

THE UK BUDGET HOTEL SECTOR HAS GROWN BY 35% DURING THE RECESSION

The UK budget hotel market will grow to around 225,000 rooms by 2030

Since 2008, the UK budget hotel market has grown by 35%, added 20,000 rooms and is now set to squeeze out independent and mid-market brands by 2030. These are the findings of a new study into the hotel market by Melvin Gold Consulting that looks at future trends within the hotel industry. (Full report is attached)

In spite of the economic downturn in the last three years, where many industries were badly hit, the UK branded budget hotel sector has thrived and supply has grown by 35%. Market share of branded budget accommodation has accelerated from 12% (end of 2007) to 16% of rooms in the UK serviced accommodation sector.

This increase has been predominately dominated by Travelodge – the fastest growing UK budget hotel brand and Premier Inn, opening hundreds of new hotels across the UK via new developments, acquisitions and conversions of run-down independent and mid-market hotels. (Since 2008, Travelodge has opened 131 new hotels, 9,520 rooms and created over 1,500 new jobs. Forty per cent of the new openings during this period have been via direct conversion of existing supply).

The second UK serviced accommodation supply study commissioned by Travelodge, is the most comprehensive and accurate assessment of hotel supply in the UK. Findings revealed the total number of serviced bedrooms in the UK at present stands at 729,000 with the budget sector currently at 115,000 – an increase of 35% from 2007 when total budget rooms was 85,665.

The UK at only 16% share remains a growing market for branded budget accommodation. However it is well behind matured markets such as the USA (which has 33%) and France (which has 25%) of branded budget accommodation supply.

The key findings from the latest hotel supply report confirm the size of the growth opportunity to be larger than originally forecast in 2007 for the UK branded budget hotel sector. Under the scenario developed by Melvin Gold Consulting, by 2030 the UK serviced accommodation sector will reach a total of 856,750 rooms with around 225,000 of these rooms being in branded budget hotels. This would increase the branded budget market share to 26%. The segment's growth is expected to be fuelled via new development, acquisition and conversion of independent and mid-market hotels which no longer satisfy consumer requirements.

The report also acknowledges that a number of poor quality and outdated hotels will close; as a direct result of branded budget hotels being required by 21st century travellers.

Guy Parsons, Travelodge CEO said: "There is no doubt, the budget hotel sector is the engine room of the hotel industry. Travelodge was the first branded budget chain to launch in the UK and within 25 years, we have helped pioneer a significant place for branded budget accommodation within the UK hotel industry. This is quite an achievement within a market that is becoming increasingly consolidated and branded.

"We are a power brand of the UK hotel sector, just like Tesco's is for the UK supermarket industry. We operate as a retailer rather than a traditional hotelier. We use a retail business model and an online pricing model similar to the budget airlines so that we can make hotels available to everyone at the best price.

"Travelodge's recent growth has been due to the Company's commitment to expand during the recession; as a result we have acquired superior sites due to lower market property prices. In addition during the last three years we have seen a new wave of customers using Travelodge for the first time. These consumers have traded down due to financial cutbacks and our customer feedback shows 85% of these customers have stated they will not be trading back up, as a low cost, new frills product suits their needs.

"In response to the findings from our latest hotel supply study and in line with the growing trend from consumers wanting budget accommodation; we have increased our growth targets and plan to have 1,100 hotels in Europe with over 100,000 rooms by 2025."

Melvin Gold said: "Our latest findings reveal the branded budget sector is the most dynamic segment of the UK hotel industry. It has certainly out performed our 2007 analysis in supply terms. This is predominately due to the economy which has created more consumer demand and caused independent and mid-market hotels to become available for acquisition. Our report also contains new data depicting trading outperformance of the branded budget sector compared to other segments of the UK hotel industry

"The UK branded budget hotel sector has grown 10% per annum in the past decade and exceeded 20% in the prior decade. It's the fastest growing part of our industry and in the next two decades we can expect to see a UK budget hotel being built, opened or converted every five days."

Travelodge is a power brand within the branded budget sector and as a result of the phenomenal growth opportunity within the market place, the brand could gain up to 15% of the market.

The report also reveals that currently 40% of the UK serviced accommodation supply is branded, leaving 60% unbranded and independent. As consumers continue to increasingly demand low priced accommodation with consistent standards, they will rely on brands they know and trust; therefore further consolidation is anticipated.

Over the last five years Travelodge has heavily focused on city centre growth to rebalance its portfolio away from roadside locations. Today 18% of Travelodge rooms are in London, 62% of rooms are in major cities and towns with the remaining 20% of rooms located at major motorways and roadside locations.

Notes to editors:

The hotel supply report was first conducted in 2007 and both reports are available to download at: <http://www.melvingoldconsulting.com>