

London to gain a further 7,000 hotel bedrooms in 2016 while growth in demand remains subdued, says Hotel Bulletin

9 February 2016, London: London will see the opening of a massive 7,000 hotel rooms this year, double that of last year's openings, putting additional pressure on occupancy levels and achieved room rates.

Across the UK some 16,000 hotel rooms are expected to open this year, compared with 10,000 last year, according to the latest **Hotel Bulletin: Q4 2015**, published by **HVS**, **AlixPartners** and **AM:PM**.

RevPAR growth across 12 UK cities in **Q4 2015** was an average of 2%, significantly lower than the 19% average growth recorded in Q4 2014, with occupancy in the same period falling in eight of the 12 cities. London's occupancy declined for the fourth consecutive quarter.

'The huge amount of openings planned for 2016 in London will be of concern to the city's hoteliers who, while historically are used to robust performance, are currently experiencing limited demand growth,' commented HVS chairman Russell Kett.

'Flat or declining occupancy is historically followed by plateauing rates indicating that a peak in hotel market trading may nearly have been reached,' he added.

Over half of the UK's development pipeline opening within the next three years are in the budget sector (51%), made up of hostels, budget and two star hotels. The second largest growth sector is that of four-star properties at 28%. Some 9% of the development pipeline are apartments, while a further 9% are five-star hotels.

'As has been the case for some time, future openings are heavily biased towards the budget hotel sector as these are relatively quick and cheap to build and offer good returns,' said Kett. 'Demand for budget rooms is still strong from both the leisure and the business sector proving the format is one of the most successful in the hotel business. This growth is likely to continue, particularly with new players emerging such as Premier Inn's super budget hub concept.'

The UK's current supply of hotel rooms is split fairly evenly between the key sectors with a third (33%) of supply being budget rooms, 30% being three-star, and 30% being four-star properties. Apartments make up just 3% of currently supply, with five star properties making up 4%.

Notable hotel openings in **Q4 2015** included four new hotels under various Hilton brands, totalling 654 bedrooms. Travelodge grew its presence in London to over 8,000 bedrooms following openings in Hackney and Richmond, while IHG opened the doors at its five-star, 453 bedroom InterContinental London ? the 02.

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