

UK hotel industry achieves growth of 6.9% in 2007

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Weakening economic situation threatens growth in 2008

2007 was a good year for the UK hotel industry with double-digit growth in revenue per available room (revPAR) in the capital and a healthy increase across the regions. Latest results from the HotelBenchmark Survey by Deloitte' show that during 2007 revPAR in London increased by 10.8%. Against this, the performance of the regional UK market was more muted at 4.4%, but this was still an increase in revenue and marks the fourth year of consecutive growth.

London's 10.8% growth in revPAR came on top of growth of 16.8% in 2006. Average revPAR has increased from £99 to £110, to reach its highest level since the technology boom days of 2000.

Aberdeen retains the top spot with the fastest growing revPAR of any UK hotel market, enjoying impressive growth of 17.2% thanks to strong weekday business demand from the North Sea oil industry. However, with large oil producers saying they will be reducing North Sea oil production next year, growth in 2008 may be more restrained. Outside London, Glasgow follows with growth of 10.5%. However, the revPAR of both Glasgow and Aberdeen is still substantially lower than Edinburgh which, at £69, commands the highest rates outside London.

Marvin Rust, Hospitality Managing Partner at Deloitte said: '2007 has been another good year for the UK hotel market, with strong gains in many UK cities, despite a weakening economic environment in the last quarter. The question is how much longer double-digit growth can continue. So far, the UK hotel industry appears unscathed by troubles across the Atlantic and at home, but with an increasingly gloomy global outlook it would be a brave man to predict that 2008 will be as good as 2007.'

Roger Bootle, economic adviser to Deloitte agrees that next year is likely to be challenging. Commenting he said: '2008 is likely to be the year when the party ends. Consumer spending growth is likely to slow from around 3% last year to about 2% this year and corporations will not escape unscathed either. This will have a direct knock-on effect on the businesses that rely on the City for their trade, including hotels, bars and restaurants.'

Marvin Rust predicts the credit situation is unlikely to impact on new hotel developments: 'Although the cost of financing new developments may have risen, with land scarce and hotel projects having long build times I expect these to continue largely unaffected. New supply will remain subdued and demand is strong with the increasing focus of the world on London as we head for 2012.'

UK city performance – year-to-November 2007

	Occupancy (%)	Average Room Rate (£)	RevPAR (£)
Aberdeen	77.4	74	57
Belfast	81.4	71	58
Birmingham	71.0	72	51
Bournemouth	72.1	82	59
Brighton	72.9	83	61
Bristol	73.6	70	52
Cardiff	74.7	66	49
Edinburgh	80.5	85	69
Glasgow	78.0	67	52
Leeds	68.7	62	43
Liverpool	74.1	68	50
London	83.6	130	109
Manchester	74.3	76	57
Newcastle	74.6	67	50
Nottingham	65.4	57	37
Reading	71.6	78	56
Sheffield	74.2	56	42
Swindon	69.8	60	42
York	74.9	69	52

Source: HotelBenchmark™ Survey by Deloitte

Notes to editor: All analysis in UK£.

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