



The Thomas Consultancy



Hotels

1. There are around 13,000 hotels in the UK, of which 2,500 are 3 Star and above and another 1,000 are branded budget hotels.
2. There have been around 150 new hotels opening every year for the last 5 years; the British Hospitality Association predicts that 3,000 new-build rooms are scheduled to open in London in 2007 and a further 2,500 in 2008, with similar figures for the rest of England.
3. The hotel investment market is very active. Deals in 2006 amounted to £3bn and the first two months of 2007 saw another £1bn.
4. One report has assessed the new build at £1bn per annum, with a further £3bn on refurbishments and extensions.
5. Build costs for new hotels (inclusive of furniture, fittings and equipment) can range from £30-50k per bedroom for budget hotels up to £80-120k for 3-4 Star and £180-250k for 5 Star. Refurbishment costs can range from £12k to £30k plus.
6. 2006 saw major growth in occupancy rates and yields, especially in London, and the market prospects are promising for the next five years
7. With a growing emphasis on brands, increasingly the traditional hotel operators are selling their assets and focusing on revenue generation via either franchise fees or managing hotels on behalf of the owners.
8. For 5 star and budget hotels, the owner-operator model still largely applies, but for the 3-4 star market perhaps only 10% of hotels are still owner-operated.
9. Hotel owners are increasingly private equity companies (e.g. Permira), developers/investors (Land Securities) or smaller firms with a number of franchise hotels.
10. The budget hotel market is dominated by Travelodge (owned by Dubai Investment Capital) and Premier Travel Inn (Whitbread) while leading brands in the 3 star plus market include Holiday Inn, Ramada, Hilton, Marriott, Swallow and Macdonalds.

