



Holiday Accommodation in the UK

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WHERE KNOWLEDGE IS POWER

Holiday Accommodation in the UK: Sector Overview

What trends are shaping the industry?

Industry revenue is expected to grow at a compound annual rate of 4.5% over the five years through 2018-19, including expected growth of 3.0% in the current year, to reach £2.5bn. Operators in the Holiday Accommodation industry provide accommodation for domestic and international holidaymakers in the form of cottages, lodges and self-catered apartments, and operate hostels, guesthouses, and holiday centres and villages. The industry's performance has benefited from favourable conditions over the past five years, and has broadly followed trends in inbound and outbound tourism and fluctuations in weather conditions. Although the economy has recovered over the past five years, the staycation trend that emerged during the downturn has remained robust, benefiting operators. This supported industry growth during the first half of the period. The sharp drop in the value of the pound following the EU referendum in June 2016 has made the UK a relatively more affordable holiday destination for both domestic and international tourists.

The Outlook

The rate of revenue growth in the holiday accommodation industry is expected to slow over the next five years. In the short term, economic uncertainty is likely to further weigh on consumer confidence and spending, which could restrict overall spending on domestic tourism, though a greater number of holidaymakers are likely to opt for staycations. This trend could be exacerbated if international travel is restricted in the fallout of the UK's departure from the European Union. Industry revenue is forecast to grow at a compound annual rate of 2.5% over the five years through 2023-24 to reach £2.9bn. International tourist numbers are also expected to rise further in the coming years while the value of the pound remains weak. However, domestic tourism is expected to continue to account for the lion's share of revenue over the next five years.

Key Statistics

Revenue

£2.5bn

Annual Growth 14-19

4.5%

Annual Growth 19-24

2.5%

Profit

£275.9m

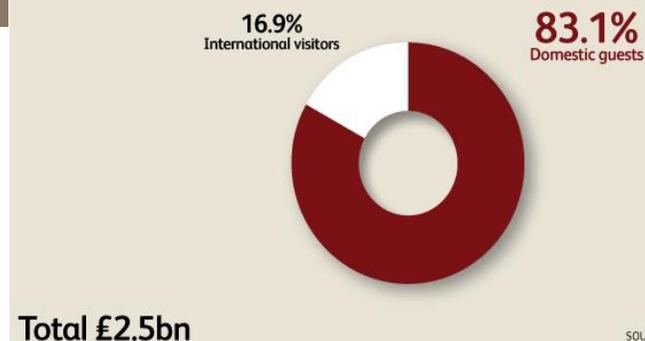
Wages

£565.7m

Businesses

4,672

Major market segmentation (2018-19)



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Regional Insights

The South West

- The South West has the highest number of industry establishments in the UK, accounting for an estimated 20.9% of the total. Cornwall, Devon and Dorset are popular destinations for holidaymakers seeking warmer weather, beaches and outdoor activities. The area is also popular with European tourists, who see the beautiful coastlines as unique European holiday destinations

Scotland

- Scotland accounts for 16.6% of industry establishments, far outweighing its 8.2% share of the UK population. Scotland is famous for its lochs, Highlands and historical sites. In Scotland, domestic tourism has dropped in recent years, with overseas visitors, particularly from North America, rising. Data from VisitScotland, the national tourist board of Scotland, suggests that international trips to Scotland rose by 29.6% in the first half of 2018 compared to the equivalent period in 2017, while domestic trips fell 15.6% in the same period. Many operators benefit from people visiting the region to go hiking, particularly around the Grampian Mountains, home to Ben Nevis, the tallest mountain UK.

Sector Trends

Total domestic tourism

Greater numbers of domestic and foreign tourists travelling in the UK will increase demand for holiday accommodation. The weak currency is expected to result in higher numbers of both British and international tourists choosing to holiday in the UK in 2018-19, representing an opportunity for industry operators.

International tourist numbers

Changes in international tourist numbers in the UK have a direct influence on demand for holiday accommodation. International tourist numbers are forecast to increase over 2018-19. Global economic conditions remain positive overall, while the weak pound makes the UK a comparatively cheap destination for international visitors.

Real effective exchange rate

Movements in exchange rates can influence travel to and from the UK. A weak pound makes foreign holidays relatively more expensive for British tourists while making visits to the UK relatively cheaper for international visitors. The value of pound is expected to continue to fall during 2018-19, making Britain a better value holiday destination for both domestic and international tourists.

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