Supply increase impacts occupancy in UK?s provincial hotels, says Hotel Market Tracker

30 January 2019, London: The fortunes of London's hotels compared with those in the provinces widened in Q4 2018 as occupancy in London rose by 5% year-on-year compared with a more modest 1% increase in hotels outside the capital.

According to the latest **UK Hotel Market Tracker: Q4 2018**, produced by **HVS London**, **AlixPartners** and **STR**, average room rates in Q4 also rose by 5% in London's hotels, to £157.20*, boosting RevPAR [rooms revenue per available room] by an impressive 10%. RevPAR growth was 3% for the full year.

Conversely in Q4 hotels in the provinces failed to see any growth in average room rates, causing RevPAR to plateau. For the full year, however, RevPAR in the provinces grew by 2%.

?For the UK's hotels Q4 was a very different trading picture in London compared with outside the capital, ? commented HVS chairman Russell Kett.

?Hotel supply outside London grew 1.8% in Q4 of last year, causing supply to exceed demand. As a result of more intense competition, operators were unable to lift average room rates.

?While supply growth was also strong in London at 2%, in 2018 demand resulting from a number of high profile events boosted visitor numbers and meant that in Q4 London's operators were able to mitigate the impact of the increasing number of hotels rooms available.?

According to the Tracker, supply is expected to grow further in 2019 both in London and the regions, with a 4% rise in inventory in the capital and a 3.3% supply growth outside London.

?This increase in supply to the UK market means that hotel operators will have to work harder to boost their ADR [average daily rates] unless demand for rooms grows significantly. This, as well as rising costs and the impact of Brexit, means that 2019 will be another tough year for hotel operators,? added Kett.

The Tracker also reports that hotel transactions in the UK have seen a slowdown, with a £1bn fall in the sale of hotels during 2018. This can be attributed to both buyers and sellers awaiting a Brexit solution and sellers keen to avoid selling too cheaply.

?If a Brexit solution is found quickly that is well received by the financial markets, we could see some of the remaining PE funds' holdings making a dash for the market. Otherwise buyers and sellers will wait for the outcome so transaction activity will remain sluggish for the time being,? concluded Russell Kett. **[ends**

* Statistics supplied by STR ** Supply growth figures supplied by AM:PM

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About HVS

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