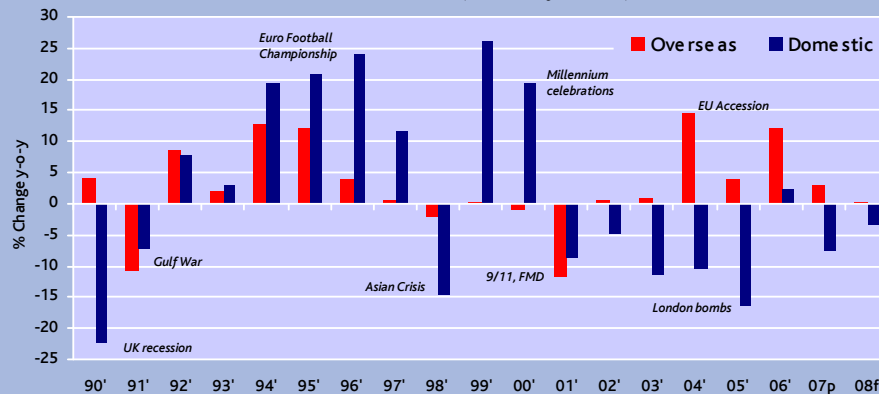


TOURISM PROSPECTS

A QUARTERLY REPORT ON THE STATE OF THE VISITOR ECONOMY IN LONDON

APRIL 2008

LONDON: VISITOR GROWTH (excl day visits) 1990-2008f



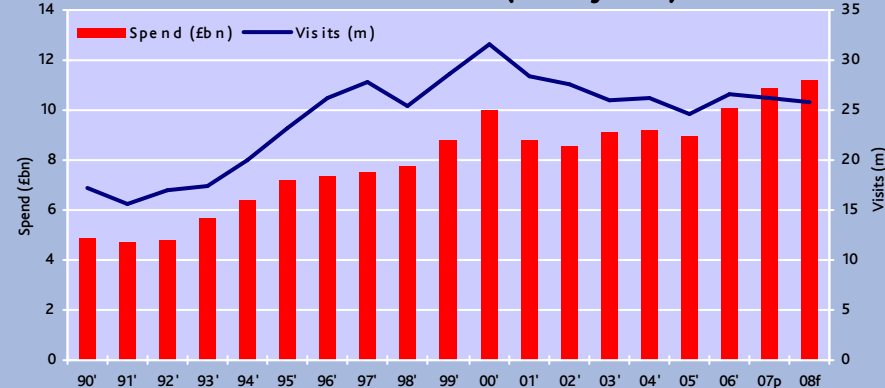
Source: ONS, Visit Britain, Visit London forecasts, excludes day visits

2008: TOUGH YEAR AHEAD

OVERSEAS VISITS HOLDING-UP BUT DOMESTIC DEMAND FALLING

- Against the background of faltering world economic growth and weakening consumer spending in Europe and N America, the tourism industry in London is arguably facing its toughest year since 2005
- Latest forecasts indicate core visitor levels to the capital are likely to decrease by -1% in 2008, while visitor spending is unlikely to grow much above inflation
- Although strong visitor growth since 2005 does mean London is facing this slowdown from a position of relative strength, there are significant risks that this slowdown could be more severe than predicted
- Across overseas markets, travel to London has held-up reasonably well in recent months despite uncertain economic conditions. However, growth rates have moderated significantly
- In 2006, overseas visitor growth to London equalled over +12%. This decreased to +3% in 2007, with growth forecast to be in the 0-1% range this year
- Across the domestic market, the long-term trend of declining overnight trips to the capital is continuing. In 2007, visits fell by -7%, with a further drop of -3% is expected this year
- Although domestic day trips to London are probably expanding, thanks in part to the capital hosting more major events, most visitors are not opting to stay overnight

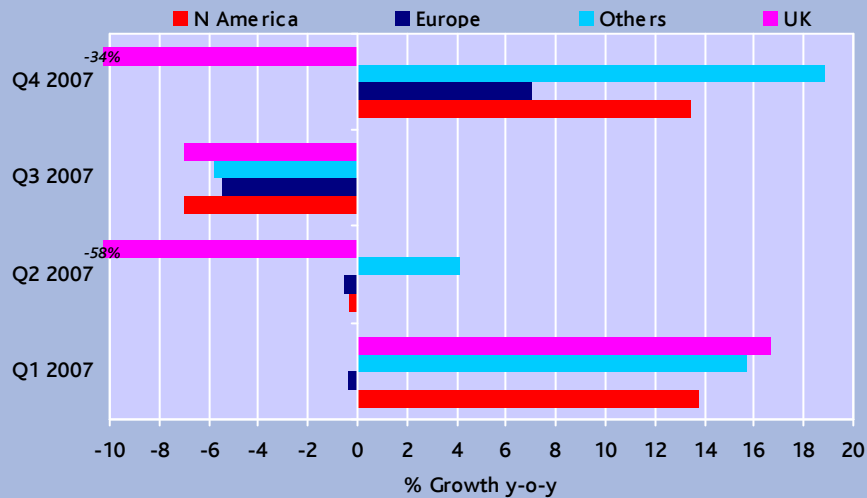
LONDON: VISITOR VALUE & VOLUME (excl day visits) 1990-2008f



Source: ONS, Visit Britain, Visit London forecasts, excludes day visits

TOURISM PROSPECTS

LONDON: VISITOR GROWTH (excl day visits) BY REGION 2007

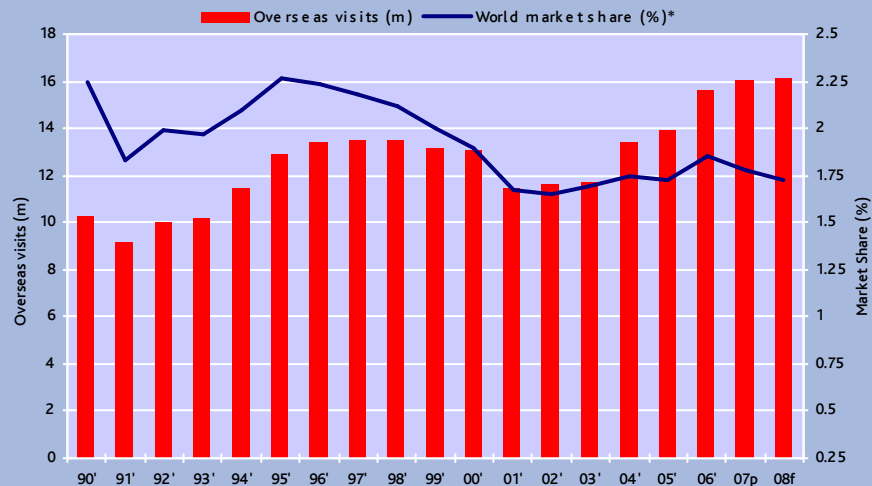


Source: ONS, Visit Britain, provisional results

LONDON TOURISM GROWTH BY REGION

- Following a fall in visits to London from all regions during Q3 2007, there was a strong recovery from overseas markets in Q4
- In particular, arrivals from emerging markets outside North America and Europe increased by over +18%
- North American visitor growth was also strong during Q4, up by over +13%. This was surprising given the slowing US economy
- In contrast, domestic visits to London, excluding day trips, declined steeply during Q4, down by -34%. Despite the capital hosting a number of major events during this period, most domestic visitors do not appear to have stayed overnight

LONDON: INTERNATIONAL VISITOR MARKET SHARE 1990-2008

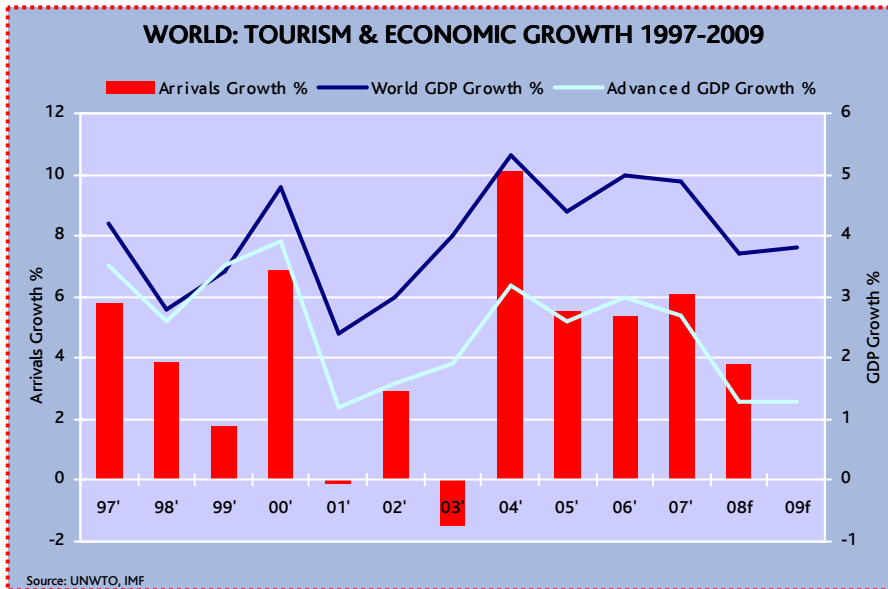


Source: UNWTO, ONS, Visit London forecasts *London share of world arrivals

LONDON INTERNATIONAL VISITOR MARKET SHARE

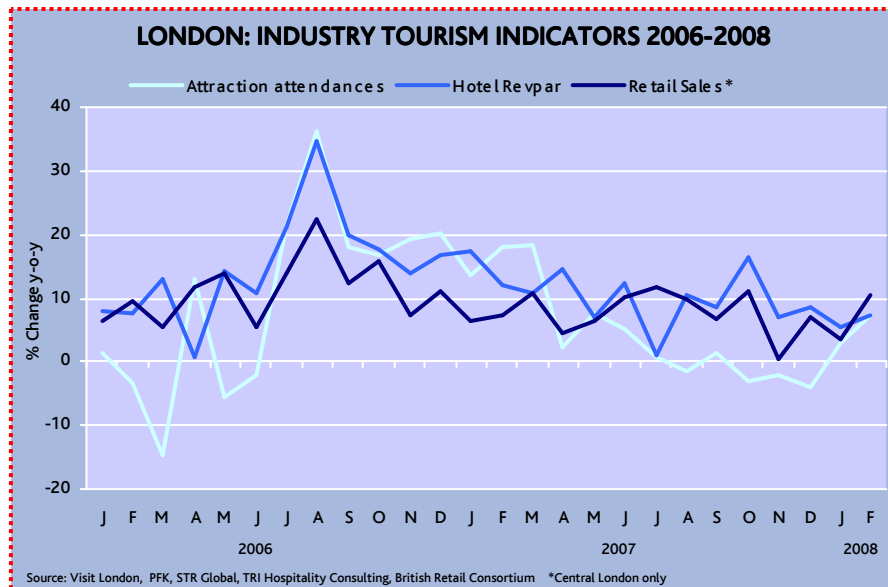
- Provisional results indicate London's global share of international tourism declined from 1.85% in 2006 to 1.78% in 2007
- Although overseas visits to London continued to grow during 2007, up by +2.9%, global outbound tourism expanded at almost double this rate
- Globally, most inbound travel growth is now coming from Asia. Many of London's largest source markets in Europe and North America are relatively mature, and are not displaying strong growth trends

TOURISM PROSPECTS



WORLD ECONOMIC & TOURISM PROSPECTS

- According to latest forecasts from the IMF (April 2008), world economic growth is now decelerating significantly due to ongoing credit concerns and the slowing US economy
- The world economy is now projected to expand by +3.7% in 2008 and +3.8% in 2009. Across advanced economics, which typically influence global travel to London, growth is expected to be more sluggish
- The US economy is forecast to tip into mild recession in 2008 with only a gradual recovery in 2009. UK growth is projected to drop to +1.6% in both 2008 and 2009
- Although global tourism activity is also forecast to slow in 2008, the World Tourism Organisation still expects world outbound growth to remain close to the long-term average of +4%



LONDON TOURISM INDUSTRY INDICATORS

- Industry indicators of tourism activity in London have remained relatively strong in recent months despite the credit crunch
- Attraction attendances, which had started to fall during the second half of 2007, rebounded strongly in January and February helped by warmer than normal weather
- Hotels continue to report robust trading conditions. Tight hotel supply, especially in central London, is allowing room rate growth despite flat occupancy growth
- Central London retailers have also enjoyed a good start to the year, with like-for-like sales growth of +3.7% reported in January, and +10.5% in February

TOURISM PROSPECTS

LONDON: VISITS, NIGHTS & SPEND (excl days visits) 2000-08f

	2000	2001	2002	2003	2004	2005	2006	2007p	2008f
VISITS (m)									
Domestic*	18.5	16.9	16.1	14.3	12.8	10.7	10.96	10.1	9.8
% yoy change		-8.6	-4.7	-11.2	-10.5	-16.4	+2.4	-7.5	-3.4
Overseas	13.1	11.6	11.6	11.7	13.4	13.9	15.6	16.1	16.1
% yoy change		-11.5	0.0	+0.8	+14.5	+3.8	+12.3	+2.9	+0.3
TOTAL VISITS (m)	31.6	28.5	27.7	26.0	26.2	24.6	26.6	26.2	25.9
% yoy change		-9.8	-2.8	-6.2	+0.7	-6.1	+8.0	-1.4	-1.1
NIGHTS (m)									
Domestic*	42.4	39.8	35.4	32.8	29.7	24.2	24.6	23.4	22.8
% yoy change		-6.1	-11.1	-7.3	-9.5	-18.5	+1.65	-5.1	-2.6
Overseas	82.0	76.1	75.4	78.9	90.2	91.8	101.1	100.9	100.0
% yoy change		-7.2	-0.9	+4.6	+14.3	+1.8	+10.1	-0.2	-0.9
TOTAL NIGHTS (m)	124.4	115.9	110.8	111.7	119.9	116.0	125.7	124.3	122.8
% yoy change		-6.8	-4.4	+0.8	+7.3	-3.25	+8.4	-1.1	-1.2
EXPENDITURE (£bn)									
Domestic*	3.1	3.0	2.8	3.2	2.8	2.1	2.27	2.2	2.15
% yoy change		-2.4	-5.9	+14.0	-14.1	-24.1	+8.4	-2.9	-2.5
Overseas	6.9	5.8	5.8	5.9	6.4	6.9	7.8	8.7	9.1
% yoy change		-15.3	0.0	+1.5	+9.6	+6.5	+14.0	+11.2	+4.6
TOTAL SPEND (£bn)	10.0	8.8	8.6	9.1	9.2	9.0	10.1	10.9	11.25
% yoy change		-11.4	-2.6	+5.6	+1.2	-2.7	+12.7	+8.0	+3.2

Source: ONS, Visit Britain, Visit London forecasts, excludes day visits

P= Provisional results F= Forecasts

*Pre-2005 domestic data is not strictly comparable to past years

LONDON: LEADING VISITOR MARKETS 2007

	Visits (000s)				Expenditure (£m)			
	2000	2003	2006	2007p	2000	2003	2006	2007p
UK Days Visits~	-	130000	150000	-	-	4,300	5,000	-
UK*	18500	14300	10960	10140	3,080	3,210	2,270	2,204
USA	2874	2233	2537	2493	1,735	1,412	1,599	1,684
France	1228	1191	1448	1344	324	332	431	404
Germany	1092	892	1275	1251	347	290	405	412
Spain	411	527	934	983	198	221	376	415
Italy	512	601	851	853	255	293	380	370
Irish Republic	631	624	718	751	207	173	233	252
Australia	495	451	579	693	249	235	308	359
Netherlands	509	619	660	687	153	222	188	220
Canada	408	317	440	511	175	134	222	277
Poland	81	167	528	446	25	68	220	181
Japan	434	233	245	239	258	146	134	149
India	161	130	230	237	97	78	151	171
Russia	126	160	160	182	129	167	126	219
Brazil	77	46	91	116	61	53	76	103
UAE	69	58	89	98	107	58	107	110
China	22	43	65	89	27	28	49	68

Source: ONS, Visit Britain, Countryside Commission

P= Provisional results

-Estimate

*Pre-2005 domestic data is not strictly comparable to past years

Disclaimer

The information in this report was believed to be correct at the time of going to print and while every effort has been made to ensure accuracy, Visit London can not be held responsible for errors or omissions

Readers are advised that the data in this report is not intended to be either definitive or exhaustive. Nor should the contents be construed as recommendations on policies or actions

The next issue of Tourism Prospects is due in **July 2008**

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