Benchmarking is the process of comparing and analysing your hotel's performance against your competition. STR's STAR Programme provides in-depth insights that enable you to assess and strengthen your strategy based on historical data for your property, your selected competitors, and your full local market's performance.

The STAR Report is the ultimate benchmarking tool for gauging your market share and identifying where you should take action. It's used by thousands of hotels around the world each day, helping them make better business decisions to fuel their business growth.

Working with STR means working with the most trusted data provider in the industry. We never share individual client data with anyone under any circumstances. When a hotel submits data to STR, it remains anonymous to anyone not authorized from the respective entity. This confidentiality ensures an even playing field that gives every hotel working with STR an advantage.

For more information on available products and pricing:

Email us at **sales@str.com** or call one of our regional offices:

STR International Headquarters
+44 (0) 207 922 1930

str

INDEPENDENT HOTEL SHOW

Inside Independents

A special STR report on independent hotel performance across the U.K.

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Introduction

The U.K. is home to one of the world's most established hotel sectors, which is reflected in the high number of properties across the nation that work with STR. We currently collect data from 66,000 hotels around the world, and 3,900 of these properties are based in the U.K.

We currently work with 600 independent hotels in the U.K., which is 20% more than this time last year, and we believe there is tremendous room for growth in this segment of the market. STR's mission is to help fine-tune your strategies and day-to-day decisions through our benchmarking insights.

In our ongoing effort to help hotels continue expanding their footprint, we have been working hard to increase and improve our offerings for independent properties throughout the country.

A tremendous boost to this effort has been STR's strong ongoing partnership with the Independent Hotel Show. We are very excited for the opportunity to meet with independent hoteliers from all over, and to kick off this year's event, we are pleased to present this report.

The following pages showcase the data and insights STR can provide for independent hotels. As we continue to work with more properties, both in our free Hotel Survey programme and our competitor insights dSTAR Programme, the depth and quality of our data offerings continue to improve.

Every new hotel that works with STR gains a competitive advantage. In turn, every new hotel we work with enables us to help raise professional standards and performance levels across the industry as the depth of our data and analytics strengthens. We all move forward together.

We hope you find the insights in this report interesting, and if you would like more information about working with STR, please reach out to us at any time.

Warmest regards,

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U.K. Market Overview

2018 Recap

The U.K. welcomed approximately 37 million international visitors last year, according to Tourism Economics. The top five feeder countries were the U.S., France, Germany, Spain and Ireland. This had a clear impact on hotel performance, with revenue per available room (RevPAR) up 2.7% compared with 2017.

Ongoing Brexit negotiations and uncertainties kept the pound sterling weak, hence hotels benefited from the favourable exchange rate for European and Northern American guests.

Unlike 2017, the first half of the year was fairly flat. With the start of summer, and more sunshine in the U.K. until late October, hotel performance was on the rise in all three key performance indicators (KPIs) for the second half of the year.

2019 - London

Despite growing supply, the capital showed positive performance for the first half of 2019 due to last year's unimpressive numbers for the same period. London recorded eight consecutive months of RevPAR uplift from January to August of this year.

Summer weather and event business have helped boost London's performance over the last few months. In June, London saw an almost 6% demand rise, pushing occupancy to just under 90%, which rivalled July, the busiest month of the year.

2019 - Regional U.K.

For the U.K. excluding London, year-to-date performance remains negative. Regional U.K. recorded eight consecutive months of RevPAR decline from January to August. The first six months of the year produced negative year-over-year comparisons for occupancy, ADR and RevPAR, as supply growth outpacing demand growth led to one of the region's worst first halves on record.

Cities like Manchester and Southampton recorded year-to-date RevPAR increases above 3% through August after seeing negative comparisons for the same period last year. On the other hand, 27 of 37 markets recorded RevPAR decreases including Kent at -3.5% and Newcastle at -4.2%.

Glasgow, one of last year's standout performers, recorded a 10.3% decline in RevPAR for the first eight months of the year due to supply growth (8.3% YTD year over year) outpacing demand growth (3.8% YTD year over year). Glasgow still has yet to feel the impact of supply growth, with more than 927 rooms due to open in the first half of 2020 and another 929 rooms expected to open in the second half of 2020.

Southampton reported flat RevPAR (+0.2%) last year due to new supply entering the market. Thus far in 2019, demand growth has outpaced slow supply growth and brought Southampton back to RevPAR growth (3.2%) year to date.

A note on the data in this report:

Please note that comparisons between branded and independent hotels in this report include all hotel classes from economy to luxury to provide a broader representation of the market. However, over 20% of U.K. branded properties are classified as economy hotels, whereas U.K. independent hotels are highly concentrated in the upper midscale and upper upscale classes.

Regional U.K. – Performance Summary

August Year to Date

Unlike overall Regional U.K. performance, independent hotels have showed positive YTD performance.

Independent properties have surpassed branded properties in terms of RevPAR growth so far this year, recording a 2.2% increase compared with the first eight months of 2018. This has primarily been driven by double-digit growth in markets across England Southwest and Midlands.

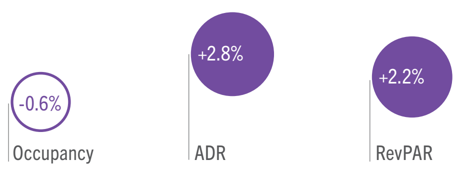
U.K. independent hotels tend to fall in upper-tier classes and typically operate at higher average rates. This year to date, independent hotels in Regional U.K. posted an ADR of GBP100.51, more than GBP30 higher than the collective ADR of branded hotels in Regional U.K. To put this into further context, the majority of independent hotels in Regional U.K. are classified in the upscale and upper upscale classes, while 20% of branded hotels in Regional U.K. are in the economy class.

Pages 8-9 of this report show a market-by-market performance breakdown of branded versus independent properties. So far this year, branded properties have shown negative RevPAR comparisons at -2.0%. This was the first negative YTD performance in years for Regional U.K. branded hotels.

Independent Hotel Performance

August 2019 YTD

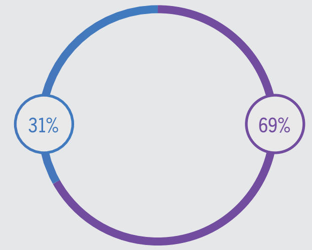
Occupancy	Average Daily Rate	Revenue Per Available Room
70%	£100.51	£70.36



Branded Hotel Performance

August 2019 YTD

Occupancy	Average Daily Rate	Revenue Per Available Room
76%	£68.42	£52.05

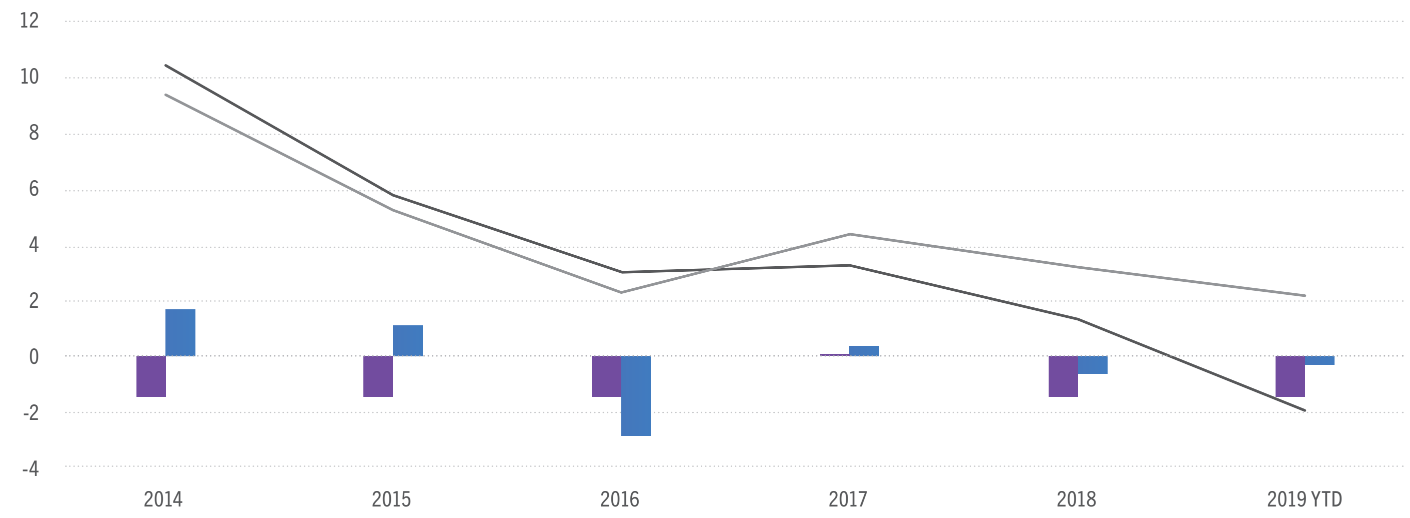


RevPAR by Month – Independent properties

Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	July-19	Aug-19
85	82	71	62	62	45	55	58	66	75	85	89	87

– % of Revenue made on weekdays – % of Revenue made on weekends

Supply, Demand, RevPAR % change - Regional UK



London Focus – Performance Summary

August Year to Date

Even in a period of uncertainty, London has led U.K. hotel performance. Year-to-date performance figures show fairly flat occupancy (+0.6%) and steady ADR growth (+3.8%), driving a 4.5% jump in RevPAR. When it comes to supply growth (+2.0%), London is no exception, but the capital's demand lift of 2.6% has exceeded levels seen in regional markets (+2.1%) and helped to drive hotel performance growth.

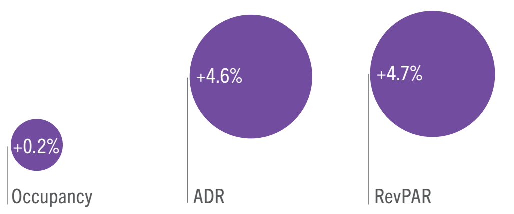
This trend of demand growth outpacing supply was particularly evident in the first half of the year, but supply caught up during the summer months—starting with a 1.5% increase for the month of July.

Although London's independent hotels recorded slightly lower occupancy than their branded counterparts (79.5% vs 83.3%), independents have still seen year-over-year growth, despite significant drops in July and August. Tuesday and Wednesday nights have brought in the most business for the capital's independent properties thus far in 2019, with 45% of total revenue generated on weekdays.

Independent Hotel Performance

August 2019 YTD

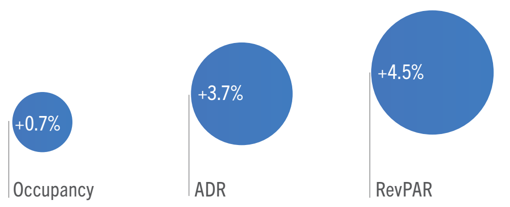
Occupancy	Average Daily Rate	Revenue Per Available Room
79%	£199.49	£158.57

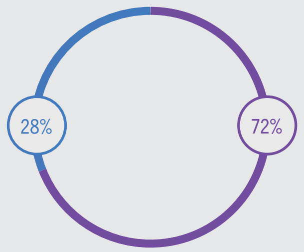


Branded Hotel Performance

August 2019 YTD

Occupancy	Average Daily Rate	Revenue Per Available Room
83%	£142.42	£118.61



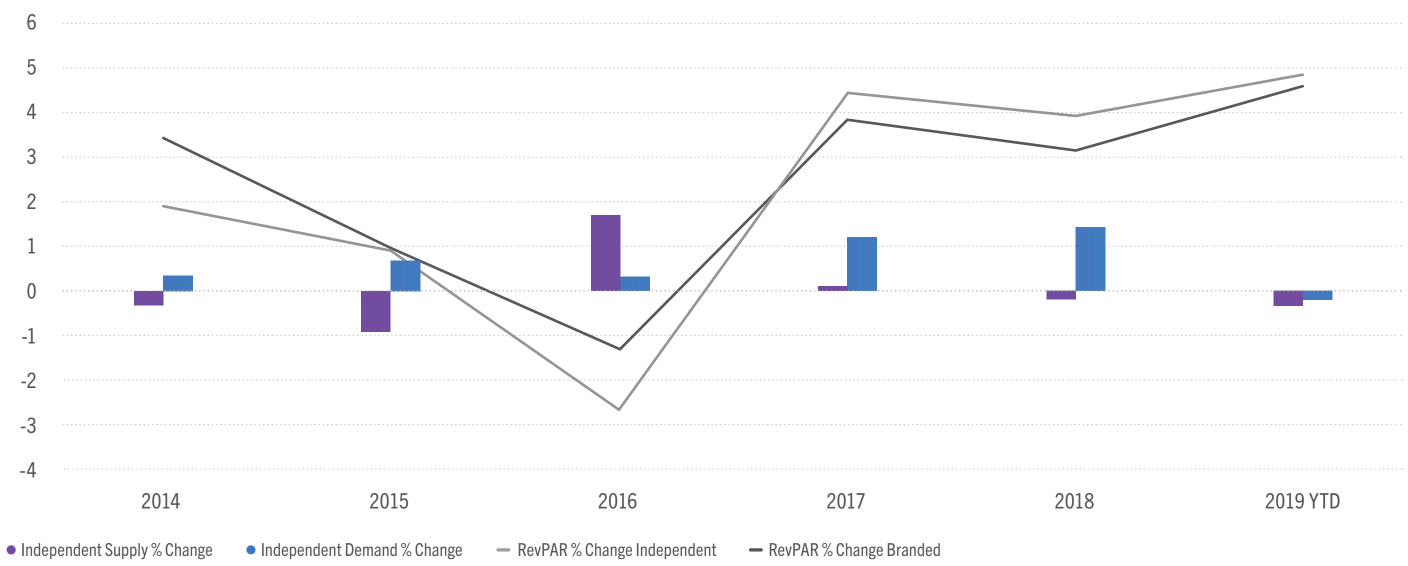


RevPAR by Month – Independent properties

Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	July-19	Aug-19
165	180	185	174	173	120	130	141	146	153	205	204	167

– % of Revenue made on weekdays – % of Revenue made on weekends

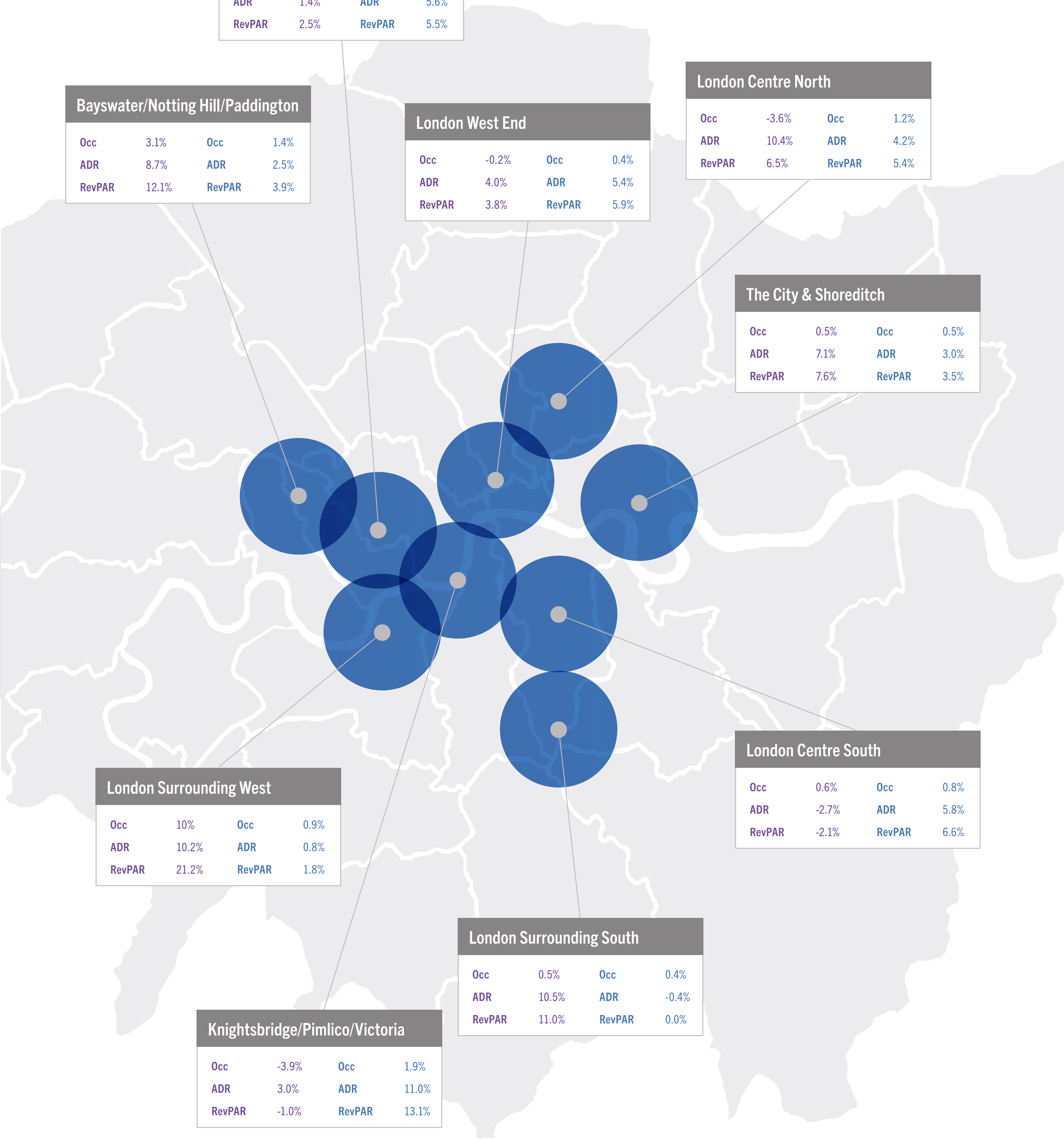
Supply, Demand, RevPAR % change - London



Regional Focus – London

Performance summary - August Year to Date

• Independants • Branded



Chelsea/Earls Court/Kensington

	Independants		Branded
Occ	1.1%	Occ	-0.1%
ADR	1.4%	ADR	5.6%
RevPAR	2.5%	RevPAR	5.5%

Bayswater/Notting Hill/Paddington

	Independants		Branded
Occ	3.1%	Occ	1.4%
ADR	8.7%	ADR	2.5%
RevPAR	12.1%	RevPAR	3.9%

London West End

	Independants		Branded
Occ	-0.2%	Occ	0.4%
ADR	4.0%	ADR	5.4%
RevPAR	3.8%	RevPAR	5.9%

London Centre North

	Independants		Branded
Occ	-3.6%	Occ	1.2%
ADR	10.4%	ADR	4.2%
RevPAR	6.5%	RevPAR	5.4%

The City & Shoreditch

	Independants		Branded
Occ	0.5%	Occ	0.5%
ADR	7.1%	ADR	3.0%
RevPAR	7.6%	RevPAR	3.5%

London Centre South

	Independants		Branded
Occ	0.6%	Occ	0.8%
ADR	-2.7%	ADR	5.8%
RevPAR	-2.1%	RevPAR	6.6%

London Surrounding West

	Independants		Branded
Occ	10%	Occ	0.9%
ADR	10.2%	ADR	0.8%
RevPAR	21.2%	RevPAR	1.8%

London Surrounding South

	Independants		Branded
Occ	0.5%	Occ	0.4%
ADR	10.5%	ADR	-0.4%
RevPAR	11.0%	RevPAR	0.0%

Knightsbridge/Pimlico/Victoria

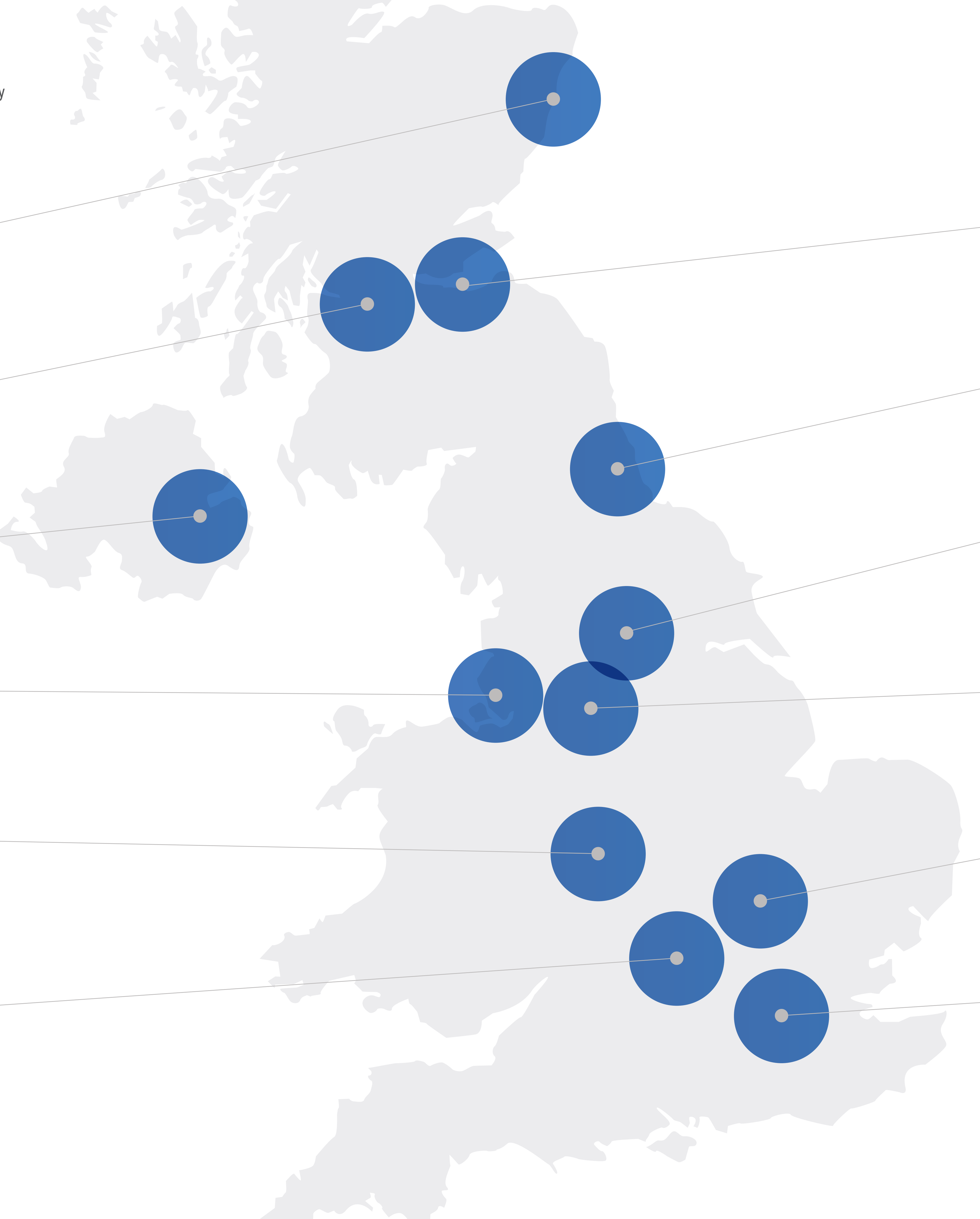
	Independants		Branded
Occ	-3.9%	Occ	1.9%
ADR	3.0%	ADR	11.0%
RevPAR	-1.0%	RevPAR	13.1%

All data is % Change

Around the UK

Independent Hotel Performance across the country

• Independants • Branded



Aberdeen

Occ	-1.4%	Occ	1.3%
ADR	-1.6%	ADR	-1.7%
RevPAR	-3.0%	RevPAR	-0.3%

Glasgow

Occ	-1.9%	Occ	-4.3%
ADR	-6.5%	ADR	-6.5%
RevPAR	-8.2%	RevPAR	-10.6%

Belfast

Occ	-8.5%	Occ	-4.8%
ADR	-1.5%	ADR	-3.4%
RevPAR	-9.9%	RevPAR	-8.0%

Liverpool

Occ	-6.7%	Occ	-3.9%
ADR	-2.5%	ADR	2.1%
RevPAR	-9.0%	RevPAR	-1.9%

Birmingham

Occ	-4.9%	Occ	-0.9%
ADR	0.2%	ADR	0.4%
RevPAR	-4.7%	RevPAR	-0.4%

Oxford

Occ	-3.0%	Occ	-5.6%
ADR	3.0%	ADR	-0.1%
RevPAR	-0.1%	RevPAR	-5.7%

Edinburgh

Occ	1.1%	Occ	-0.9%
ADR	0.9%	ADR	-1.9%
RevPAR	2.0%	RevPAR	-2.7%

Newcastle

Occ	-6.9%	Occ	-0.4%
ADR	0.0%	ADR	-3.4%
RevPAR	-6.9%	RevPAR	-3.8%

Leeds

Occ	2.9%	Occ	2.1%
ADR	2.5%	ADR	2.4%
RevPAR	5.5%	RevPAR	4.5%

Manchester

Occ	-0.5%	Occ	1.2%
ADR	1.2%	ADR	2.7%
RevPAR	0.7%	RevPAR	3.9%

Cambridge

Occ	2.7%	Occ	-0.5%
ADR	4.7%	ADR	0.5%
RevPAR	7.5%	RevPAR	-0.1%

London

Occ	0.2%	Occ	0.7%
ADR	4.6%	ADR	3.7%
RevPAR	4.7%	RevPAR	4.5%

All data is % Change

Deep Dive: Analysis of U.K. hotel revenue segmentation

August Year to Date

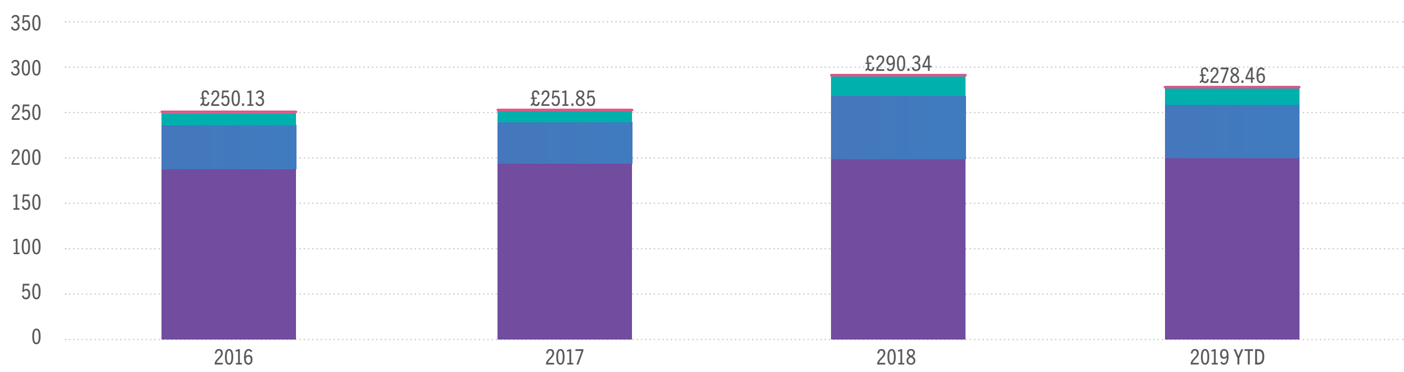
In terms of revenue streams, independent hotels not only reported higher ADR than brands, but also greater ancillary revenues like food and beverage (F&B) and other revenue spend per occupied room, resulting in higher overall total revenue per occupied room (TRevPOR).

Market	F&B per occupied room	F&B per occupied room % change	Other revenue per occupied room	Other revenue per occupied room % change	Total revenue per occupied room	Total revenue per occupied room % change
London - Independents	£60.46	-11.3%	£18.51	+5.0%	£278.46	+0.7%
London - Brands	£38.23	-2.5%	£5.89	-5.3%	£186.54	+2.1%
Regional United Kingdom - Independents	£57.10	-5.4%	£13.52	-12.3%	£171.12	+0.6%
Regional United Kingdom - Brands	£24.73	-9.4%	£4.67	-22.4%	£97.82	-4.7%

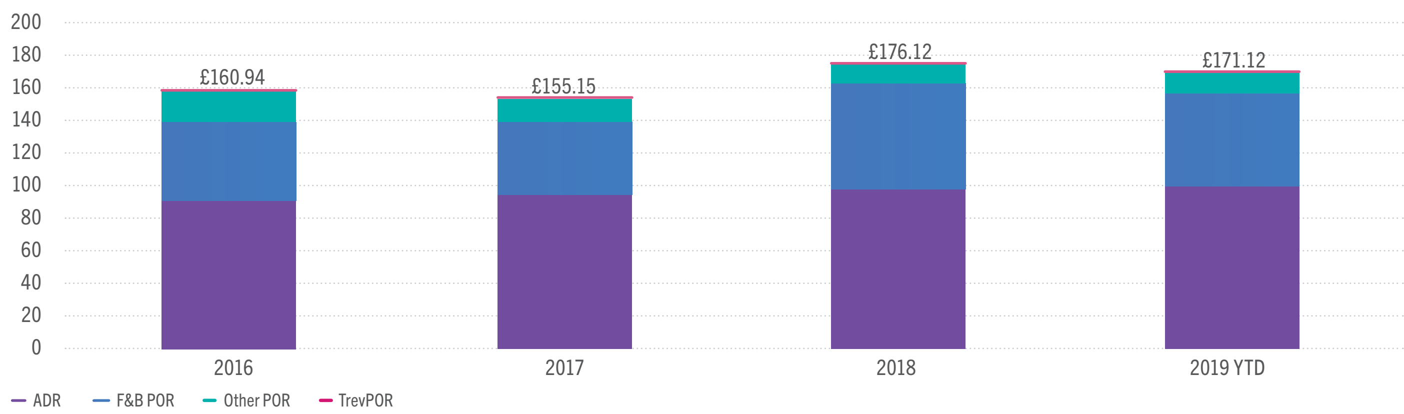
Declines in F&B spend per occupied room were reported across the board in the opening eight months of 2019, although branded properties have not be as affected as independent hotels. Conversely, in 2018, Independent hotels both in London and the regions reported 55.4% and 41.9% increases in this metric, respectively.

Total Revenue has been a popular topic in recent years and warrants deeper analysis. Since 2016, branded hotels have produced more consistent growth with steady 2017 and 2018 increases in both London (+4.5% and +0.6%) and regional markets (+2.1 and +6.0%). Independents, on the other hand, have reported more pronounced fluctuations due to the aforementioned F&B revenue increases. A fairly flat 2017 (+0.7%) for London independents was followed by 15.3% TRevPOR growth in 2018, while regional hoteliers experienced a decline in 2017 (-3.6%) before 2018's double-digit increase (+13.5%).

London Independent Additional revenue



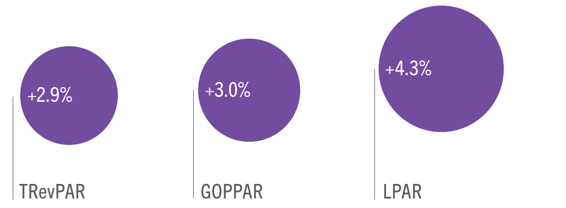
Regional UK Independents Additional revenue



Deep dive: An overview of 2018 Profit and Loss in London and Regional U.K.

U.K.

Following healthy RevPAR growth, the U.K. produced a 2.8% increase in total revenue per available room (TRevPAR) in 2018—driven by a rooms revenue per available room increase of 3.8%. Expenses increased at a slower rate than revenue and resulted in an overall lift of 3.0% in gross operating profit per available room (GOPPAR). London thrived in 2018 and drove U.K performance, with GOPPAR growth of 5.8% compared to a Regional U.K. decline of 1.8%.

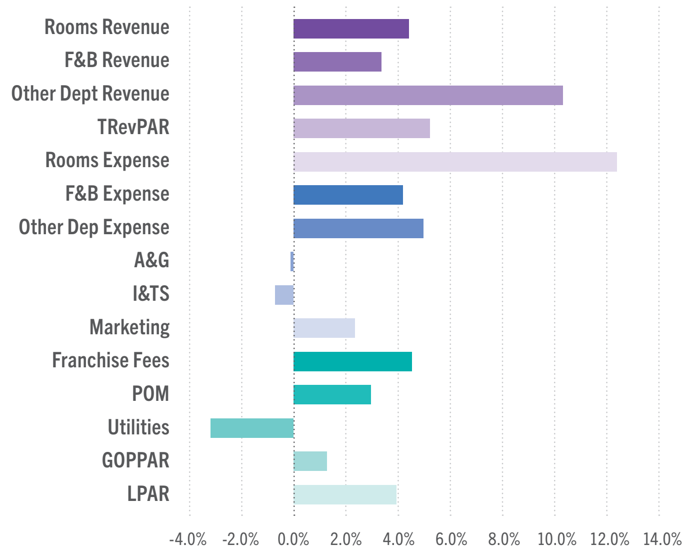


Source: Total U.K., 2018 data, GBP currency, amount per available room

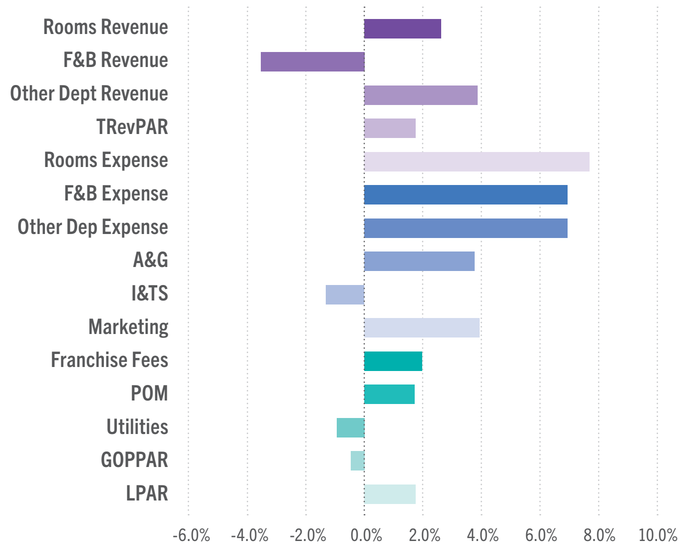
Branded versus independent profitability

While overall U.K. performance is positive, deeper analysis of branded versus independent hotels tells an interesting story. Branded hotels produced TRevPAR and GOPPAR growth, while independent hotels reported flat TRevPAR and declining GOPPAR. The chasm between the two is highlighted in the below image.

UK - Branded



UK - Independents



Source: Total U.K., 2018 data, GBP currency, amount per available room

Branded and independent hotels reported similar trends around revenue growth as TRevPAR grew at a steady pace (+2.9% for branded; +1.7% for independents). This was driven by rooms revenue, while both segments recorded a drop in other operated departments. Independent hotel departmental expenses grew at a faster pace than revenue, leading to a 1.0% fall in departmental profit.

Undistributed expenses, however, highlight the differences between the pair. While branded hotels reported double-digit growth in franchise fees and utility costs, independent properties saw the strongest growth in information & telecommunication systems (IT&S) and marketing.

While branded hotels reported stronger growth (+4.4%) in labour cost per available room (LPAR), independent hotels have a higher proportion of labour expense versus total revenues (35.5%) when analysing ratio to sales.

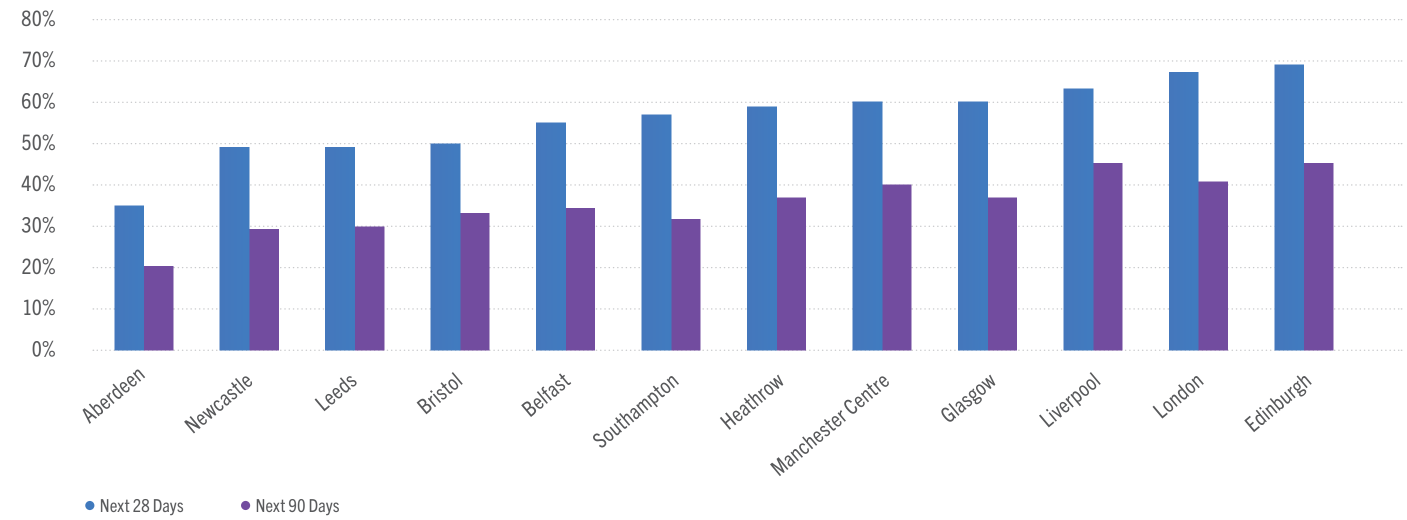
Overall, GOPPAR decreased 3.5% for independent hotels against a 3.4% lift for branded properties. Based on our sample, branded properties have a better capacity to convert revenues into profit—with a 40.2% GOP margin versus a ratio that is 10 percentage points lower for independent properties.

**Please note that our P&L sample is different from the sample used in the report. We have a consistent sample of 423 properties, of which 10% are independent hotels. Branded hotels have an average room count of 177. Independent hotels have an average room count of 104.*

Looking Forward - Forward STAR, forward-looking demand outlook

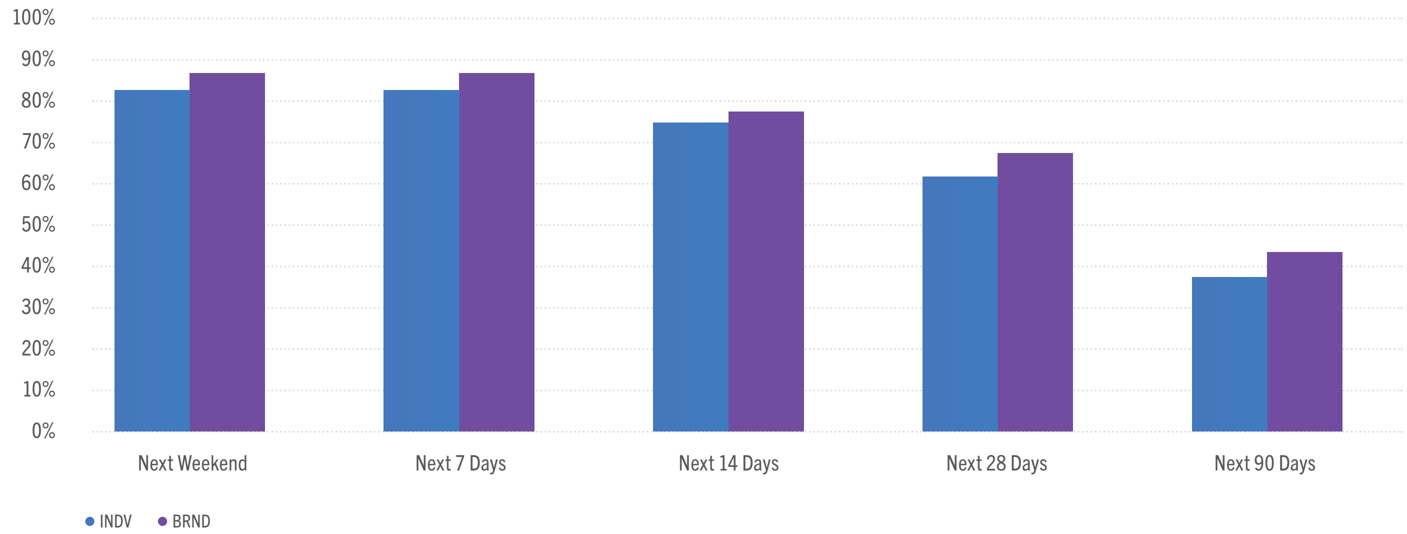
All data correct as of 30 September 2019

Forward Occupancy for Array of (Sub)Markets



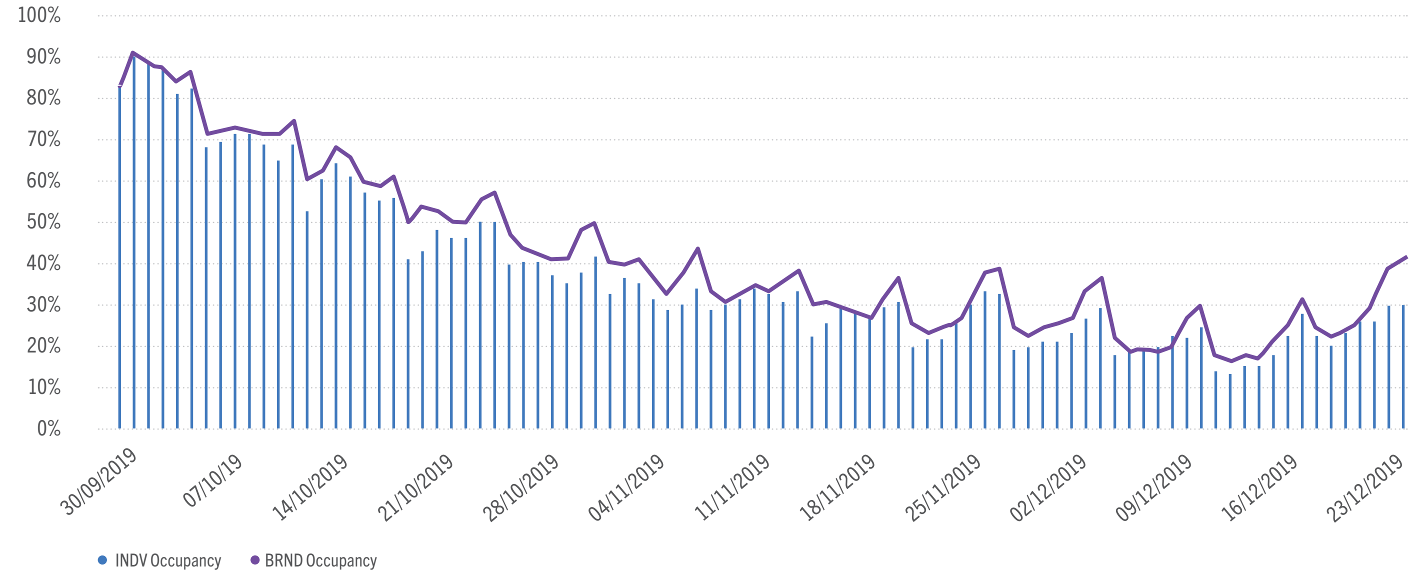
The above chart shows forward hotel demand for the next 28 and 90 days in a selection of U.K. markets, as at 30 September 2019, and is collected via Forward STAR. One of our newest solutions, Forward STAR allows users to track forward-looking demand against the competition and respective markets/submarkets.

London Independent vs. Branded Hotels



Focusing on London's breakdown of independent versus branded hotels, we can see that independent hotel performance is lower in every aggregated forward time series. This data is in line with actualised performance, which indicates a strong correlation between Forward STAR data and what comes to fruition in a market.

London Independent vs. Branded Hotels for next 90 days



Whilst independent hotels are pacing behind their branded rivals for the next 90 days overall, the largest "white spaces" in the chart above represent Sunday nights where the largest deficit lies. Similarly to the branded hotel landscape, the forward demand registered on weekend nights is where the strongest performance lies.

To find out more about Forward STAR and how your properties can benefit please contact sales@str.com today.

U.K. forecast

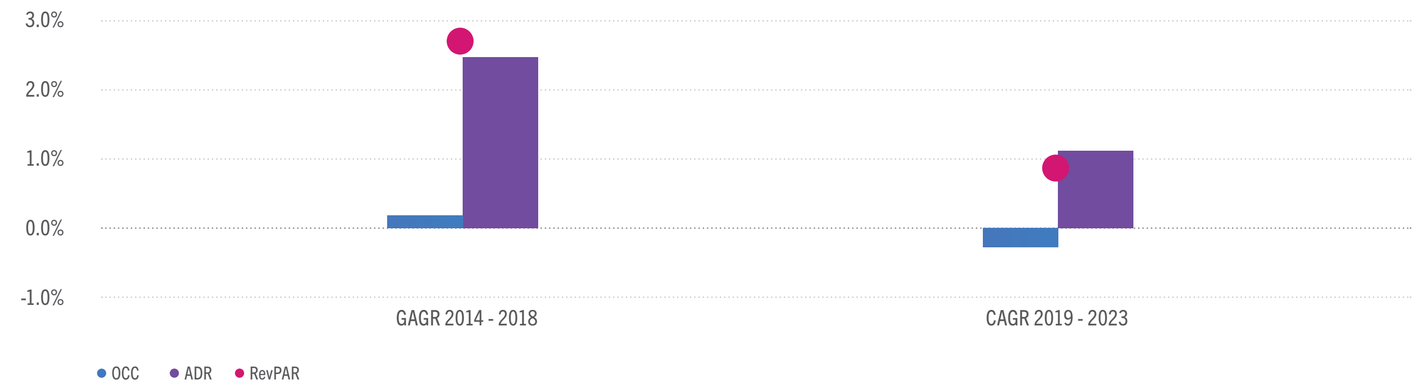
Intro

It is not an easy time to project the future of the U.K., given the political uncertainty caused by Brexit negotiations. On a wider level, there is a risk of an economic slowdown in Europe, coupled with U.S. and China trade relations affecting the global economy.

The first half of this year led to volatile GDP, a result of Brexit-related distortions with growth of 0.5% in Q1 and a decline of 0.2% in Q2, according to Oxford Economics. This fragile outlook is expected to continue for the rest of the year, causing further domestic weakness. Our forecast, produced in conjunction with Tourism Economics, assumes that the U.K. will be forced to seek another extension to Article 50. However, assuming that the EU will only grant an extension until March 2020, we can infer that the parliament will eventually approve the Withdrawal agreement as the 'least bad' option and formally leave the U.K. in March 2020.

Regional U.K.

RevPAR declines were reported for eight consecutive months in 2019, and we are projecting an overall decline of -1.3% for the full year. Analysis of the Compound Annual Growth Rate (CAGR) for the past five years highlights robust ADR growth (+2.5%) in the Regional U.K. versus muted growth in occupancy (+0.2%). Rates rose from GBP64.30 in 2014 to GBP72.80 in 2018. Growth in the next five years is projected to be more subdued, with CAGR at +1.1%. Occupancy, conversely, will be affected by the heavy supply due to enter the market and the slowdown expected in domestic demand.

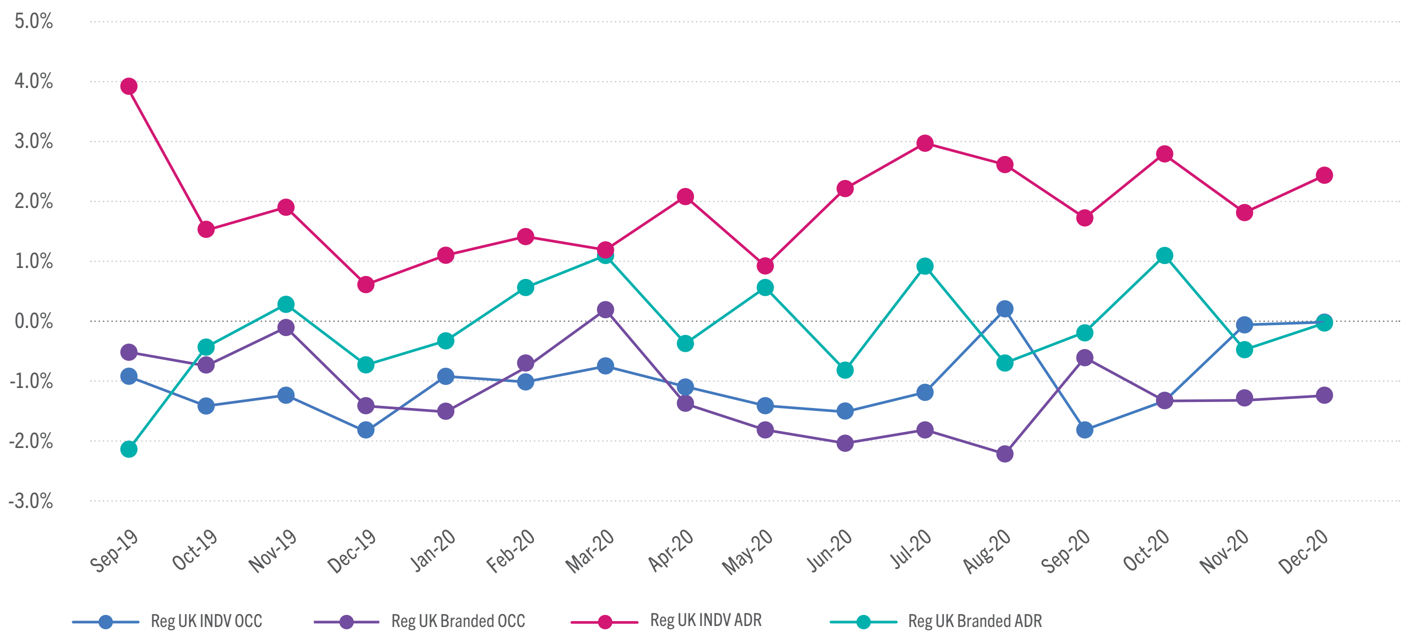


Independent vs. branded hotels

The graph below uses our Custom Forecast product to analyse projected monthly performance, comparing independent and branded hotels. Occupancy levels are projected to decline in both 2019 and 2020 at a similar pace, a result of a high level of supply entering the market. On the other hand, independent hotels are projected to maintain healthier growth than branded properties. This can be linked to the composition of our sample with the majority of U.K. branded properties within the Midscale and Economy classes, while independents are mostly concentrated in Upper Upscale.

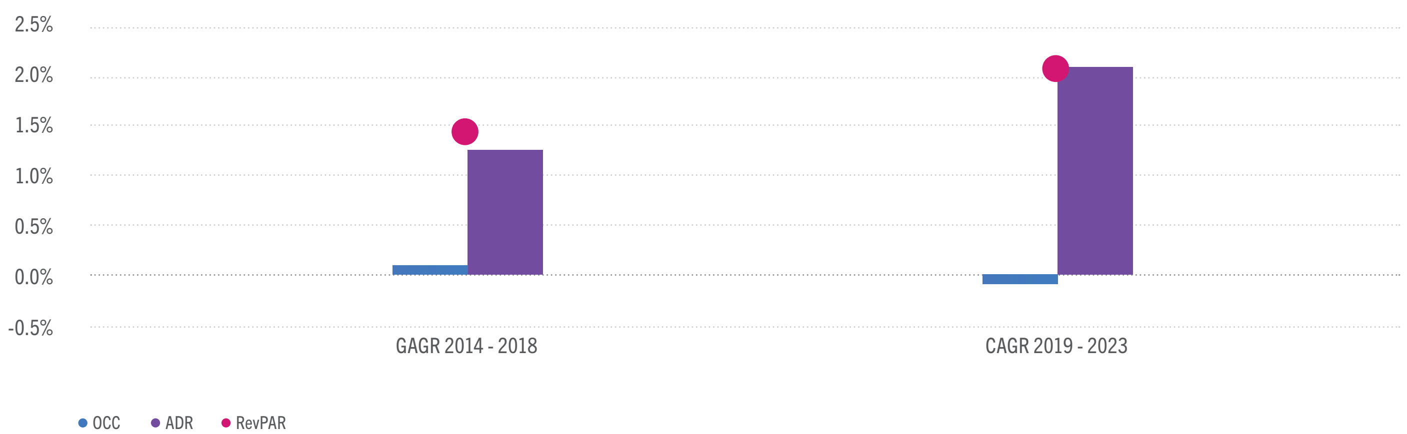
Custom Forecast products project on any market/submarket class in the U.K. and provide insights that help you strategise more effectively for the future.

2019/20 Monthly Outlook Regional UK – INDV vs. Branded



London Forecast

The capital's outlook is notably different. Projected CAGR over the next five years, based on our latest August 2019 forecast, would be higher than the past five years. Growth will be predominantly driven by room rates, as ADR is expected to rise from GBP154.70 in 2019 to GBP171.90 in 2023. Due to the impact of new supply, occupancy levels are projected to remain flat, but will remain at around 83%.



A marginal occupancy lift is projected for 2019 overall and a small decline expected for 2020. In terms of the independent and branded dynamic, branded properties (84%) are projected to achieve higher occupancy levels than independent hotels (80.9%). Conversely, independent properties offer higher rates than branded in both historical and projected performance data. The year 2019 is expected to end with an ADR of GBP205.80 for London independents, compared to GBP144.76 for their branded competitors.

London INDV vs Branded