



Edinburgh Hotel Market Update

September 2022

Scotland's world class tourist destination.

Scotland's capital is a globally renowned destination with a vibrant and diverse hotel sector.

In 2019, the city accommodated 5.3 million overnight visitors drawn by its unique cultural heritage, busy events calendar and position as the country's administrative and financial hub.

Despite its relatively modest size, Edinburgh is one of the most competitive financial centres in Europe according to the Global Financial Centres Index (GFCI, 2022) ranking 7th in Western Europe and 2nd in the UK behind only London.

While the business sector is an important high value element of the hotel market, the substantial majority of the guests to Edinburgh (72%) are on holiday.

The share of international tourists increased steadily between 2015 and 2018 but the city remains a very attractive destination for UK travellers who quickly returned to the city as pandemic lockdowns eased.

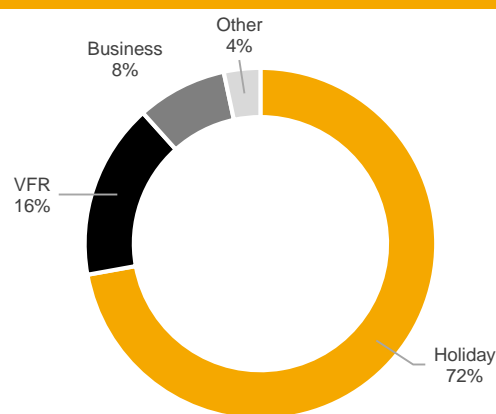
Strong demand growth has supported additions to the hotel room stock.

Room supply increased by an average of around 3% each year between 2013 and 2019 with total supply reaching approximately 15,425 in mid-2022.

The pipeline of projects under development and in planning increased over the pandemic due, largely, to delayed openings. CoStar estimate around 1,000 rooms in the current pipeline.

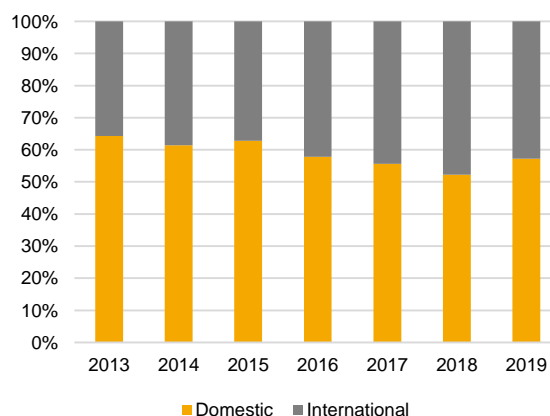
As Edinburgh hotels are still recovering and subject to ongoing economic pressures, increased competition is likely to put pressure on occupancy levels, however, the market has historically proved resilient and there are no significant concerns of longer-term oversupply.

Visitor Profile (2019)



Source: VisitScotland – International & Domestic combined

Domestic & International Overnight visits



Source: VisitScotland

Estimated Quality Room Supply in Greater Edinburgh

	Management	Franchise	Independent	Total
Economy	2,981	29	112	3,122
Midscale	1,072	171	174	1,417
Upper Midscale	938	1,937	733	3,608
Upscale	1,172	785	621	2,578
Upper Upscale	1,718	786	788	3,292
Luxury	703	-	705	1,408
Total	8,584	3,708	3,133	15,425

Source: CoStar, Horwath HTL research

Strong Recovery in Occupancy and Rate

Prior to the pandemic, Edinburgh's hotel sector experienced strong RevPAR growth, exceeding £85 in 2017. Whilst performance softened slightly in 2018 and 2019 due to hotel openings, the market has successfully absorbed new supply over the last decade thanks to the strength of the city's commercial, conference, Government and leisure tourism sectors, making it the best performance hotel market in the UK outside London.

Although Edinburgh's hotels lost a huge proportion of business in 2020 and early 2021 the market recovered strongly from mid-2021 in YTD 2022.

Recovery has been largely domestic and leisure-led to date but major events – in particular the Edinburgh Fringe and International Festival – have also seen international tourists return in significant numbers.

The long-term outlook for the Edinburgh hospitality sector is positive.

Domestic leisure demand will continue to drive recovery, while business, MICE and international visitors numbers take a little longer to build back to pre-pandemic levels.

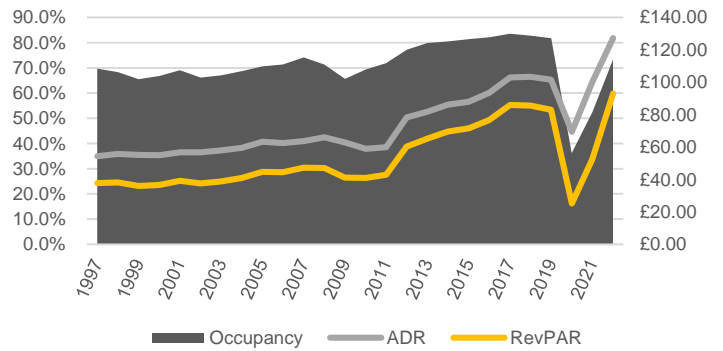
RevPAR has exceeded pre-pandemic levels over past couple of months, however rising costs and the tight labour market will have a significant impact on profitability.

Investors see upside in central Edinburgh hotels

Edinburgh saw the highest level of investment in hotels of any UK city outside of London, in 2021 - testament to confidence in long term potential of the market.

According to Knight Frank some 11 hotels worth around £260 million transacted in Edinburgh last year including the Courtyard by Marriott Edinburgh, Adagio Aparthotel Macdonald Holyrood and Crowne Plaza Royal Terrace.

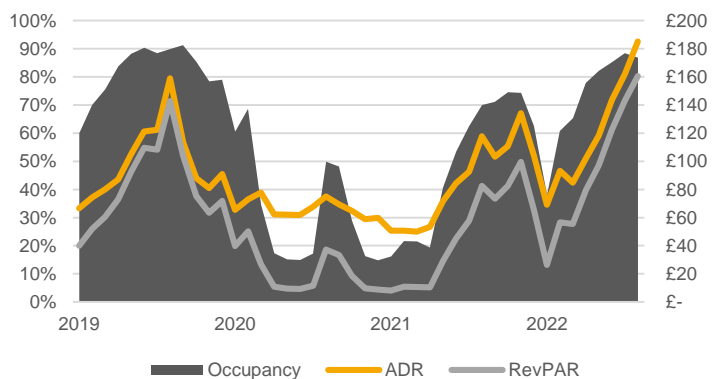
Historic Annual Performance of Edinburgh (YTD 08-2022)



Source: STR

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Monthly Performance of Edinburgh (YTD 08-2022)



Source: STR

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