Glasgow Hotel Market Update

September 2022

The bustling economic powerhouse of Scotland

Glasgow is Scotland's largest city and the economic powerhouse of the country. Known for its industrial and design heritage and as a centre for education, the city boasts a vibrant calendar of arts, sports and commercial events throughout the year.

Glasgow has benefitted from substantial regeneration of former industrial sites and the city centre over the past 30-40 years. Early initiatives such as the SEC and SSE Hydro Arena provided a platform to become one of Europe's most successful conference locations, hosting more international delegates than any UK city outside London.

Domestic tourism remains key demand driver

Glasgow attracted over 3 million overnight visitors in 2019 for the first time since 2014 when the city hosted the Commonwealth Games.

While UK residents accounted for 72% of total overnight stays in 2019, the number of foreign guests grew by an average of 6.1% per annum from 2013 to 2019 highlighting the increasing appeal of the city to international travellers.

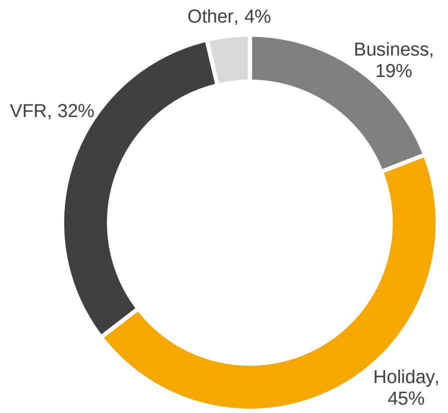
45% of hotel room nights in Glasgow in 2019 were booked for holiday purposes and 19% for business with a large share (32%) visiting friends and relatives. The share of holiday visits is, by comparison, much lower than Edinburgh (72%), highlighting the very different hotel market dynamics of Scotland's two major cities.

The second largest hotel market in Scotland by number of rooms

Room supply in the city has grown steadily in recent years, building on a flurry of activity in the lead-up to the Commonwealth Games in 2014. Supply increased at an average of 3.4% per annum from 2014 to 2019 including a 9% surge in 2018. There are now around 12,176 quality rooms in the city but Glasgow still has less hotel stock than Edinburgh, which retains a very strong appeal to leisure travellers.

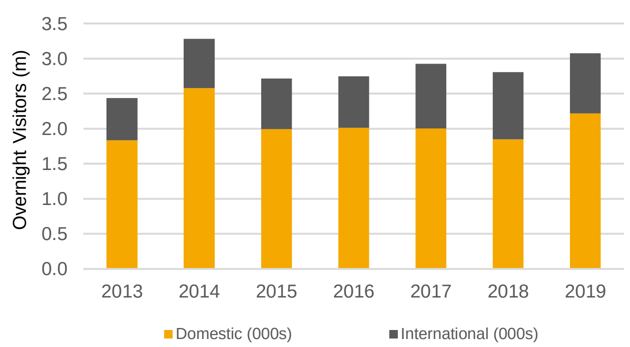
1) Due to Covid-19, latest available data up until 2019

Visitor Profile (2019)



Source: Visit Scotland – International & Domestic combined

Domestic vs International Visitor Nights



Source: Visit Scotland

Estimated Quality Room Supply in Greater Glasgow

Rooms	Managed	Franchised	Independent	Total
Economy	2,336	249	269	2,854
Midscale	741	285	633	1,659
Upper Midscale	856	1,546	529	2,931
Upscale	1,246	1,137	593	2,976
Upper Upscale	1,109	515	120	1,744
Luxury	-	-	12	12
Total	**6,288**	**3,732**	**2,156**	**12,176**

Source: CoStar, Global Data, Horwath HTL research

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Balanced supply mix but opportunities exist

The Economy, Upper Midscale and Upscale segments each account for around a quarter of hotel rooms but there is still quite limited supply in the Upper Upscale and Luxury segments.

A pandemic and supply led decline in performance

Hotel RevPAR grew steadily from about £42 in 2012 to £61 in 2018 before the influx of new supply in 2018 and 2019 pushed rates and occupancy back just before the pandemic hit.

While Glasgow hotels achieved a remarkable rebound in 2021 and 2022 this has been driven by exceptionally strong average room rates while occupancy remained well below pre-pandemic levels as the market continues to absorb new room supply.

Continuing recovery in leisure and corporate demand will help build back occupancy levels but it is unclear whether recent rooms rates will proved sustainable through the winter months.

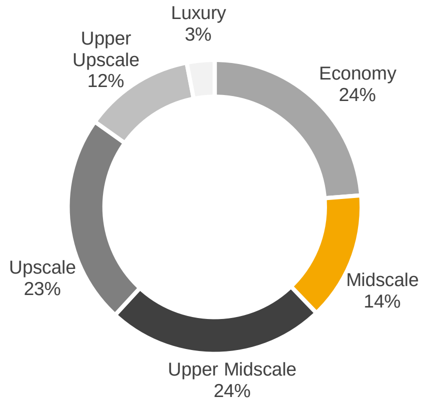
Substantial pipeline may hamper performance

As hotel owners steer their businesses out of the Covid crisis they have the added headache of new competition entering the market.

Around 2,100 rooms are under construction in Glasgow, 64% of which are scheduled to open by the end of 2023 – the biggest increase since 2018. In addition a further 3,000 rooms in various stages of planning.

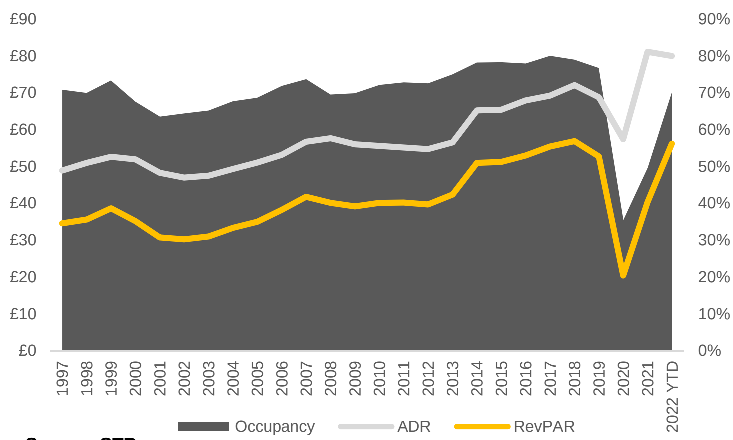
All hotels will be under intense pressure to devise strategies to maintain occupancies and rates and to generate profit in a highly competitive market. Some poorly positioned businesses will inevitably find that they are no longer viable.

Current Hotel Supply



Source: STR, Horwath HTL research

Historic Annual Performance of Greater Glasgow (YTD 08-2022)



Source: STR
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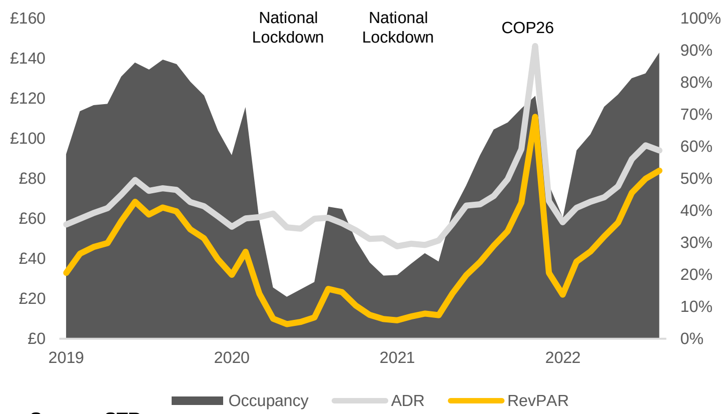
Monthly Performance of Greater Glasgow (YTD 08-2022)



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