

Tourism Society Prospects Presentation

Views on the
Domestic Leisure Hotel Sector

10 January 2008

Going Into 2008 (17 Dec) In General

- Xmas final binge or early recessionary signs (October retail sales <0.1%>)
- House prices in December down <3.2%> on November - London <6.8%>
- CBI predict rate of growth to decline from +3.1% to +1.9% (September forecast +2.2%)
- CBI predict inflation at +2.6% (food & oil)
- Interest rates cut from 5.75% to 5.5%
- 20% of mortgage payers are in arrears

Going Into 2008

Hotel Leisure Trends

- Very strong London demand (circa +20%)
- Weak provincial demand (circa <5%>)
- Value driving sales – inflationary price rises not sticking provincially
- Surprisingly good leisure capacity in London (New Year full)

First 6 Months of 2008 – The Tougher Half Year

- Shock of falling house prices / ending of fixed term mortgages
- Lingering negatives over Summer 2007 weather
- Oil prices / petrol / road congestion on Friday nights
- Provinces suffering far more than London

London Unaffected?

- Improved long distance rail travel – primarily into London
- Major exhibitions continue to drive sales
- Strong West End - 'The Jersey Boys'; 'Gone with the Wind'?
- London taking some provincial 'natural' share

Provinces Bear the Brunt

- Provincial conferences (finance sector) cancel, freeing midweek capacity
- What's new provincially?
 - Southport £200 million (three new 4* hotels)
 - Blackpool £500k (crazy golf at Pleasure Beach)
- Friday night driving – the Dutch experience
- Continual pressure from the lodging sector
- The earliest Easter (21st to 24th March)
- Losing out to London and 'low cost' European destinations

The Second Half of 2008

– Getting Better

- Favourable Comparisons:
 - No Foot & Mouth/Blue Tongue
 - No flooding/some summer sunshine
 - No Euro 2008
 - No Northern Rock imagery
- Resilient Consumers:
 - Net savers
 - 'Sod it' factor
- The Housing Market:
 - Less mobility encourages break taking
 - Lower interest rates
 - Credit crunch behind us
- Increased focus on value and quality