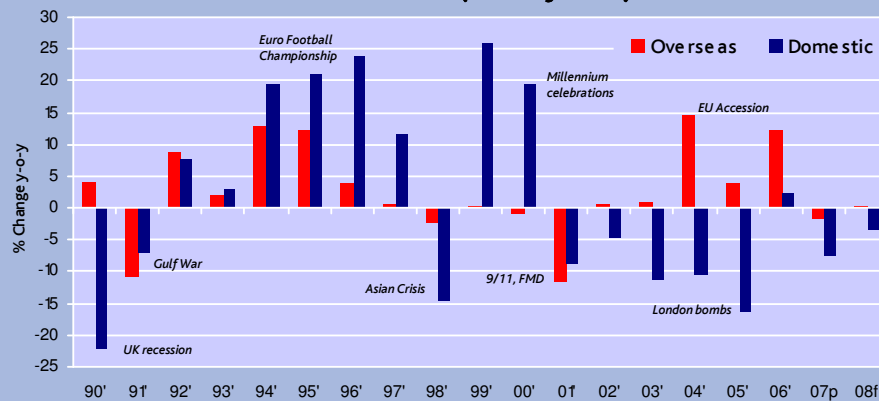


TOURISM PROSPECTS

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

MAY 2008: Revised issue reflecting major changes made to overseas visitor estimates by National Statistics

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



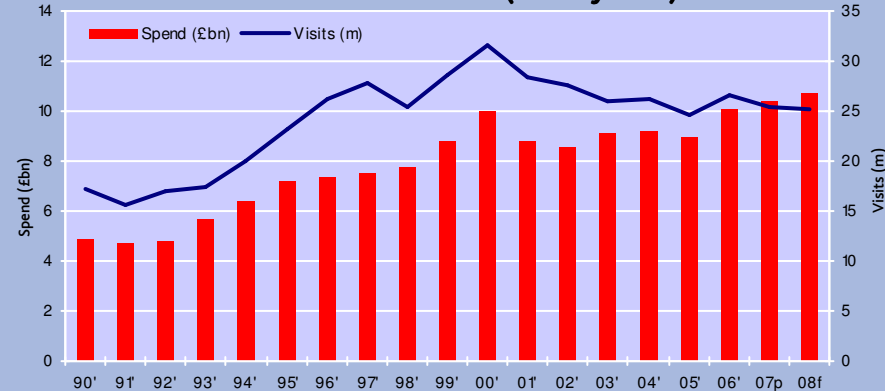
Source: ONS, Visit Britain, Visit London forecasts, excludes day visits

2008: TOUGH YEAR AHEAD

OVERSEAS VISITS HOLDING-UP BUT DOMESTIC DEMAND FALLING

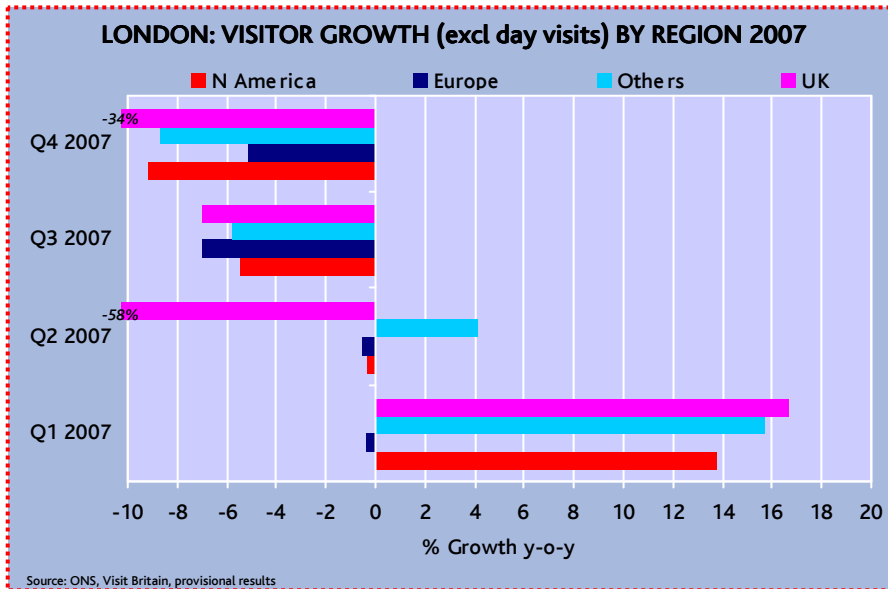
- Against the background of faltering world economic growth and weakening consumer spending in Europe and N America, the tourism industry in London is arguably facing its toughest year since 2005
- Latest forecasts indicate core visitor levels to the capital are likely to decrease by -1% in 2008, while 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 and are now falling
- In 2007, overseas visitor levels to London decreased by -1.6%, the first fall in annual overseas visits to the capital since 2001. This year visits are forecast remain flat
- 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



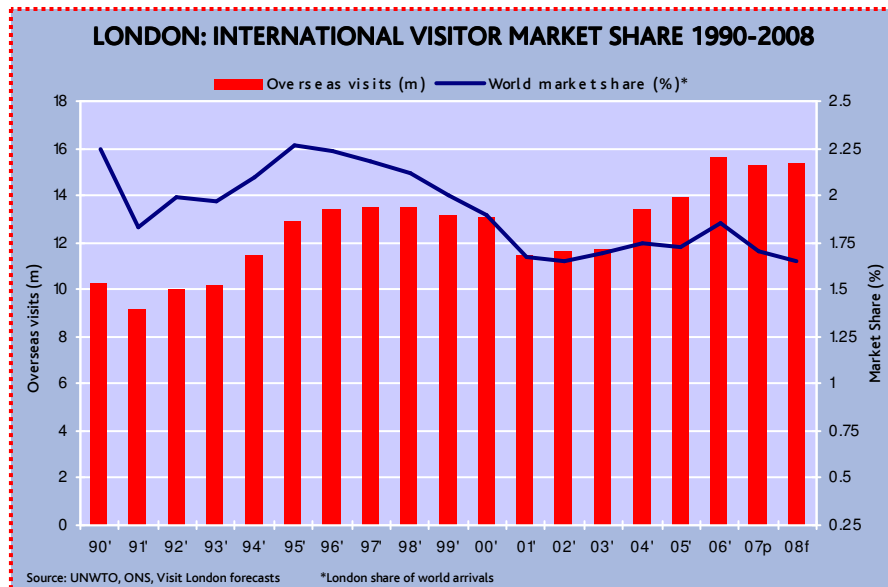
Source: ONS, Visit Britain, Visit London forecasts, excludes day visits

TOURISM PROSPECTS



LONDON TOURISM GROWTH BY REGION

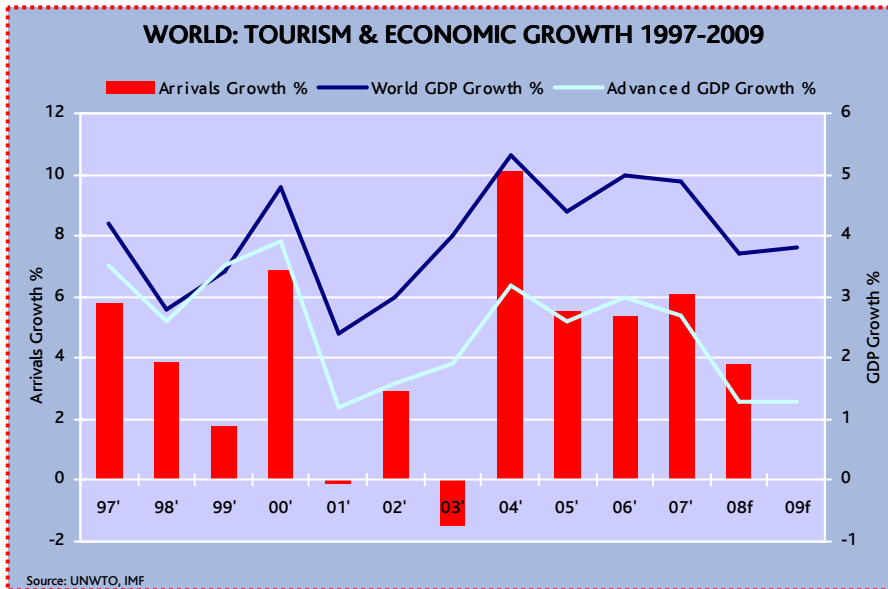
- Following a relatively strong start to 2007, overseas visits to London from all regions declined during the second half of the year
- This trend accelerated during Q4 a combination of rising travel costs, weak consumer confidence and the effects of the credit crunch took hold. It also seems that the post-EU accession surge in European visits also began to subside
- As a result, overall foreign visits fell by -7% during the last six months of the year – the steepest visitor downturn recorded in London since 2001
- Similar trends were also experienced in the domestic market, with visits declining by -34% in Q4. 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

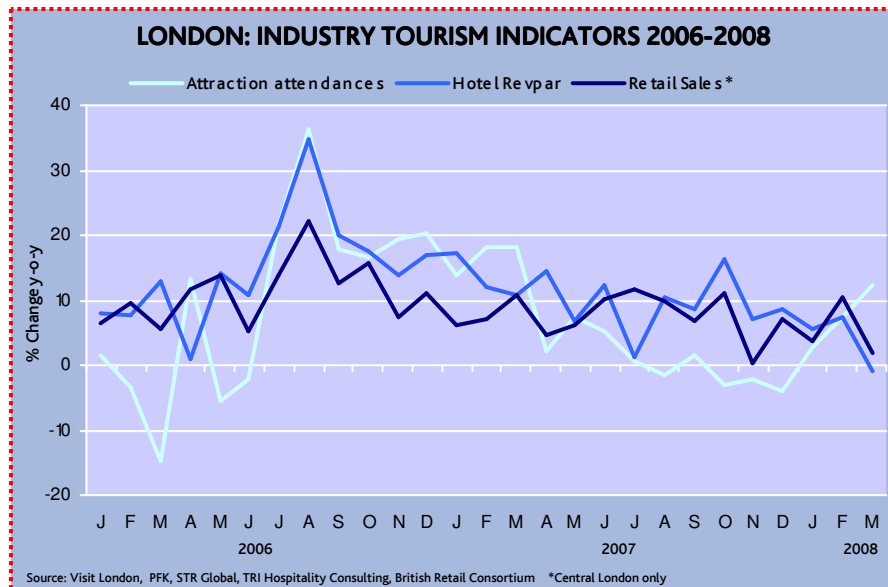
- Provisional results indicate London's global share of international tourism has declined from 1.85% in 2006 to 1.70% in 2007. A further fall to 1.65% is forecast in 2008
- Globally, most inbound travel growth is now coming from Asia. Many of London's largest source markets in Europe and North America are relatively mature, and are not displaying strong growth trends
- Although overseas visitor growth to London has matched levels recorded by mature cities such as Amsterdam and Paris, it has lagged significantly behind levels posted by emerging cities such as Barcelona and Prague. It has also fallen behind growth to many Asian and Middle Eastern resorts

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. The early Easter break boosted attendances in March
- 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. However, sales growth flatten significantly in March

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	15.35	15.4
% yoy change		-11.5	0.0	+0.8	+14.5	+3.8	+12.3	-1.6	+0.4
TOTAL VISITS (m)	31.6	28.5	27.7	26.0	26.2	24.6	26.6	25.45	25.2
% yoy change		-9.8	-2.8	-6.2	+0.7	-6.1	+8.0	-4.0	-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	95.7	94.8
% 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	119.1	117.6
% 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	8.2	8.6
% yoy change		-15.3	0.0	+1.5	+9.6	+6.5	+14.0	+5.3	+4.6
TOTAL SPEND (£bn)	10.0	8.8	8.6	9.1	9.2	9.0	10.1	10.4	10.75
% yoy change		-11.4	-2.6	+5.6	+1.2	-2.7	+12.7	+3.4	+3.1

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 OVERSEAS MARKETS 2000-08f

	Visits (000s)				Expenditure (£m)			
	2000	2003	2006	2008f	2000	2003	2006	2008f
UK Days Visits~	-	130000	150000	+1-2%	-	4,300	5,000	+1-2%
UK*	18500	14300	10960	-3-4%	3,080	3,210	2,270	-2-3%
USA	2874	2233	2537	-4-5%	1,735	1,412	1,599	-3-4%
France	1228	1191	1448	+0-2%	324	332	431	+1-2%
Germany	1092	892	1275	+1-3%	347	290	405	+3-4%
Spain	411	527	934	+0-2%	198	221	376	+2-3%
Italy	512	601	851	+0-2%	255	293	380	+2-3%
Irish Republic	631	624	718	+0-2%	207	173	233	+2-3%
Australia	495	451	579	+1-3%	249	235	308	+3-4%
Netherlands	509	619	660	+0-2%	153	222	188	+2-3%
Canada	408	317	440	+0-1%	175	134	222	+1-2%
Poland	81	167	528	+0-2%	25	68	220	+2-3%
Japan	434	233	245	-3-5%	258	146	134	-3-4%
India	161	130	230	+4-5%	97	78	151	+4-5%
Russia	126	160	160	+4-5%	129	167	126	+4-5%
Brazil	77	46	91	+2-3%	61	53	76	+2-3%
UAE	69	58	89	+2-3%	107	58	107	+4-5%
China	22	43	65	+4-5%	27	28	49	+2-3%

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**

VISIT LONDON

6TH FLOOR

2 MORE LONDON RIVERSIDE

LONDON

SE1 2RR

TELEPHONE: 020 7234 5800

visitlondon.com/corporate

