

## Tim Smith's Letter To Santa Claus

December 19, 2008 / By Russell Kett, Tim P. Smith



### A Letter To Mr S Claus, Lapland – 19 December 2008

Dear Santa

We have been good all year again.

Our occupancy remains high at around 73% for the full year. We know this is slightly lower than we have managed recently but it is after a number of record years.

Similarly, our average room rate growth has slowed, but overall we expect our RevPAR to have grown by around 3% this year. Perhaps most importantly the UK hotel industry continues to inject billions of pounds into the British economy.

Seeing we have been so good, we have prepared a list of ten presents we should love to wake up to find in the UK hotel industry's stocking on Christmas morning. We know you are very busy and receive many requests, but if you could find time to give us these few gifts, we would be able to continue to thrive and provide jobs for so many people and bring them wealth, income and happiness.

Thank you so much. We are sure you will agree it is not much to ask and shows how close we are to being able to continue in a similar vein to provide so much to so many.

Yours sincerely

Tim Smith and Russell Kett

**On behalf of The UK Hotel Industry**

PS. If you find yourself tired and in need of a bed on the 24th we recommend you book in advance. Like in Bethlehem some 2,000 years ago, we would hate for you to find there was no room at the inn...

## 1. The Year of the Asset Manager

Hotel brand owners and managers should refocus on providing a service to the hotel's owners, rather than focussing purely on growing their brand(s) and distribution. Hotel managers need to sharpen up their asset management skills and maximise each hotel's value for the owner. Owners may benefit from sharpening up their own asset management skills – or from employing a suitably qualified third party to help them – to ensure that this is accomplished. Now is the time to look at the fixed costs and how they can be reduced if business levels fall to a more significant extent.

## 2. A Positive Outlook

Industry commentators and so-called experts should show a positive yet realistic outlook in providing advice to their clients. Let's not talk the industry down any farther than it already is. Everyone's crystal balls are currently suffering from cataracts and it will be a while before reliable forecasts can emerge to replace the drivel many

### Summary

Tim Smith, a director with HVS's London office, describes his ten wishes for the UK hotel industry in 2009

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companies are churning out.

### 3. Government Aid

More assistance and less legislation from Government, with an acknowledgement of the importance of tourism to UK plc. Tourism is the second-largest employer in the UK and its importance to the UK economy is immense. Although the industry needs to mobilise itself more effectively and lobby for a greater share of available resources, Government needs to recognise the contribution tourism makes at all levels.

### 4. Discovery of New Markets

Continued growth of new source markets such as the Middle East, China and India, and the rediscovery of old friends such as the Europeans and Americans. There needs to be a focus on those markets which still exhibit growth potential, even in these straitened times, encouraging them to visit Britain and take advantage of the weak pound we have at present.

### 5. Price Alignment

An alignment of price expectations between buyers and sellers of hotels. The so-called 'bid-ask gap' has never been wider. Sellers need to recognise that they will not sell this year's stock at last year's prices for the foreseeable future.

### 6. Debt Finance

Banks to start lending again. And not to say they are lending when evidence shows they're not. And when they do, and after several years of growth and a return to stronger economic conditions, to promise to be sceptical that a loan to value ratio of more than 85% is ever likely to be sustainable throughout an entire economic cycle.

### 7. Spend, Spend, Spend

Government to back the construction industry. We need better schools, hospitals, prisons and infrastructure – what better way to spend our way out of the current recession? This would generate income and jobs for skilled and unskilled labour throughout the country.

### 8. Rate Protection

Hoteliers to protect rate for as long as possible by providing additional services or adding value instead of simply slashing room rates, and being prepared to sacrifice rate in the short term as part of tactical campaigns to boost demand rather than blanket, across the board rate-cutting.

### 9. Reporting the Good News

The UK media to start reporting the good news as strongly as bad news and to end sensationalism as a route to recession. For example, Olan Cremin, the chief executive of Quinlan Private, was recently quoted as saying, "Investors are starting to see value in the UK Market", and Whitbread announced an 8.5% like-for-like sales growth at Premier Inn in the 39 weeks to 27 November 2008.

### 10. Party Season

Finally, please can we all enjoy a wonderful Christmas holiday, celebrate a generally good 2008 and prepare for the rigours of 2009.

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You might be an intrigued elf with time on your hands. If you can see that the Big Man has no time personally to reply, then how about you dropping a line to the authors in the London office.

Russell Kett, Managing Director

[email protected]

### About **Russell Kett**



Russell Kett is Chairman of the London office of HVS, which he joined in 1995. He has 45 years' specialist hotel consultancy, investment and real estate experience, focused on providing valuation, feasibility, shared ownership, property, brokerage, investment, asset management, strategy and related consultancy services, advising hotel companies, banks, developers and investors on all aspects of their hospitality industry related interests, throughout the EMEA region. Russell is a frequent writer, moderator and speaker on the international hotel industry, especially topics relating to hotel valuation, investment, marketing and finance. For more information, contact: [email protected]