



Forward Pricing Report

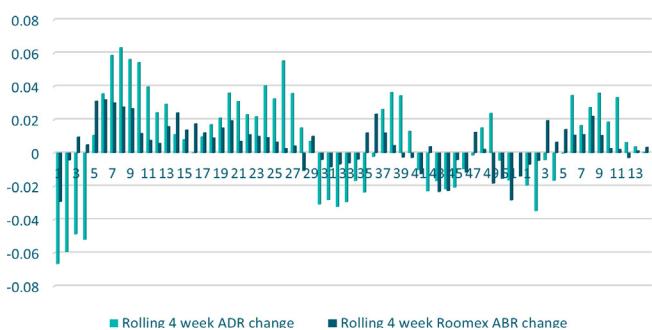


Rates increased steadily during Q1. This was expected however, what was unexpected was the relatively slow rate of increases and the drivers behind them. The economic backdrop has been far from clear. The much anticipated sharp decline in inflation rate hasn't happened yet and interest rates continue to pile pressure on consumers and businesses. But in the end there has to be a level of demand in the market for hotel rates to actually start rising.

Introduction

Inflation peaked in October 2022 at 11.1% in the UK. Whilst it has shown downward movements since then, February was a surprise increase. If anything it would suggest the road ahead will not be a quick change to rapidly increasing inflation. The key drivers are gas, fuel, and electricity. Hotel companies have high energy requirements for a range of reasons but high on the list is heating and lighting for often old buildings. Without question the winter has been a very difficult one for hotel companies, particularly independent hoteliers which are a significant part of the UK market. The second dynamic is the damage interest rate hikes are having on consumer spending. Whilst business travel is a step away from leisure, leisure travel drives rates. More leisure travellers checking-in push the rate up. A combination of high costs and a downward pressure on rate because leisure travel is depressed underpin the current hotel price landscape across the UK and Ireland.

Rolling 4 Week Average Weekly Price Change - 2022/2023



What a change a year makes. The chart above shows the rapid and continuous hotel rate increases from weeks 3 to 27 during 2022. 2023 has been a different picture. Seasonality has meant that prices have been increasing but at a far lower level than 12 months earlier. That growth also looks to have run out of steam already with a relatively flat price development taking hold. Easter would normally provide a boost to leisure, but this year has been muted and low impact on hotel rates.

All destinations	Dates	ADR Inner City	ADR Outer City	ADR Inner City Weekly Variance	ADR Outer City Weekly Variance	Variance between inner and outer SAME
2 Weeks	11/04/2023	£111.3	£100.6			-10%
4 Weeks	25/04/2023	£127.1	£109.3	14.22%	8.62%	-14%
8 Weeks	23/05/2023	£122.0	£104.6	9.64%	3.94%	-14%
12 Weeks	20/06/2023	£144.0	£123.0	29.36%	22.29%	-15%

So where does that leave us? Well the forward picture is one of a gear change. Across all destinations forward analysis suggests hotel

rates will be heading upwards. Even from the end of April hotel revenue managers seem bullish with inner city rates showing double digit increases. Out of town locations are also increasing but at a slower pace. The largest weekly increases YTD on a 4 week rolling basis is 3.59%. 4 week forward data suggests more like 8-9% in out of town locations.

The 12 week forward data always comes with a health warning. Hotel yield changes happen well within that period so it's more of a barometer into the current state of mind of hotel revenue managers. It suggests they have enough comfort from businesses on the books and other trends to be pricing high. This always calms down closer to stay date, but the take away would seem to be that there is enough demand in the market and secondly, a very strong cost pressure that sends rates north.

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...Secondary locations - the most heavily booked by Workforce companies due to parking, transport connections, price etc, show a more typical picture which is prices easing in May before the summer period..."

Gateway cities show some of the strongest signs in the mid-term. Although with the coronation in May, and so three holiday weekends, the picture is skewed somewhat. Gateway locations show a continuous upward trend and total growth from present to June of 25.6% in out-of-town locations. The upward trend is a little higher for city centre locations.

Secondary locations - the most heavily booked by Workforce companies due to parking, transport connections, price etc, show a more typical picture which is prices easing in May before the summer period. But yes, you read the figure in the table correctly. Average price currently quoted in the centre of secondary locations is due to be 43% higher than current levels. We'd expect that to ease back closer to stay date, but for travel managers, plan for cost increases and take the necessary mitigations in hotel choice, rate use etc.

Summary

Q1 has produced slow but consistent rate increases. Last year was driven by the strong tailwind of Covid recovery which is now in the rear view mirror. 2023 is all about increasing energy costs and what inflation is doing to leisure demand.

Our expectation and advice to clients is to plan for higher rates. Pressure on household disposable income could reduce international summer holidays and so, increase summer demand. Counter intuitively higher interest rates may drive more robust summer domestic leisure demand. Understanding brand use and type of booking will be the key to keeping a lid on costs. Over 80% of Roomex clients both book and pay centrally, i.e. their travellers are not booking themselves or paying out of pocket at hotel. This provides a tremendous opportunity to manage accommodation costs. Some spring housekeeping will help you offset price raises.

A look at average prices across secondary destinations in the UK					
Secondary Destinations	Dates	ADR Inner City	ADR Outer City	ADR Inner City	ADR Outer City Variance
2 Weeks	11/04/2023	£92.2	£92.1		
4 Weeks	25/04/2023	£104.7	£101.5	13.60%	10.23%
8 Weeks	23/05/2023	£97.7	£94.9	6.01%	3.04%
12 Weeks	20/06/2023	£131.8	£113.8	42.95%	23.55%

About the Data

Sample set of 960 price points used from UK and Ireland Hotels. All data is from 3 star hotels only to reflect Workforce travel requirements

Research and Analysis

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