BREXIT has introduced new challenges to the hospitality sector with uncertainty being the new status quo, but while sterling remains low, inbound travellers are expected to reach record highs and we believe the industry will also benefit from 'staycationers' choosing to holiday in the UK.

Regional hotels have experienced the seventh year of rooms yield growth and despite the slowdown in pace, there is still room for further growth particularly in AARR

These positives are starkly set against the challenges created by leaving Europe. The European Union remains the principal source of visitors for the United Kingdom and hotels are particularly dependent on an EU labour force. The sliding pound could also prompt an increase in food and beverage prices and as customs charges are renegotiated, the cost of imports is likely to rise.

TOWNHOUSE is however well insulated from these risks with it's low cost base, lack of reliance on an in-house F&B product and by targeting properties in areas which continue to see occupancy and ARR growth.

4%

Growth in visits to the UK forecast for 2018 to 38.1 million

TOWN HOUSE FORECAST			UK HOTELS				
			2012	2013	2014	2015	2016
Occupancy	78.60%		74.40%	76.50%	77.60%	78.40%	77.80%
Year on Year Growth (%)				2.80%	1.40%	1.00%	-0.80%
AARR	£104.04		£89.22	£88.80	£91.55	£95.80	£97.28
Year on year growth (%)				0.50%	3.10%	4.60%	1.50%
Room yield	£81.82		£66.40	£67.96	£71.03	£75.08	£75.64
Year on Year Growth (%)				2.30%	4.50%	5.70%	0.70%

On a macro level, the global economic outlook remains generally positive, which coupled with the weak pound, will fuel international travel to the UK over the coming years. Vibrant cities will undoubtedly be chosen destinations for international leisure and business tourists and TOWNHOUSE will be well placed to cater for them.
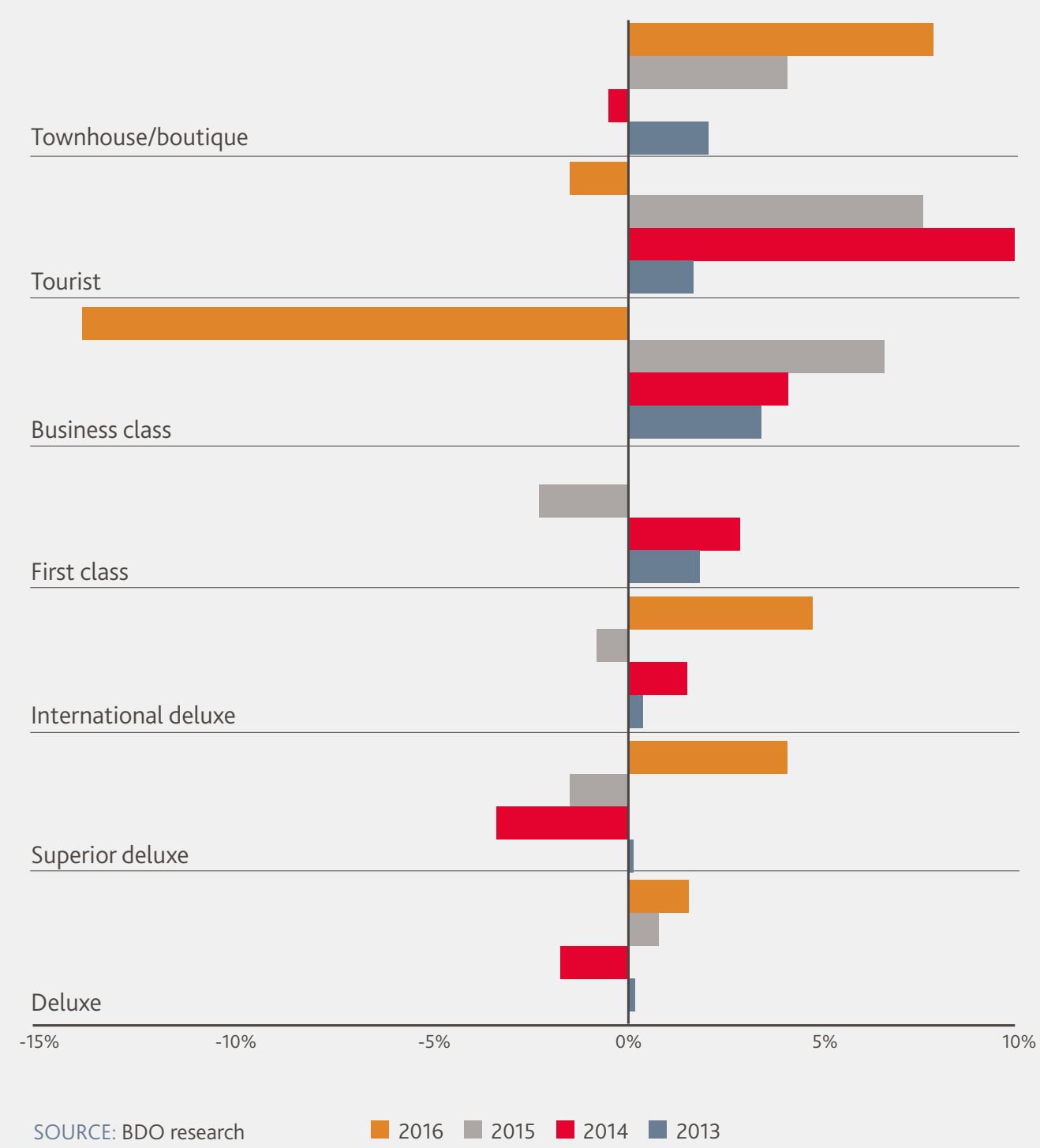
According to the BDO hotel report, optimism in occupancy, particularly in regional cities, remains robust, despite the uncertainty associated with Brexit. Occupancy levels in the UK are at record levels and REVPAR is now 20% higher than pre-recession levels. Regional cities are preforming particularly well with RevPAR in Birmingham up by 9.5%, Brighton up 10.5%, Manchester 6.6% and Edinburgh 6%. Overall, Regions were up 4.5% year on year.

Boutique properties performed particularly well in 2016, up 7.9% on the previous year based on a good mix in occupancy (up 1.5%) and ARR (up 6.2%)

We are living in a time of unprecedented change. Not just Brexit, but emerging markets such as AirBNB and relentless advancements in technology are changing the way hotels will have to do business. TOWNHOUSE is well placed to deal with all these challenges and in technology, we see an opportunity rather than a perceived threat...

Room yield growth by sector 2017

Categories (top to bottom): Townhouse/boutique, Tourist, Business class, First class, International deluxe, Superior deluxe, Deluxe

Axis: -15%, -10%, -5%, 0%, 5%, 10%

SOURCE: BDO research ■ 2016 ■ 2015 ■ 2014 ■ 2013

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