

27 January 2009

**HRG UNVEILS 2008 HOTEL SURVEY  
– A BAROMETER FOR THE CORPORATE TRAVEL MARKET –**

**Part 1: Overview**

**Despite the global economic downturn, Hogg Robinson Group's (HRG) 2008 hotel survey reports a mixed picture for the hotel market. Across the world, all regions reported rate rises – albeit at a slower pace than in 2007. Rates flattened, and in some cases fell, in the second half of the year as the effects of the current climate took hold, but pockets of growth remain in cities where demand continues to outstrip supply.**

Trends highlighted by the international corporate travel services provider include:

- Moscow emerged as the most expensive destination worldwide for the fourth consecutive year, posting a substantial 22% average rate rise
- Abu Dhabi shot up the rankings to fifth place, with an average rise of 36%, reflecting strong growth across the Middle East, with rate increases of over 30% in Oman, Bahrain and Qatar
- Dubai was an exception, reporting a slight 2% reduction in rates, following increased availability from significant new openings
- London maintained steady annual rate growth of 3%, but in other UK cities rates remained flat or fell, with data reflecting a softening market in the third quarter
- The weakening of the British Pound was a key factor affecting rates paid by corporate travellers from the UK, particularly those travelling to the USA and the Eurozone, with the pound down over 20% against the US Dollar and almost 10% against the Euro over the year
- Western Europe recorded steady rate growth when reported in Sterling, as a result of the increasing strength of the Euro
- Asia Pacific and the Americas recorded strong average growth rates of 24% and 17% respectively, with the weakening Sterling exchange rate helping to maintain momentum into the second half of the year

- Key US cities continued to perform well through 2008, despite the fall out of the sub-prime crisis, recording average rate rises of 19% in Houston, 7% in New York and 6% in Washington and Boston
- Average length of stay declined notably from 1.9 to 1.5 nights per stay in 2008, reflecting a trend for shorter business trips as companies adopt more stringent travel policies
- The three star market recorded a modest 3.6% rate rise, as hotels focus on providing value to corporate travellers, including additional services within their standard rates
- The five star hotel market recorded its highest average rate growth of almost 12%, suggesting that the upper end of the market has yet to experience the effects of the current economic climate

Margaret Bowler, Director Global Hotel Relations at HRG, says: “The hotel industry has reported a mixed picture over 2008. There is no doubt that this is a challenging time for corporate travellers and hoteliers and the fluctuating exchange rate has had a significant impact on the UK corporate traveller. Although rates have flattened in recent months, in some parts of the world demand still outweighs supply. As such, there continue to be pockets of growth in cities such as Moscow, Berlin and Abu Dhabi.

“The changing market also brings opportunities for the corporate traveller and the role of travel management firms such as HRG has become more important than ever to guide clients through the dynamic market. During industry boom periods, hotels often denied bookers access to corporate rates in favour of more lucrative options. This trend has now reversed and as occupancy levels balance out, corporates will gain greater access to negotiated rates. In parallel, as hoteliers seek to maintain rates, corporate travellers will increasingly be able to secure value added services as part of their rates including, for example, free internet access, complimentary parking, food and beverages.”

However, Margaret Bowler adds: “Corporates looking to renegotiate rates need to be able to demonstrate their ability to alter travellers’ behaviour and shift booking volumes to support new supplier deals.”

HRG's full year survey is based on a combination of industry intelligence, actual room nights booked and rates paid by its UK clients during January to December 2008 compared to the same period in 2007.

**Part 2: In-depth analysis**

**Top 10 most expensive cities worldwide: 2008 vs. 2007**

City	2008 Average Room Rate GBP	2008 Average Room Rate Local Currency	2007 Average Room Rate GBP	2007 Average Room Rate Local Currency	GBP Variance	Local Currency Variance	2007 Ranking
MOSCOW	£303.35	RUB 13,913.44	£249.38	RUB 12,764.22	22%	9%	1
NEW YORK CITY	£222.97	\$413.65	£193.47	\$387.29	15%	7%	2
PARIS	£200.16	€252.14	£172.33	€251.95	16%	0%	4
MUMBAI	£196.38	INR 15,834.78	£162.76	INR 13,464.97	21%	18%	6
ABU DHABI	£191.47	AED 1,305.03	£140.75	AED 1,034.84	36%	26%	19
MILAN	£190.72	€240.25	£165.92	€242.58	15%	-1%	5
GENEVA	£183.24	CHF 366.58	£144.90	CHF 347.99	26%	5%	15
DUBAI	£182.94	AED 1,246.89	£186.97	AED 1,374.67	-2%	-9%	3
STOCKHOLM	£178.64	2,161.99 kr	£161.16	2,179.51 kr	11%	-1%	7
ZURICH	£178.23	CHF 356.56	£149.97	CHF 360.17	19%	-1%	13

The Top 10 provides a clear illustration of the impact of the fluctuating Sterling exchange rate on prices paid by the UK corporate traveller.

Moscow retains its position as the city with the highest average room rate for the fourth consecutive year – real term rate growth slowed from 14% in 2007 to 9% in 2008 reflecting its maturity as a business destination.

Bucking the growth trend seen elsewhere in the Middle East, Dubai recorded a 9% drop in average rates in 2008, as hotel openings continued unabated – most recently in the budget sector – exerting downward pressure on prices. In contrast, Abu Dhabi has enjoyed exceptional growth, entering the Top 10 in fifth place, with average rates burgeoning 26% in real terms due to demand outweighing supply. This is expected to follow trends seen in Dubai, as new hotels open.

Despite a 3% rise in average rates HRG has seen London fall out of the Top 10 from 10<sup>th</sup> to 16<sup>th</sup> position, in part attributable to the weakening Pound against the Euro. Hong Kong and Bangalore have also dropped out of the Top 10 to 11<sup>th</sup> and 13<sup>th</sup> position respectively, from 9<sup>th</sup> and 8<sup>th</sup> position in 2007.

**Top 10 average rate rises/decreases: 2008 vs. 2007**

City	2008 Average Room Rate	Annual Increase	City	2008 Average Room Rate	Annual Decrease
Abu Dhabi	£191.47	36%	Dubai	£182.94	-2%
Berlin	£91.86	31%	Newcastle upon Tyne	£99.79	-3%
Beijing	£123.68	31%	Edinburgh	£97.76	-3%
Singapore	£136.72	30%	Manchester	£101.31	-3%
Houston	£89.82	28%	Bristol	£95.38	-4%

Abu Dhabi experienced the highest average rate growth of 36%, now surpassing rates achieved in neighbouring Dubai. Although by comparison limited in supply, Abu Dhabi's hotels have been

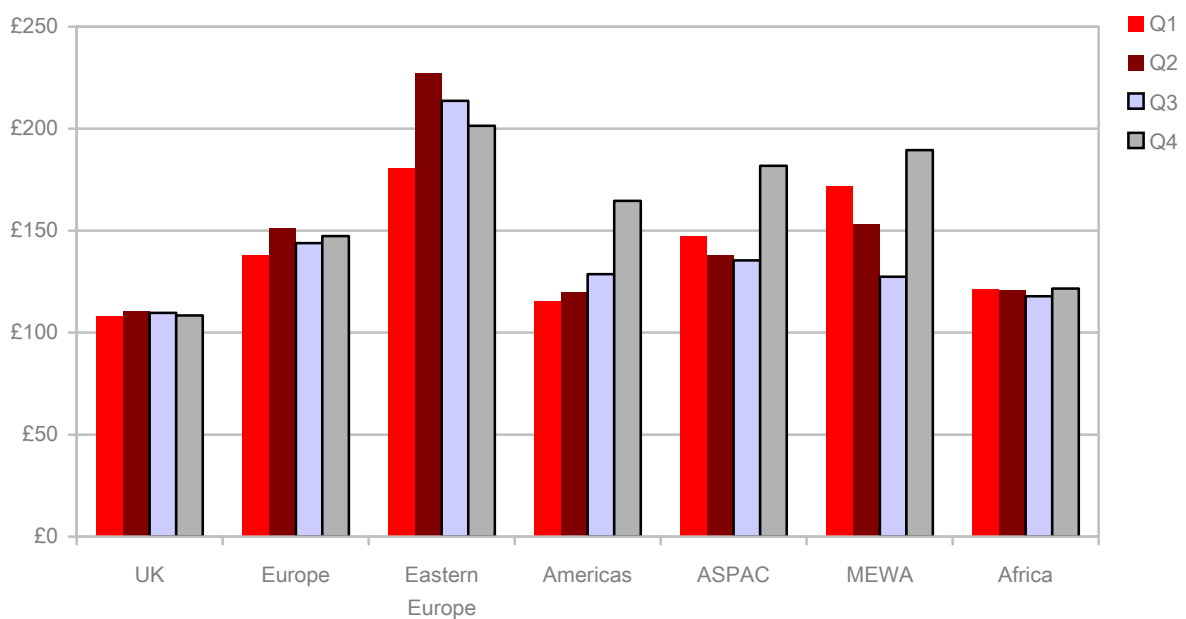
upgrading in recent years and several operators have ambitious expansion plans in line with growing demand.

Berlin’s average room rate growth is attributable to a general increase in demand, after many years of supply outweighing demand, as new business enters the market and the city sees a rise in visitors linked to the convention and exhibition sector.

As host of the 2008 summer Olympic Games, Beijing enjoyed a significant 31% average rate rise spurred by a shortage of supply, despite a number of new openings at the upper end of the market, prior to the start of the Games. Data shows that rates have since returned to a more modest growth rate.

With the exception of Dubai, HRG reports that cities showing the biggest declines are all in the UK. Rates in Manchester were impacted by a significant increase in room stock as a result of new openings in the latter part of 2007, with further openings planned for 2009/10. Edinburgh also experienced a disappointing year, with average rates falling by 3%, in part due to a number of new openings.

**Quarterly average room rates by region: January – December 2008**



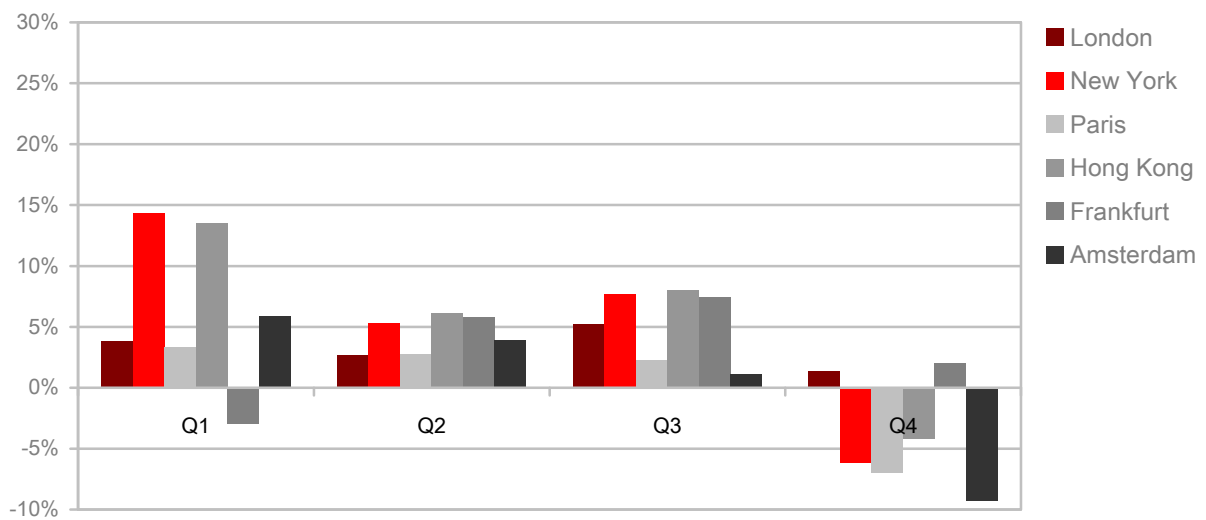
While all regions reported continued overall growth, there were significant fluctuations through the year. The UK experienced marginal reductions in quarters three and four as the market softened, while rates dropped significantly in Eastern Europe, driven in part by falls in average rates in Moscow in the latter quarters of 9% and 5% respectively.

According to HRG's data, the Americas was the only region to grow average rate in each successive quarter – attributable in large part to the US dollar exchange rate, which strengthened in each successive quarter.

Conversely, quarterly rate movements in Europe were more stable despite the pound weakening against the Euro, suggesting a slowdown in real terms in certain European cities.

The Middle East recorded the highest quarterly rate rise, shooting up 49% in quarter four, driven by particularly strong performance in the United Arab Emirates, Oman, Bahrain and Qatar.

**Key global cities, quarterly average room rate variance: January – December 2008**



Average room rate rises across global cities were highest in the first quarter of 2008, with the exception of Frankfurt. Growth was sustained in real terms for the first three quarters of the year, but HRG saw rates drop in quarter four, with only London and Frankfurt reporting average rate rises.

**Country focus: UK**

**Average room rate increases: 2008 vs. 2007**

City	2008 Average Room Rate	2007 Average Room Rate	Variance
London	£157.80	£152.87	3%
Manchester	£101.31	£104.24	-3%
Bristol	£95.38	£99.33	-4%
Newcastle Upon Tyne	£99.79	£102.36	-3%
Heathrow Airport	£106.40	£108.53	-2%
Belfast	£106.91	£106.97	0%
Edinburgh	£97.76	£100.58	-3%
Liverpool	£99.97	£92.33	8%
Leeds	£89.73	£88.55	1%
Birmingham	£93.58	£92.82	1%
Glasgow	£92.60	£92.90	0%
Cardiff	£84.25	£84.46	0%
Aberdeen	£130.81	£125.75	4%

UK cities surveyed have recorded a mixed set of results in terms of average rate growth, with eight of the 13 cities surveyed reporting flat or decreasing rates. London, which saw average rate growth of 4% in 2007, has continued to perform at a marginally slower pace with 3% year on year rate growth in 2008.

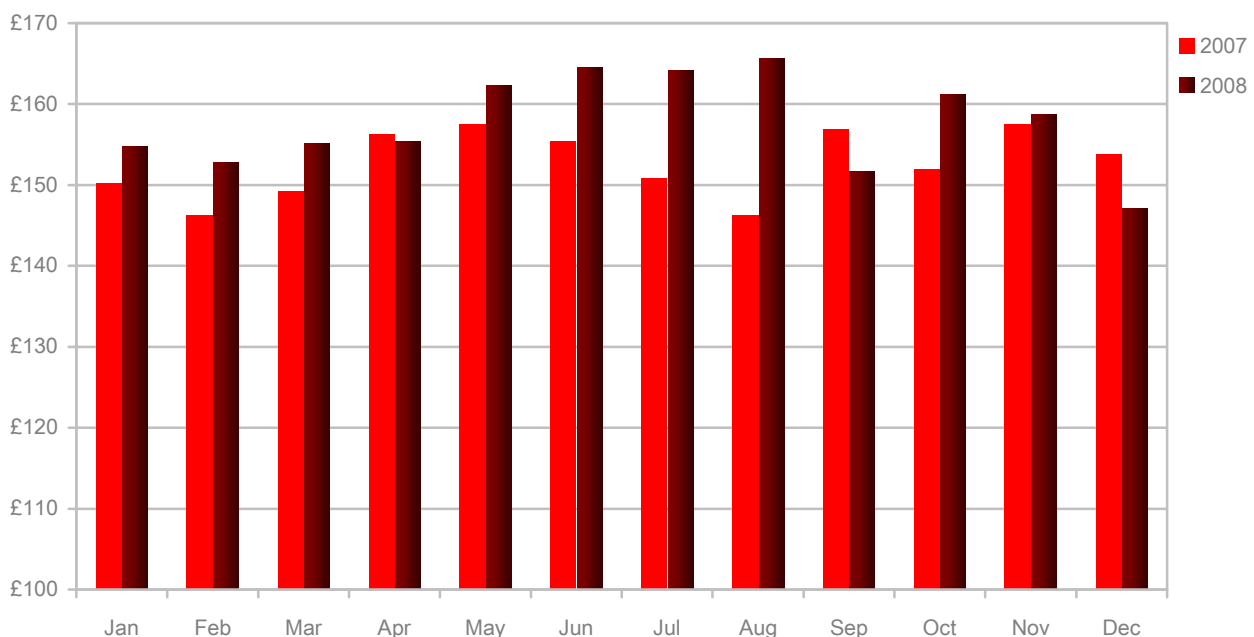
Outside the capital, Liverpool outperformed all other cities, with rates growing by 8% on average, as the city benefited from increased visitor numbers as a result of its status as 2008 European Capital of Culture. Major refurbishments in the previous year also enabled hoteliers to command higher rates. Neighbouring Manchester derived some benefit from Liverpool's success, but rates suffered due to an influx of room stock following new openings in the latter part of 2007. Further openings scheduled for 2009/10 will continue to exert downward pressure on Manchester rates.

Rates in Edinburgh fell by 3% on average, in part due new openings both in and on the outskirts of the city. As the UK's largest financial centre outside London, HRG predicts that the Scottish capital is set for a difficult year in 2009.

Average rates in Aberdeen increased yet again in 2008, although growth has slowed considerably from a high of 17% in 2007 to a modest 4% 2008. New openings have addressed a historical shortage of supply in the city, contributing in part to this slow down.

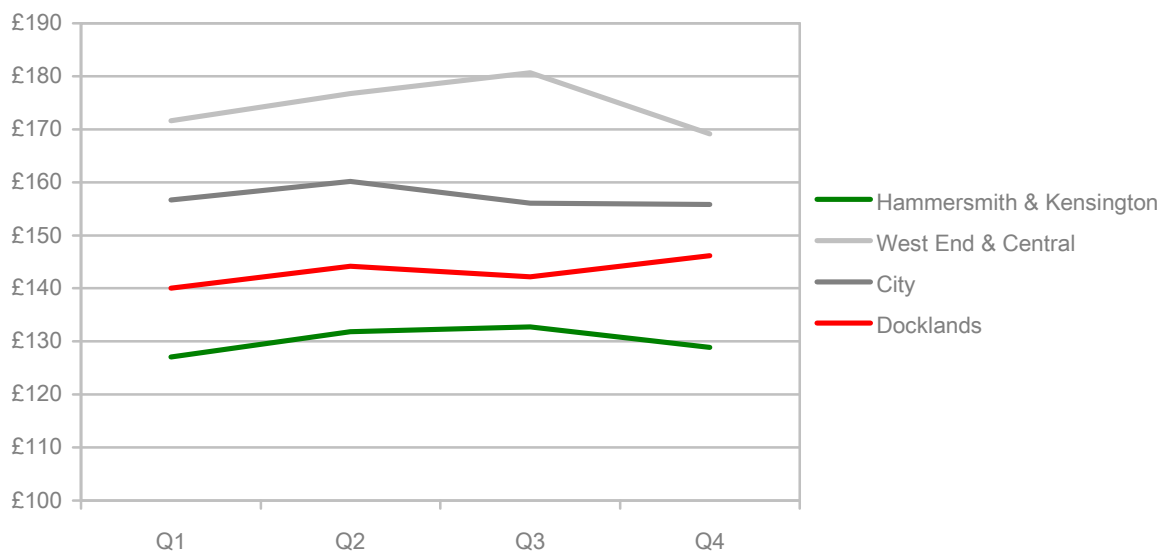
**The capital effect**

**London monthly average room rate movement: 2008 vs. 2007**



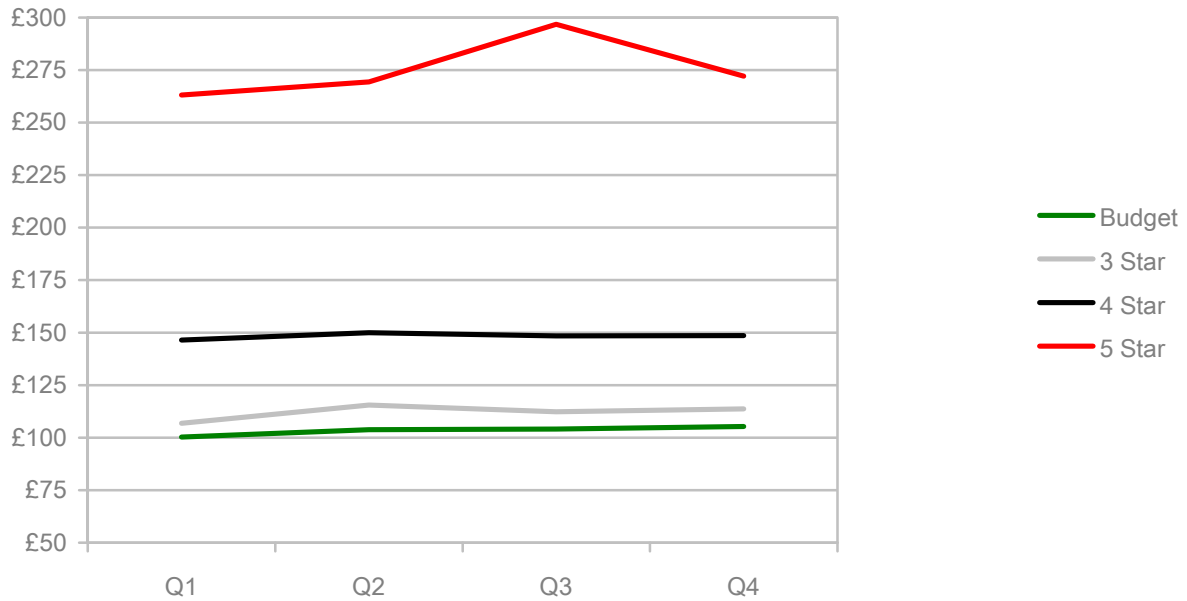
The London market remained buoyant throughout the first eight months of 2008, and even managed to hold rates during the traditionally quieter months of July and August bucking the trend seen in 2007 – indeed the highest year on year monthly increase of 13.2% was recorded in August. However, September was a disappointing month compared to the previous year, with a fall of 3.3% in average rate. There was some evidence of a recovery in October, but average rates in the city fell again in November and December, reflecting a softening in the market as the impact of the economic climate begins to take effect. A closer look at the city provides some interesting insights.

**Quarterly London average room rate by district: January – December 2008**



Average room rates in the West End and Central districts sustained growth for the first three quarters of 2008, but dropped in the final quarter, due to increased room stock and therefore, more availability on negotiated corporate rates. Rates in the City and Docklands dipped in the traditionally quieter third quarter, but rallied towards the year end. Rates remained steady in the City and even increased in the Docklands, despite a drop in occupancy caused by the effects of the financial climate.

**London average room rate by star rating: January – December 2008**



Average rates overall in the capital were generally flat over 2008. However, the five star market saw the most growth in the third quarter, but it dropped again to previous levels in final quarter, suggesting that in London, some corporates reassessed their travel policies in line with economic conditions.

Margaret Bowler comments: "It is encouraging to see the market adopt a more sustainable business approach. Hotels have learned valuable lessons in recent years, particularly since market difficulties experienced post 9/11. Many are now holding rates, preferring to sacrifice some short-term occupancy in order to avoid rate cuts and price wars, which offer no long-term competitive advantage and often dilute their corporate business."

**Regional focus: North America**

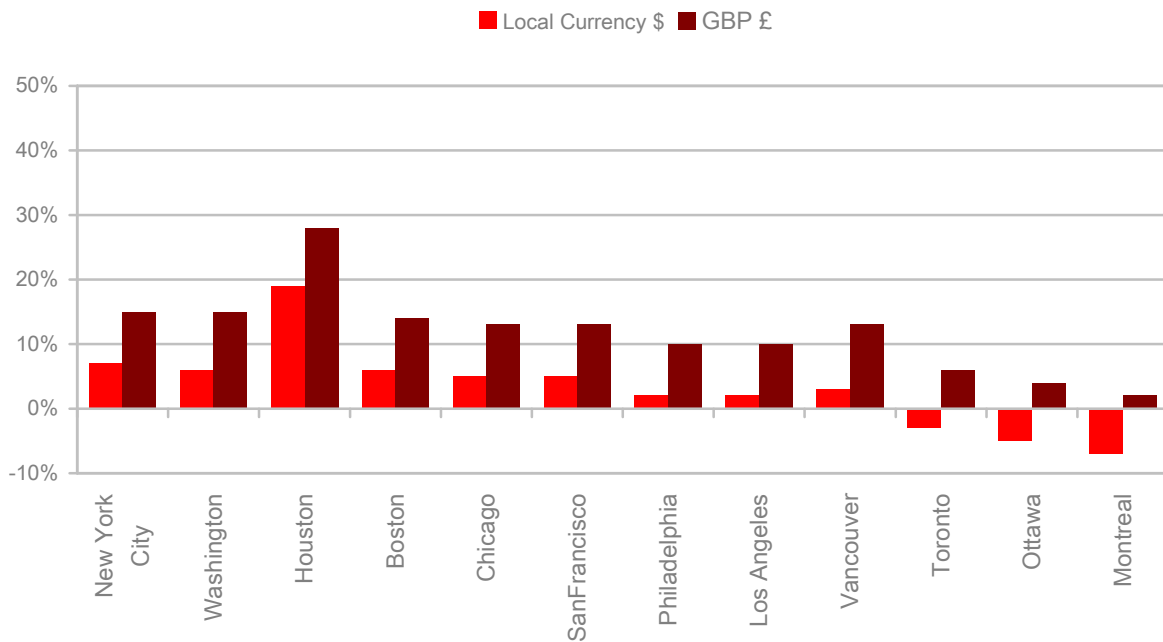
**Average room rate increases: 2008 vs. 2007**

City	2008 Average Room Rate GBP	2008 Average Room Rate Local Currency	2007 Average Room Rate GBP	2007 Average Room Rate Local Currency	Local Currency Variance
NEW YORK CITY	£222.97	\$413.65	£193.47	\$387.29	7%
WASHINGTON	£175.23	\$325.08	£153.79	\$307.85	6%
HOUSTON	£89.82	\$166.63	£70.18	\$140.50	19%
BOSTON	£159.43	\$295.77	£139.74	279.93	6%
CHICAGO	£146.08	\$271.01	£129.25	\$258.73	5%
SAN FRANCISCO	£154.15	\$285.98	£136.39	\$273.02	5%
PHILADELPHIA	£99.59	\$184.75	£90.37	\$180.90	2%
LOS ANGELES	£134.78	\$250.05	£1122.74	\$245.69	2%
VANCOUVER	£104.55	CAD \$205.28	£92.60	CAD \$198.93	3%
TORONTO	£113.38	CAD \$222.61	£106.58	CAD \$228.95	-3%
OTTAWA	£84.33	CAD \$165.58	£80.76	CAD \$173.49	-5%
MONTREAL	£88.81	CAD \$174.38	£87.41	CAD \$187.77	-7%

Key US cities were successful in maintaining average rate growth in 2008, despite the difficult economic climate. Perhaps most surprisingly was the 7% growth reported in the US financial capital New York, but the star performer was Houston, where rates grew by almost 20%, buoyed by the strong oil and gas sector.

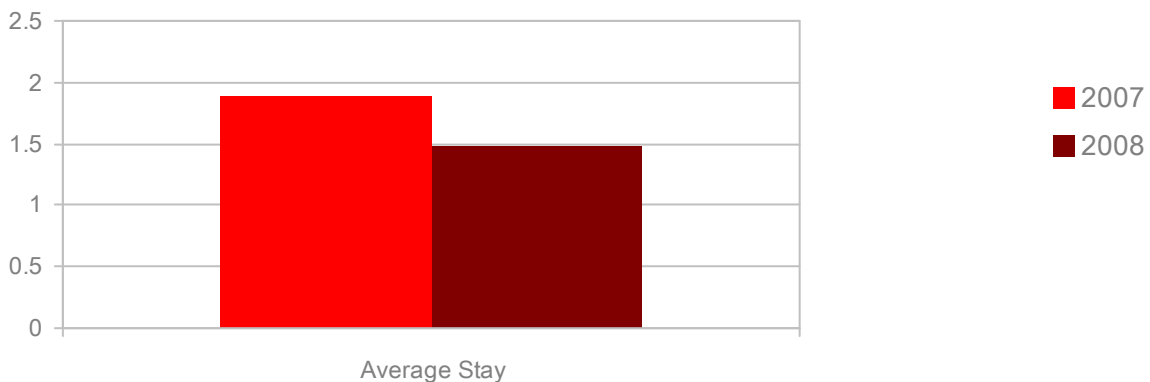
In contrast, average rates in Canada fared less well, with only Vancouver achieving any degree of growth.

**The USD\$ exchange rate effect : 2008**



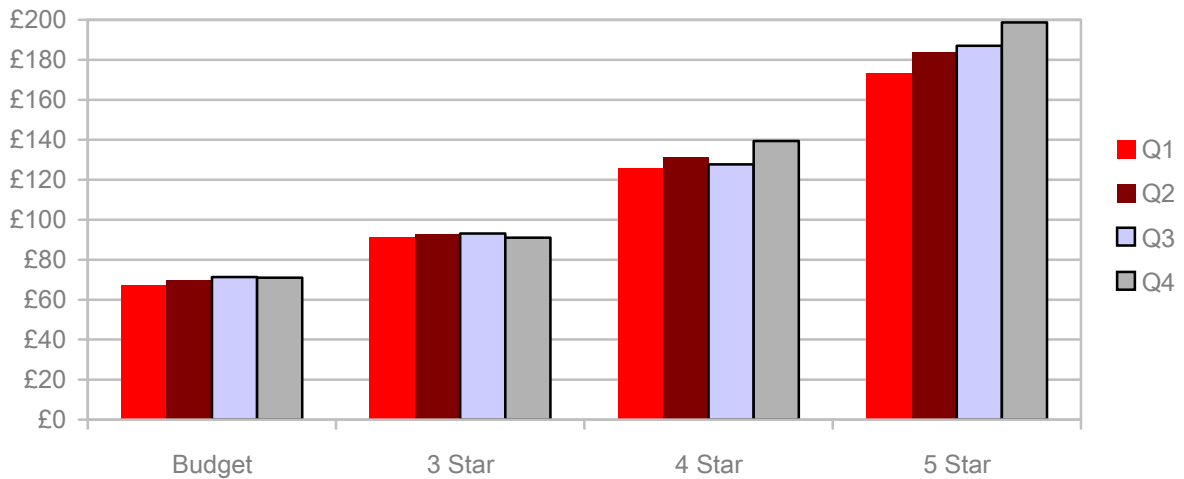
While average rates in key US cities demonstrated strong growth in local currency, the impact on corporate travellers from the UK was much more significant as a result of the weakening Sterling exchange rate against the US Dollar. For example, when measured in GBP, average room rates in New York were up 15% compared to 7% in local currency.

**Average length of stay: 2008 vs. 2007**



The average number of nights a corporate traveller stays across all locations booked dropped by over 20%, from 1.89 to 1.49, in 2008 compared to the previous year. As noted earlier, this reflects a general trend HRG has observed of shorter business trips, as companies adopt more stringent travel policies, driven by more stringent travel policies as business adapt to current market conditions.

**Global hotel star rating analysis: January – December 2008**



Four and five star hotel sectors continue to experience strong average rate rises, with the five star sector experiencing its highest average growth rate of 12% in quarter four, suggesting that the top end of the market is yet to feel the effects of the current economic situation.

The budget sector, with its fixed pricing strategy, saw prices falling at the end of 2008 prompted by a realisation that in certain cities budget hotels were more expensive than their three star rivals. However, HRG has seen a growing number of clients opting for three star hotels, where in many cases more competitive rates can be achieved including value-added services such as internet access, parking, and breakfast as part of their negotiated rate.

## **Part 3: Summary**

“While average hotel rates rose across the board in 2008, rates noticeably levelled off and even fell in some cities towards the latter part of the year. There are still pockets of growth and in key markets around the worlds where demand continues to outstrip supply rates are likely to continue to increase into 2009, albeit at a slower rate than seen over recent years. However, there is no denying that these are challenging times and with them, we are seeing a noticeable shift in business practices,” says Margaret Bowler.

“Businesses are still travelling, but they are changing their travel patterns, opting for shorter business trips and in some cases opting for lower star ratings than previously to minimise expenditure and ensure maximum value for their spend.

“Average hotel rates are flat or falling in many locations, but contrary to what many may expect, hotels are not slashing prices. Instead, the majority of hotels are adopting a sensible long-term strategy to offer value rather than significant price cuts to customers in order to maintain their share of the market.

“Occupancy levels haven’t fallen to the same levels as we saw post 9/11. However, if they continue to fall, as they are in certain markets, rate strategies will be interesting to watch.

Margaret Bowler concludes: “Current market conditions are prompting a changing dynamic in the industry, which is creating opportunities to both hotels and corporates. Over recent years we have seen hotels deny corporates their negotiated rates during peak periods in favour of more lucrative sales. With a greater focus now on long-term stable relationships, hotels are opening up availability on corporate rates once more.

“As such, we expect to see corporates looking to renegotiate rates and consolidate hotel programmes. Those willing to guarantee booking volumes, with fewer preferred suppliers, are likely to be able to negotiate better rates, including additional services, such as ‘Last Room Availability’. This is now being offered as a value add after being off the market for many years, bringing down the overall price.”

# PRESS RELEASE

From Hogg Robinson Group



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**Notes to Editors:**

**Hogg Robinson Group (HRG)** is the award-winning international corporate travel services company. Founded in 1845, HRG has over 60 years' specific corporate travel expertise. Its corporate service interests include owned or controlled corporate travel operations in 25 of the key driver and growth markets throughout Asia Pacific, Europe and North America. Supported by contracted partners, the HRG worldwide network extends to over 100 countries.

Totally committed to a value offering for clients, HRG offers a comprehensive range of corporate travel services including Corporate Travel Management, Consulting, Events & Meetings Management and Sports as well as Expense Management through its Spendvision operation.