

## SECTION 3.7

# Hotel closures

## 40,000 rooms close in the past decade

and more closures will follow

By Melvin Gold FIH

**Over 40,000 hotel rooms have closed in ten years with independent hotels the most vulnerable, particularly in resort areas.**

In October 2013 Melvin Gold Consulting released its first research into the true extent of hotel closures in the United Kingdom in the last decade, when almost 40,000 rooms were

recorded as lost; by the end of 2013, three additional closures were made as Menzies Hotels was sold in December and there were also further closures as a result of the unravelling of the Travelodge CVA situation. Notwithstanding these group closures, it is typically smaller independent hotels that have exited the market.

Table 63 shows the regional breakdown and emphasises the coastal nature of the closures. Traditional seaside resorts have been especially hard hit; Table 64, which gives the administrative areas with the largest numbers of closures, also emphasises this. Cornwall, Blackpool, Channel Islands and Torbay – all resort areas – feature towards the top of the rankings.

**Table 63:** Hotel closures in the UK, 2004 (approx) – 2013 by region

	Rooms	Hotels	Average Size
South West	9,397	552	17.0
North West	5,522	267	20.7
South East	4,647	271	17.1
London	4,209	86	48.9
Scotland	3,775	233	16.2
East of England	2,784	153	18.2
Wales	2,648	154	17.2
Yorkshire/Humberside	2,085	144	14.5
West Midlands	1,867	109	17.1
East Midlands	1,680	107	15.7
North East	1,121	59	19.0
Northern Ireland	269	15	17.9
<b>Total</b>	<b>40,004</b>	<b>2,150</b>	<b>18.6</b>

Source: Melvin Gold Consulting research

The trend should not be seen as wholly negative. London closures in boroughs such as Westminster or Kensington and Chelsea are often a precursor to redevelopment and regeneration, though typically for residential use. The largest closure, the Regent

Palace Hotel with more than 1,000 bedrooms, provided the opportunity for regeneration of the area around Piccadilly Circus in the heart of the capital, and among that was the Cafe Royal Hotel. But the loss of over 4,000 rooms in London is a drop in the ocean

compared to the 30,000 rooms that have been newly developed across the city during the same period (not including those hotels which have been totally refurbished). Undoubtedly this has seen an overall improvement in the quality of supply.

**Table 64:** Administrative (Council) areas of the UK with more than 500 rooms closing during the period 2004 (approx) - 2013

	Rooms	Hotels	Average Size
Westminster	2,067	25	82.7
Cornwall	1,968	117	16.8
Blackpool	1,526	68	22.4
Channel Islands	1,230	52	23.7
Kensington and Chelsea	1,210	22	55.0
Torbay	1,157	73	15.8
Bournemouth	940	39	24.1
Isle of Wight	933	46	20.3
Conwy	693	35	19.8
North Devon	660	34	19.4
Highland	581	36	16.1
Isle of Man	573	19	30.2
Scarborough	556	36	15.4

Source: Melvin Gold Consulting research

Unfortunately what is a positive to a thriving international city such as London remains a negative for the majority of locations, especially around the coastline. Although some new supply has appeared, changing consumer requirements and increased global competition from sunnier (and often cheaper) climates mean that closures often have a negative economic impact on the seaside towns that are beset by closures.

No solution has yet been found and nor does one appear to be on the horizon although some smaller boutique properties have emerged that are well suited to today's consumer and they have been well supported.

It is the market itself which is determining which hotels will survive and which will close. News of further closures continues, not only around the coastline but also in towns and

cities where residential development values are often attractive compared to the operation of often relatively small independent hotels typically competing for customers against multinational brands with powerful marketing and reservations networks.

The die is seemingly cast and this trend is set to continue.