SPOTLIGHT ON

UK hotels

Living with uncertainty

By Melvin Gold FIH

2019 looks like being **the** year of uncertainty, and not just for hoteliers. Some will see uncertainty as opportunity, others as threat, but in any eventuality it will be a year in which hotel managers earn their salaries. Understanding the operating environment and taking appropriate decisions will be the key to success.

The issues are well documented but let's recap. The UK political and economic environment is dominated by Brexit which, at the time of writing, seems set to take place formally on 29 March 2019. However that date will likely herald a period of transition where not much will change and negotiations between the UK and EU will continue. The uncertain environment is likely to continue recent trends where cost pressures exist in the labour market and in the costs of food and beverages. Energy costs are under pressure as well, albeit for different reasons.

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Relief may come to some hoteliers and restaurateurs, especially smaller operators, as the government revisits property taxes to some extent. While those issues challenge UK hoteliers, overseas hoteliers will have to take account of the potential impact on UK travellers, whether for business or leisure.

If Brexit goes badly or inconclusively, there may be further currency devaluation which would make the UK more attractive as a destination from a cost perspective but exacerbate operator pressures on costs and labour. On balance, let's hope that doesn't happen.

The trading environment is tough anyway. Most believe that we are around the top of the trading cycle and we remain a cyclical industry. PWC stick their necks out each year with their industry forecast and for 2019 they forecast hotel trading at fairly similar levels to 2018, albeit when inflation is factored in, their forecast is negative in real terms in both London and the UK regions.

Influences on this are not just the economy and the current trading cycle position but also the significant volumes of new supply that have come into the market in 2018 with more to arrive in 2019. A total of more than 20,000 rooms per annum in each of those years is estimated by STR. This is no longer predominantly in the branded budget segment of the market as a more positive phase of the development cycle comes to fruition.

Our data presented in the tables below shows that during 2017, for the first time, the majority of hotel bedrooms in the UK were not operated by

The majority of hotel bedrooms in the UK are now operated by corporate chains or consortia.

Pictured: Hotel Indigo, York

independent hoteliers. The combination of corporate chains and hotel consortia surpassed independent stock. There is no going back given that the vast majority of hotels under development are corporately branded. The trend will continue in line with the expectations of Melvin Gold Consulting's forward-looking report first published in 2007 and updated in 2011. The closure of outdated stock, mainly independently-operated, is part of this trend.

Times are changing in so many ways and it is unproductive to look back, but equally we must prepare for the future whatever it may hold. For every hotelier, that means adjusting to circumstances and ensuring that our hotels—whether independent or corporate—are best-placed to take advantage of the opportunities that are out there.

Melvin Gold FIH is a leading independent hotel consultant and commentator. More about him and the range of services offered by his company can be found at: melvingoldconsulting.com

Table 10: Structure of serviced accommodation industry by number of rooms, end-2017

Rooms	Branded Full Service	Branded Mid-market	Branded Budget	Consortia	Independent	Total	Average number of rooms per hotel	No. of Hotels
200+	58,551	27,114	21,956	1,904	12,555	**122,080**	310.6	393
101-200	33,584	44,148	65,413	5,621	27,485	**176,251**	137.6	1,281
51-100	9,324	17,141	59,426	11,993	49,634	**147,518**	72.5	2,034
26-50	2,602	2,334	13,672	6,956	59,792	**85,356**	36.6	2,334
11-25*	103	159	1,258	2,092	92,835	**96,447**	15.9	6,081
1-10*	10	43	73	171	140,601	**140,898**	4.8	29,445
Total	**104,174**	**90,939**	**161,798**	**28,737**	**382,902**	**768,550**	**18.5**	**41,568**

Source: Melvin Gold Consulting
**Estimate*

Table 11: Analysis of UK serviced accommodation sector by category, end-2017

	Branded Full Service	Branded Mid-market	Branded Budget	Consortia	Independent	Total
Rooms	104,174	90,939	161,798	28,737	382,902	**768,550**
% of total	13.6%	11.8%	21.1%	3.7%	49.8%	**100.0%**
Hotels	598	700	1,794	535	37,957	**41,584**
Avg Rooms per Hotel	174.2	129.9	90.2	53.7	10.1	**18.5**

Source: Melvin Gold Consulting

Table 12: UK budget hotel sector (summarised) by number of rooms, end-2017 (vs 2015)

	end-2017		end-2015	
	Hotels	Rooms	Hotels	Rooms
Premier Inn (including Hub)	784	72,142	716	62,293
Travelodge	543	40,542	513	37,988
Holiday Inn Express	139	16,696	134	15,728
Ibis Hotels	60	8,452	59	8,405
Hampton by Hilton	26	4,283	18	2,805
Ibis Budget	23	2,989	23	2,989
Days Inn/Hotels	45	2,548	48	2,836
Ibis Styles	20	2,532	15	1,915
Campanile	17	1,510	17	1,510
Motel One	6	1,493	4	969
Other Budget Brands	*131*	*8,611*	*123*	*7,253*
Total	**1,794**	**161,798**	**1,670**	**144,691**

Source: Melvin Gold Consulting

Holiday Inn Express, Walsall

Table 13: Top 10 UK hotel companies (by operations) at end-2017 (vs 2015)

	end-2017		end-2015		
Company	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Brands**
Whitbread	784	72,142	716	62,293	Premier inn, Hub
InterContinental Hotels	324	46,136	314	43,382	InterContinental, Indigo, Staybridge Suites, Crowne Plaza, Holiday Inn, Holiday Inn Express
Travelodge	543	40,542	513	37,988	Travelodge
Accor	232	31,872	218	29,755	Fairmont, Sofitel, Pullman, Mgallery, Mercure, Novotel, Ibis, Ibis Budge, Ibis Styles, Adagio
Hilton	141	30,060	129	27,611	Waldorf Astoria, Hilton, Conrad, Doubletree, Garden Inn, Hampton, Curio
Marriott	86	16,494	64	12,194	Ritz Carlton, JW Marriott, Marriott, Sheraton, Luxury Collection, Courtyard, W, Tribute, Residence Inn, Renaissance, Moxy, Autograph, Executive Apartments, Grand Reisdences, Edition, Bulgari, Aloft, AC Hotels
Carlson	57	13,193	57	12,665	Radisson, Park Plaza, Park Inn
Britannia Hotels	54	9,758	52	9,455	Britannia
Jurys Inn	31	7,101	33	7,516	Jurys inn
Wyndham Hotels	75	5,677	83	6,563	Ramada Plaza, Ramada Encore, Ramada, Days Inn, Days Hotel

Source: Melvin Gold Consulting