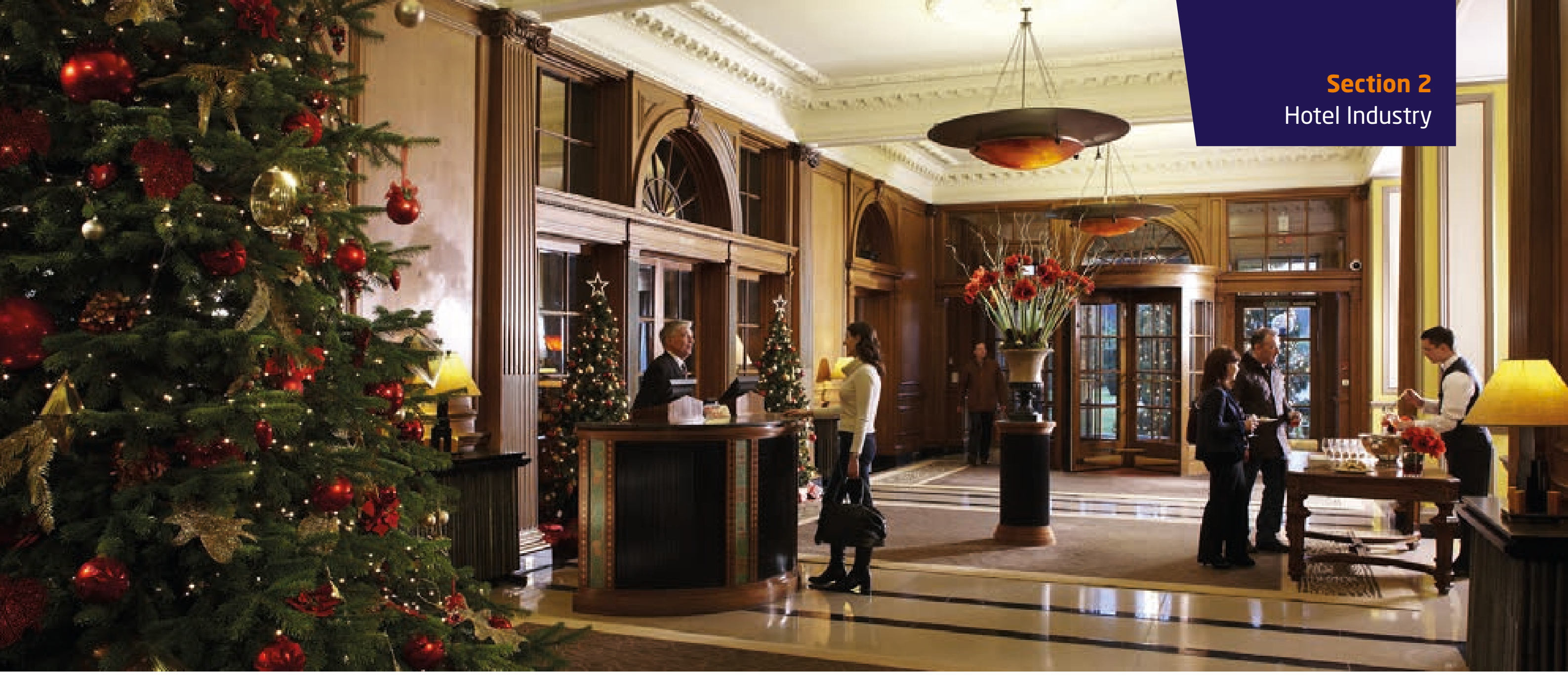



# UK Hotels

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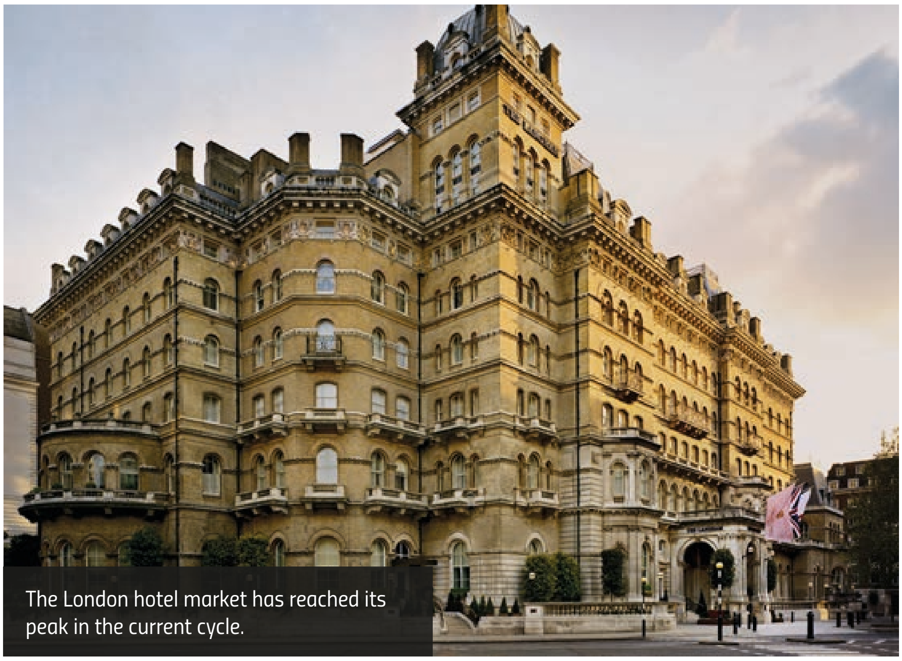
How will history judge 2016? Right now it looks like a year of surprises, and not just due to the Brexit and US Presidential votes, but it seems that economic indicators have also confounded the experts. The future will provide context as to whether it was a turning point, or perhaps idiosyncratic or even an aberration. Or perhaps it was a one off and the 'normal' paradigm will resume?

In that context it is hard to forecast the future for the hotel sector since it is so dependent on other sectors, the economy in general – in the UK and overseas, and of course on consumer sentiment.

Most seem to expect that London hotels have reached their peak for now, perhaps a little more rate growth in the current cycle but occupancy falling slightly. This is influenced by global events such as terrorism in other European countries, a relatively high level of new supply coming on stream, and the general economic uncertainties as Brexit negotiations seem set to begin. On the positive side the currency exchange rate is favourable for inbound tourists and UK consumer spending remains healthy, spurred by low interest rates.

Outside London it seems that the gains of recent years are expected to continue although in most locations occupancy has most likely peaked (or more correctly, plateaued) and the further opportunity lies in room rate growth.

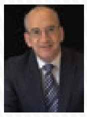


The London hotel market has reached its peak in the current cycle.

**The vast majority of new hotels are branded and the trend is exacerbated by major brands introducing 'soft brands' to attract independent owners and rival the established consortia.**

The trend that continues unabated is that of the growth of branded supply, especially branded budget hotels. The vast majority of new hotels are branded and the trend is exacerbated by major brands introducing 'soft brands' to attract independent owners and rival the established consortia. And of course some hotels close, especially small and medium sized independent properties.

The industry's major concern at present is strangely none of the above. It is rising costs, especially labour which may be in even shorter supply, and in imported food and drink given the less favourable exchange rate which is a double-edged sword. But hoteliers are a resilient and creative bunch and they will adapt and optimise future market conditions, whatever they are.



Melvin Gold FIH, is a leading independent hotel consultant and commentator. For more information visit melvingoldconsulting.com. Melvin is always happy to hear from those involved and seeking to become involved in the hotel sector.

**Table 6:** Structure of serviced accommodation industry by number of rooms, end-2015

| Rooms | No. of establishments | No. of rooms | Average No. of rooms per hotel | Full Service brands | Mid-market brands | Branded Budget | Consortia | Independent |
|---|---|---|---|---|---|---|---|---|
| 200+ | 362 | 113,282 | 312.9 | 55,728 | 24,948 | 17,938 | 2,508 | 12,160 |
| 101-200 | 1202 | 165,391 | 137.6 | 35,066 | 43,370 | 56,676 | 4,846 | 25,433 |
| 51-100 | 1967 | 141,838 | 72.1 | 9,443 | 17,865 | 54,252 | 12,221 | 48,057 |
| 26-50 | 2341 | 85,751 | 36.6 | 2,778 | 2,507 | 14,518 | 7,435 | 58,513 |
| 11-25* | 6,127 | 97,024 | 15.8 | 147 | 249 | 1,234 | 2,168 | 93,226 |
| 1-10* | 29,588 | 143,464 | 4.8 | 10 | 35 | 73 | 187 | 143,159 |
| **Total** | **41,587** | **746,750** | **18.0** | **103,172** | **88,974** | **144,691** | **29,365** | **380,548** |

Source: Melvin Gold Consulting
**Estimate*

**Table 7:** Analysis of UK serviced accommodation sector by category, end-2015

| | Full Service brands | Mid-market brands | Branded Budget | Consortia | Independent | Total |
|---|---|---|---|---|---|---|
| Hotels | 605 | 709 | 1,669 | 555 | 38,049 | **41,587** |
| Rooms | 103,172 | 88,974 | 144,691 | 29,365 | 380,548 | **746,750** |
| **% of Total rooms** | **13.8%** | **11.9%** | **19.4%** | **3.9%** | **51.0%** | **100%** |

NB. Corporate branded currently totals 44.7% of supply (end-2015)
Source: Melvin Gold Consulting

**Table 8:** UK budget hotel sector (summarised) by number of rooms, end-2015 (vs 2014)

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Hotels** | **Rooms** | **Hotels** | **Rooms** |
| **Premier Inn (inc. Hub)** | 716 | 62,293 | 685 | 57,396 |
| **Travelodge** | 513 | 37,988 | 501 | 37,038 |
| **Holiday Inn Express** | 134 | 15,728 | 126 | 14,831 |
| **Ibis Hotels** | 59 | 8,405 | 59 | 8,274 |
| **Ibis Budget** | 23 | 2,989 | 23 | 2,928 |
| **Days Inn/Hotel** | 48 | 2,836 | 54 | 3,609 |
| **Hampton** | 18 | 2,805 | 14 | 2,215 |
| **Ibis Styles** | 15 | 1,915 | 9 | 1,167 |
| **Campanile** | 17 | 1,510 | 18 | 1,615 |
| **Tune** | 8 | 1,129 | 6 | 899 |
| ***Budget Brands with less than 1,000 rooms*** | *119* | *7,093* | *127* | *7,847* |
| **Total** | **1,670** | **144,691** | **1,622** | **137,819** |

Source: Melvin Gold Consulting

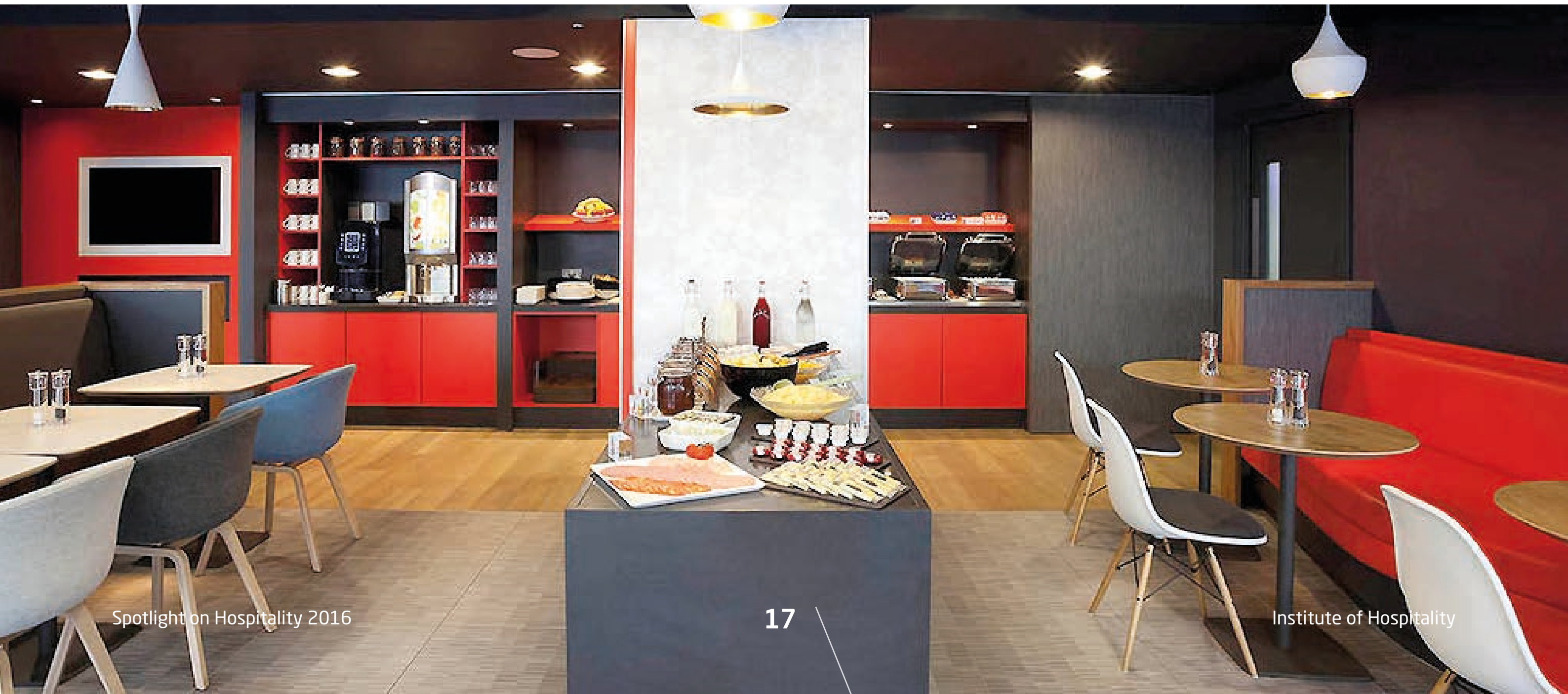


**Table 9:** Top 10 UK hotel companies (by operations) at end-2015 (vs 2014)

| | 2015 | | 2014 | | |
|---|---|---|---|---|---|
| **Company** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Brands** |
| **Whitbread** | 716 | 62,293 | 686 | 57,559 | Premier Inn, Hub |
| **InterContinental Hotels** | 314 | 43,382 | 296 | 40,993 | InterContinental, Crowne Plaza, Holiday Inn, Holiday Inn Express, Staybridge Suites, Indigo |
| **Travelodge** | 513 | 37,988 | 501 | 37,038 | Travelodge |
| **Accor** | 218 | 29,755 | 206 | 27,543 | Pullman, Sofitel, Mgallery, Novotel, Mercure, Ibis, Ibis Styles, Ibis Budget, Adagio |
| **Hilton** | 129 | 27,911 | 117 | 25,230 | Waldorf Astoria, Conrad, Hilton, Doubletree, Garden Inn, Hampton |
| **Carlson** | 57 | 12,665 | 57 | 12,679 | Radisson, Quorvus, Park Plaza, Park Inn |
| **Marriott Hotels** | 64 | 12,194 | 60 | 11,614 | Marriott, Courtyard, Bulgari, Renaissance, JW Marriott, Executive Apartments, Edition, Grand Residences, Autograph |
| **Britannia Hotels** | 52 | 9,455 | 48 | 8,958 | Britannia |
| **Jurys Inn** | 33 | 7,516 | 22 | 5,464 | Jurys Inn |
| **PH Hotels** | 44 | 6,692 | 44 | 6,728 | Principal Hotels, DeVere Venues |

NB. The largest consortium is Best Western with 266 (2014: 276) hotels comprising 14,679 (15,138) rooms
Source: Melvin Gold Consulting