Our market intelligence products provide an unrivalled source of information on inbound tourism. They paint a detailed picture of past, present and future inbound UK tourism trends, helping you gain an insight into how markets and segments are performing, as well as how Britain is perceived by prospective visitors.
Accommodation used by Inbound Visitors

Introduction

Of the 31.1 million visits to Britain in 2012 all bar 1.8 million stayed at least one night and, therefore, will have needed to find somewhere to stay. We examined how paid accommodation is booked in the June edition of Foresight but this month we look at the types of accommodation that inbound visitors stay in and what is happening in terms on the supply side.

Inbound Visitors’ Choices

Trends

Chart 1 shows the number of nights spent in each of the different types of accommodation covered by the International Passenger Survey and it is instantly apparent that a significant proportion, 47% of all visitor nights in 2012 to be precise, are spent as a free guest with relatives or friends.

Now the share of all visits that is accounted for by trips to visit friends and relatives (VFR) is 29%, but these trips have an above average length of stay meaning that they represent 39% of all nights spent in Britain by overseas visitors. The number of nights spent in this form of accommodation has risen by 24% since 2001.

The instinctive form of accommodation that tourists are expected to stay in is of course hotels, and it can be observed that this is indeed the type accounting for the second largest share of nights in 2012 (26%), and that the volume of nights spent in ‘Hotel / guest house’ has enjoyed a 51% increase since 2001, a year in which it held a 21% share of nights.

The types of accommodation that are in a tight tussle for third spot are ‘Rented house’ and ‘Hostel / university / school’, each contributing to around 8% of visitor nights.

Among other forms of accommodation we can observe that the volume of nights spent in B&Bs is now somewhat lower than it was just more than a decade ago, and peaked in 2004, since which time there has been a 38% fall in the number of nights being spent in this type of accommodation.

By contrast while also accounting for about 2% of visitor nights a segment that has enjoyed growth in the past decade, more than doubling in fact, is ‘Camping / mobile home’, with 2012 having been a record year at 4.9 million nights.

There are roughly 5 million nights spent in ‘Other’ accommodation types in Britain each year, and with a sizeable share of these being by those who are on a Business visit using a lorry it seems likely that many will in fact be sleeping overnight in their vehicle.

Trip purpose

For each of the different journey purpose groupings Chart 2 shows the number of nights spent in different forms of accommodation during 2012. Although the VFR segment does see is a mix of accommodation choices, it doesn’t take too detailed an examination to spot just how dominant the ‘Free guest’ option is, accounting for 88% of all VFR nights.

A sizeable number of nights by those in Britain for a Holiday are also as a ‘Free guest’, but the biggest volume of nights is in ‘Hotel / guest house’ at 33.3 million, or 45% of all Holiday nights.

Hotels and guest houses are definitely the favoured choice for anyone in Britain for Business, with ‘Rented house’ in a somewhat distant second spot.

Unsurprisingly if a visitor is in Britain to Study then the most common form of accommodation is ‘Hostel / university / school’, with about half of all Study nights found in these types of institutions, but ‘Rented house’ is another popular option for many of these longstay visitors, and a sizeable number of nights are spent as a ‘Paying guest at a family or friends house’.

Looking at a few of the other forms of accommodation about which we have said relatively little so far it can be noted that B&Bs are very much the preserve of those holidaying in Britain with this equally true for ‘Camping / mobile home’ accommodation. When it comes to nights spent in one’s ‘Own home’ in Britain it is clear that those most likely to be staying in such familiar surroundings
are those visiting friends or relatives.

Chart 2: Inbound visitor nights by type of accommodation and trip purpose (000s)

<table>
<thead>
<tr>
<th>Type</th>
<th>Number of Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
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</tr>
<tr>
<td>Study</td>
<td></td>
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<tr>
<td>VFR</td>
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<tr>
<td>Holiday</td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td></td>
</tr>
</tbody>
</table>

Variations by geography

Chart 3 reveals the share of visitor nights spent in each of the different types of accommodation by area of the country and throws up some interesting variations. ‘Free guest with relatives or friends’ holds the lion’s share of nights in each and every area, but this varies from 58% of nights spent in East of England to just 34% of nights spent in Scotland.

London and Scotland have in common the fact that there are very nearly as many nights spent in ‘Hotel / guest house’ accommodation as there are as ‘Free guest with relatives or friends’ with 39% and 30% shares respectively.

Chart 3: Inbound visitor nights by area and type of accommodation (000s)

In the North East of England the second most common form of accommodation used is ‘Rented house’ whereas just to the south in Yorkshire there are marginally more nights spent in ‘Hostel / university / school’ accommodation than there are in ‘Hotel / guest house’ accommodation.

Although only 2% of nights, Wales sees the highest share of nights that are spent in the visitor’s ‘Own home’, while it also sees the second highest share for the ‘Rented house’ sector at 13%, with these potentially being holiday cottages. The parts of Britain that see the highest share of nights accounted for by B&Bs are Scotland (9%) and the South West of England (4%).

Supply and Demand

Peaks and troughs

Tourism is notoriously seasonal in nature, most notably leisure travel, and Chart 4 looks at so-called bed space occupancy by month of year since 1997 in Britain’s ‘hotels and similar accommodation’. The distinction between room occupancy and bed space occupancy is that an establishment may often have a double room being occupied by a lone traveller.

The red line shows the actual percentage of bed spaces occupied in each month and the blue line shows the twelve month ‘moving average’ in order that we can better discern what the underlying trend is.

August is always the peak month, although in both 2010 and 2011 it shared this mantle with July. The record (since 1997 at least) was in August 2007 when according to the Eurostat data 65% of bed spaces in Britain’s hotels and similar establishments were full (though it is worth noting that this means that they were 35% empty). The quietest August was in 2005 with an occupancy rate of 56%.

Chart 4: UK bed space occupancy (%)
bed spaces were in hotels and similar establishments and as it turns out it is the year ending this past March that sees the best performance with 49%, though this is only a cat’s whisker ahead of the year ending November 2007.

By contrast the worst year on record was that ending October 2001 with occupancy of 41.7% - this of course being at the end of a twelve month period that had included the Foot and Mouth outbreak and also the terrorist attacks in the US on 11 September.

**Room at the Inn?**

It is as much art as it is science trying to estimate just how many people could be accommodated in all the different forms of tourist accommodation that are on offer across Britain, but figures from Eurostat indicate that the number of bed spaces in UK ‘hotels and similar establishments’ was 1,411,000 in 2011 (Table 1).

Furthermore, Eurostat estimate that the number of bed spaces in ‘other collective accommodation establishments’ (including holiday dwellings and tourist campsites) was 1,861,000 in 2011. So in total the UK has a tourist accommodation ‘bed space’ stock capable of sleeping around 3.272 million people on any given night.

Looking at estimates for the number of ‘establishments’ reveals that in 2011 there were 38,939 ‘Hotels and similar establishments’, 41,621 ‘Holiday and short stay establishments’ and 5,117 ‘Campsites, recreational vehicle and trailer parks’. The first of these three types had, on average, 36 bed spaces, the second 14 and the third 253.

In terms of geographical distribution the areas with the most ‘Hotel and similar establishments’ were the South West (2,038) and South East (6,538) while the North East had the fewest (1,379).

The average number of bed spaces in these types of accommodation varied markedly by area, being 117 in London and just 23 in Wales. The upshot of this being that in terms of ‘Hotel and similar establishment’ bed spaces the most are to be found clustered in London with 250,000.

The area with the most ‘Holiday and short stay establishments’ (for example holiday cottages) was the South West with 11,597 (or 28% of the entire UK stock) followed by Wales with 8,532 (20%).

The area with the least such establishments was London with 479. For this form of accommodation the South West also rules the roost in terms of actual number of bed spaces with 189,000 with the West Midlands having the fewest (12,534).

Finally for ‘Campsites, recreational vehicle and trailer parks’ Wales has more than any other area (1,210 or 24% of the total) followed by the South West (1,012 or 20%). Thanks to a larger average number of bed spaces in the South West than in Wales the two areas trade places for the actual number who could spend the night in one of these types of establishment with 4,422,172 bed spaces in the South West (roughly enough to sleep the population of Edinburgh) and 3,433,538 in Wales.

**Table 1: Accommodation stock in 2011**

<table>
<thead>
<tr>
<th>Hotels and similar accommodation</th>
<th>Holiday and other short-stay accommodation</th>
<th>Camping grounds, recreational vehicle parks and trailer parks</th>
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</thead>
<tbody>
<tr>
<td>Establishments</td>
<td>Bed spaces</td>
<td>Establishments</td>
</tr>
<tr>
<td>North East</td>
<td>1,377</td>
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<td>North West</td>
<td>4,783</td>
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<td>Yorkshire &amp; Humberside</td>
<td>1,790</td>
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<td>East Midlands</td>
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<tr>
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<tr>
<td>South East</td>
<td>6,026</td>
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</tr>
<tr>
<td>South West</td>
<td>2,018</td>
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<tr>
<td>Wales</td>
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<td>Scotland</td>
<td>2,932</td>
<td>105,888</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>38,939</td>
<td>1,410,580</td>
</tr>
</tbody>
</table>

**New stock**

According to AM:PM Hotels data and intelligence there were more hotel rooms coming on-stream in 2012 than at any time in the past decade. Increases in supply during 2013 are somewhat more subdued, with Travelodge and Premier Inn accounting for 79% of new bedrooms opened in the first quarter of 2013.

Over the period 2005 to 2012 the number of ‘5 star / luxury’ rooms in London increased by nearly 4,000 to 15,220 while at the other end of the spectrum the number of budget hotel rooms in London jumped 9,700 to reach 26,000.

In total the budget sector is expected to see 6,341 bedrooms open across the UK in 2013. Looking at the number of bedrooms in the pipeline with a confirmed opening date the tally stands at 27,644. Relative to their current stock the cities with the largest pipelines include Birmingham, Bath and Newcastle. However, London’s pipeline stands at about 8% of its current stock which in absolute terms is considerably smaller than any of the other cities.

Of course when talking about a ‘stock’ there can be hotels that are being closed as well as opened, but an interesting point made by AM:PM in their Hotel Bulletin is that only four of 18 hotels recently offloaded by Travelodge are being converted to an alternative use, demonstrating how challenging it can be to eliminate uneconomic stock from the system.

**Room rates**

It would not be right to conclude a discussion about demand and supply without reference to the major determinant of bringing the two into equilibrium, namely ‘price’, or in the context of the accommodation sector, room rates.

Although based only on a sample of hotels, and a sample that primarily reflects room rates within the three and four star chain hotel segment, figures from TRIHospitality Consulting provide a
robust measure of recent trends.

Chart 5 shows the average room rate, all adjusted to 2012 price levels, in each year since 2007 in both London and provincial hotels.

![Chart 5: Average room rates (2012 prices)](image)

In real terms room rates in London were in retreat from 2007 through to 2009 and the global financial crisis had a significant impact on the business travel segment, but three straight years of increases meant that the average rate in London during 2012 stood at £138.50, representing a 4% real terms increase on 2007.

In conclusion

Recent research conducted on behalf of VisitBritain (reported in the October 2012 edition of Foresight) found that accommodation is a key driver of whether or not Britain is found to offer ‘good value for money’. The study found that the two types of accommodation most often considered to have delivered good value for money among international holiday visitors to Britain were luxury hotels (four star and above) and B&Bs / guest houses.

Mid-range hotels, which were twice as likely to be used as luxury hotels or B&Bs by the inbound visitors participating in the study, but were rated less favourably in terms of value for money.

Britain is blessed with a wide array of accommodation choices for inbound visitors, from upscale options to homely B&Bs and an ever growing number of budget hotels, but as we have seen inbound visitors are willing to be increasingly adventurous in their choices, having spent almost five million nights camping or caravanning in...