

Beat: Business

## BREXIT WILL HAVE MINIMAL IMPACT IN OUR BUSINESS IN UK THOMAS MAGNUSON SAYS

CEO OF MAGNUSON HOTELS

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**USPA NEWS** - While many thought it couldn't possibly happen, voters in the UK decided on Friday that it was time for Britain to leave the EU, sending global financial markets tumbling, the pound sterling to its lowest value in decades, and Prime Minister David Cameron out Downing Street. Thomas Magnuson reacts.

THOMAS MAGNUSON CEO OF MAGNUSON HOTELS IS STILL OPTIMISTIC ABOUT UK'S MARKET AFTER BREXIT-----

While many thought it couldn't possibly happen, voters in the United Kingdom yesterday decided it was time for Britain to leave the European Union, sending global financial markets tumbling, the pound sterling to its lowest value in decades and Prime Minister David Cameron out the door at 10 Downing St. after announcing his resignation.

While not a landslide vote "52% wanted out, 48% wanted to remain" "the results of the referendum still reverberated well beyond the U.K., which includes England, Scotland, Wales and Northern Ireland. On Friday morning, Wall Street watched as the Dow Jones Industrial Average, the S&P 500 and Nasdaq dropped significantly, echoing similar plunges on Japan's Nikkei, Germany's DAX and London's FTSE 100 Index. Although market reaction was swift to the unexpected vote, the U.K.'s transition out of the EU is not expected to be. Observers estimate it will take at least two years of negotiating with the EU and revamping global trade agreements and other programs it had in place under the EU. How this will play out is uncertain. David Cameron, who had wanted the U.K. to remain part of the 28-member nation EU, told the British public he would remain in place for the short term until a new prime minister is installed, likely in October.-----

The U.K. always has been considered a relatively easy launch site for U.S.-based hotel companies looking to expand internationally and how the new paradigm will shift any plans and strategies remains to be seen.

THOMAS MAGNUSON CEO OF SPOKANE AND INDEPENDENT HOTEL GROUP WITH MORE THAN 1000 UNITS-----Thomas R. Magnuson, CEO of Spokane, WA-based Magnuson Hotels, an independent hotel group that represents more than 1,000 independent and formerly franchised hotels that have become affiliates of the company's reservations management network and/or opted to be branded under any of Magnuson's three flags "Magnuson Grand Hotels, Magnuson Hotels and M Star Hotels" "decided to move to Britain in August 2010, opening an office in London. The company this year is contracted to add about 300 U.K. and European hotels on distribution services and the CEO took a wide-scope view of the Brexit (British Exit) decision.-----

"The shock to the system of the Brexit vote will cause short-term instability in global financial markets," said Magnuson. "However, we view that Brexit will have minimal if any impact on U.K. tourism and the overall hotel industry because consumer travel and new hotel development are locally based decisions, independent of the vote to leave or the regulations overseen by the EU."-----

Reacting to the news, Olivia Donnan, London-based spokesperson for Marriott International, noted "so much is still uncertain" regarding any specific impact on the global lodging chain, which is expected to close on its acquisition of Starwood Hotels & Resorts Worldwide, Inc. this summer. However, she said in the meantime the company has issued the following statement: "In light of the reported vote in Britain to exit the European Union, Marriott International will closely monitor the implications of the electoral decision. It is too early to know what potential impact the decision will ultimately have on our business. As the implications are more clearly defined over the coming months, we will work to adapt to any changes that may result while continuing to deliver the best experience for our guests and remaining committed to our employees." Similarly, a spokesperson for IHG, which is based about 20 miles outside London in Denham, indicated it is still early in trying to parse the exit's impact. "IHG is a global business with operations in nearly 100 countries. While the U.K. is an important market for us, it accounts for less than 5% of our overall global business, with Europe accounting for approximately 10%," she said. "At this early stage, there are still a number of uncertainties around what the U.K.'s exit from the European Union will mean for businesses; however, we are very used to dealing with volatility and will manage the situation as it evolves." In an internal newsletter, Michael McCartan, managing director of the EMEA region for Duetto Research, advised hotel revenue managers to be cautious following Britain's EU exit.-----

"The international perception of the U.K. as an open economy and society will be damaged," he said. "The U.K. will be in a state of limbo as trade deals are renegotiated. Business leaders and investors won't risk the wait, and investment will be diverted to other

gateway cities“;this will precipitate an economic downturn and a readjustment in hotel revenues. The economic downturn will affect the disposable income of U.K. citizens, and this will impact domestic demand for hotels, especially in the luxury sector; however, a cut in the exchange rate for sterling will make the U.K. a more attractive destination for foreign leisure visitors.“<sup>[7]</sup> As Friday wore on, there were some market recoveries and stocks advancing, along with reports that the EU’s leaders were looking for the U.K. to act on its decision and leave as soon as possible.

According to a report in The Guardian, the presidents of the European council, commission and parliament stated any delay to the U.K’s exit would “unnecessarily prolong uncertainty.“<sup>[7]</sup> “”Stefani C. O’Connor

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