

Budget Hotel Sector to Treble by 2027

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A UK budget hotel will be built, opened or converted every three working days* for the next 20 years said a new report released today by hotel experts, Melvin Gold Consulting. The budget hotel sector is set to treble by 2027, growing up to ten times faster than the rest of the hotel industry.

The UK hotel supply report, commissioned by Travelodge, is the most comprehensive and accurate assessment of the hotel market to date. The study recorded the total number of accommodation rooms in the UK at 716,500, with the budget sector currently accounting for 85,665** (12% of market).

With the total hotel market forecasted to continue to grow at around one percent in each year for the next two decades, the budget sector - growing at 10% for the next five years and 5% for the following five years - will be the primary growth driver of the accommodation market. The budget sector is expected to grow to 225,400 rooms representing 26.8% of the market by 2027.

The study also concluded that the 'traditional' UK hotel sector will contract over the next twenty years as consumers seek low cost accommodation and sub standard, unbranded hotels are converted to residential or other commercial buildings.

Grant Hearn, Travelodge CEO, commented:

"This report confirms what we have been saying for some time. The budget sector is the engine room of the hotel industry and the phenomenal growth reflects the consumer's desire for the no frills approach. Budget hotels are successfully taking the hotel industry into the mass market like Primark, Tesco and Ryanair have managed to do in their sectors."

"The UK consumer is not compromising on value and consistent standards of their stay. This is driving the unbranded tatty hotels and guest houses out of the market. The budget sector is weaving hotels into everybody's daily life, making staying away more accessible than ever," said Grant Hearn.

The public's growing awareness of the 'budget' product, the build up to and the legacy beyond London Olympics 2012, and consumers' consideration of their 'carbon foot-print' when planning short-breaks, were also said to be positive trends fueling 'budget fever' in this country.

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Travelodge commissioned the Melvin Gold Consulting study to better understand UK supply now and in the future. Earlier this year, the budget chain stated its intent to reach 70,000 rooms by 2020 taking around 10% of the hotel market. With the total market set to grow by around one percent per annum to 2027, it is estimated that the market will contain 842,000 rooms by this time.

Grant Hearn said: “On this predicated growth rate, our 70,000 room target will represent around nine percent of the market by 2020. These figures show that there is even more opportunity to grow beyond our stated room target as I believe mass market brands like ours should be comfortably commanding double digit market share.”

This report is the most comprehensive view of UK hotel supply currently available. Attempts by Melvin Gold Consulting to source accurate data from a single government tourism or statistical source proved impossible as there is currently no reliable infrastructure to capture this. Despite the DCMS identifying a severe gap in how government collects and collates UK tourism data a number of years ago, it has failed to make the investment called for at that time to improve market intelligence.

Melvin Gold said: “We have gone to the ‘coal face’ of current data collection sources in the UK – literally seeking to collect data from hundreds of tourism sources – to ensure the accurate portrayal of data as the most reliable source of UK hotel supply data currently available. The government’s sums for the hotel industry did not tally with individual local government numbers and the whole data capture infrastructure proved to be bankrupt. How anyone can make informed economic decisions regarding tourism in this country is a mystery to me.”

Grant Hearn concluded: “The lack of government investment in data capture does not surprise me at all – it is consistent of the DCMS’ approach to our industry. The ironic thing is that if government invested a small amount in data capture, the economic upsides to be gained from the tourism sector would be staring them in the face. Tourism can be a top three UK economy but it seems it is just the industry CEOs that know it.”

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* The average budget hotel is expected to contain 80 rooms per building

** Source: Budget Hotels UK 2007 by TRI Consulting Ltd in association with BDRC.

About the report:

- The report was compiled by Melvin Gold Consulting Ltd. in research conducted from July to September 2007. The report is entitled "Quantification of serviced accommodation supply in the United Kingdom and consideration of related issues"
- The full report is now released in Final Draft format and is freely available from Melvin Gold Consulting's website, www.melvingoldconsulting.com, and from Travelodge's site, www.travelodge.co.uk.
- Comments and new information is invited from interested parties, related to the Final Draft report, prior to finalisation of the report early in 2008.

About Travelodge

- Travelodge aims to be the biggest budget operator in London by the 2012 Olympics with over 7,000 rooms in the Capital.
- Eighty five percent of its bookings are now made online through its industry leading website
- Travelodge became the first UK hotel company to launch Travel Insurance in April 2007
- Travelodge was the first budget hotel brand to launch in UK in 1985.
- Travelodge employs over 5,000 staff.
- Travelodge is owned by DIC (Dubai International Capital)

About Dubai International Capital

- Established in 2004, Dubai International Capital LLC. (DIC) is a Dubai based international investment company that primarily focuses on private equity. It is a wholly owned subsidiary of Dubai Holding, a large and diversified group that operates in the fields of healthcare, technology, finance, real estate, research, education, tourism, energy and communications.