industry?**

At present, unemployment in the majority of the UK is at an all-time low. There are three groups of people which need to be targeted to ensure the recruitment shortfall is reduced. The hospitality industry need to market and focus on the over 55's market and encourage younger people and return to work parents to take jobs in this sector.

### **How do we do this?**

- Change how we market to our future employees. We work hard in marketing to our guests/consumers, but do we have the same ethos when it comes to marketing to recruit people to work in our industry? Do you sell any of the benefits of working in hospitality? How we develop transferable skills? How we can travel all over the world with industry experience? Within the community we work, you can develop friends for life which are some of the many benefits we have.
- The list of career paths is endless. Working in the hospitality industry is not just about the positions we automatically think of. What about highlighting roles such as gardener, web design, guest services, business managers, digital marketer, valet attendant, night auditor, wedding & events planner and many more.

- Analyse your operation. Is it imperative all the team work the full shift patterns or is it possible to bring part time workers to cover busy periods e.g. if your housekeeping team normally arrive at 7.30am, is it possible to hire a person to arrive at 9.30am and finish at 2.30pm to cover the busy departures? Is it possible for some members of your team to work from home on some days?

- Make use of the Apprenticeship program and ensure you have a clear training and career path for the apprentice to ensure you both get the best out of the program. It has been statistically proven that an apprentice employee is 70% more likely to stay with the company after the program is completed.

- Think of who you are trying to attract and who will match your company ethos, what are their hobbies and interests? Stage of life? Then use the media this person is most likely to engage with to attract them to work with you.

- Ensure when you recruit the members of the team, you welcome, induct, train and develop them and follow through what you have promised them in interview.

- Look after your team and they will look after you! Remember Richard Branson's well known quote "train people well enough so they can leave, treat them well enough so they don't want to"

Is all the above the answer to your problems? Not completely, but I am here to help. Please contact me on 07947 741528 for a no obligation conversation to help you and your business develop and grow.

I am a specialist in hospitality and tourism and have started AJ Lakes Consultancy & Training to help businesses grow. I have a wealth of experience having left my last position as a General Manager of a 4 star, 2 rosette property in the Lake District after 17 years.

I am here to help. Please peruse my website [www.ajlakes.com](http://www.ajlakes.com) or contact me [directalison@ajlakes.com](mailto:directalison@ajlakes.com)

Guest article by Alison Magee-Barker from AJ Lakes Consultancy





# 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

## Call Us

Give us a call on 0808 144 5575

## Email Us

You can email us at [help@armstrongwatson.co.uk](mailto:help@armstrongwatson.co.uk)

## Visit Our Website

[armstrongwatson.co.uk](http://armstrongwatson.co.uk)

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