Q3 2022

Forward Pricing Report

Roomex

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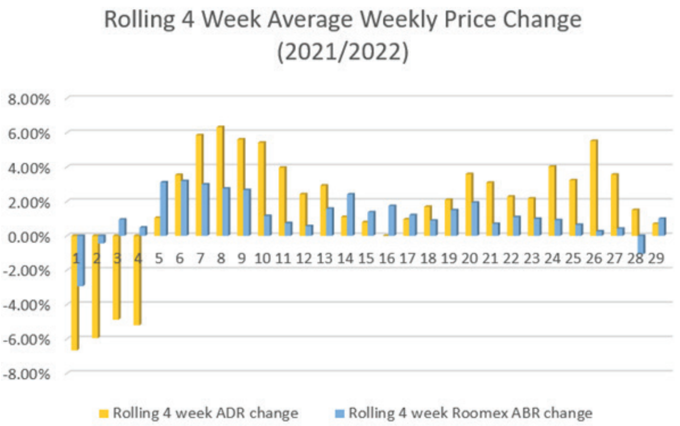
The last 2-3 months has seen hotel prices in UK and Ireland reach the highest levels on record. A combination of Covid recovery, seasonal pick-up, reduced supply and inflation have provided a relentless upward pressure on prices. With 27 consecutive weeks of price rises what can we expect as we move toward the traditionally peak business travel months of the Autumn?

Introduction

As with all financial projections, the past is not always a reliable guide to the future. However, before looking at the forward environment it's worth taking a minute to consider the extraordinary price development over the last 29 weeks since the start of 2022.



There has been a relentless increase in UK hotel prices since week 3 of 2022. At the very start of the year Omicron was weighing on travel demand but very quickly this receded and wider political and economic pressures became additional price drivers.

In the 29 recorded weeks since the start of the year 26 have shown price increases on a rolling 4 week average and just 3 declines. 2 at the start of the year and the first for 27 weeks came in mid July. It was always expected that prices would peak in the summer months when all the drivers of price were in alignment. Covid recovery, seasonality, inflation, high domestic share of leisure, are all currently peaking. So much so that Average Booked Rate (ABR) in the last 2 weeks in July is 13.4% higher than the peak summer period of 2019. Over the first half of 2022 prices have increased at around 1% per week which is now putting considerable pressure on buyers. There are also 8% less hotel rooms across the UK than in 2019 adding further pressure.

This Q3 Forward Pricing Report is looking across a crucial period – through the summer and into the Autumn period. Overall there is an imbalance between inner city and outer city locations. Inner city continuing to rise into late September but outer regions which have typically performed more strongly through the pandemic starting to slide through the Summer and Autumn. Forward looking VAT inclusive Average Daily Rate (ADR) peaks in city centres at £108.4 in mid September. Outer city peak of £100.0 is mid August.

All destinations	Dates	ADR Inner City	ADR Outer City	ADR Inner City Variance	ADR Outer City Variance
2 Weeks	09/08/2022	£100.6	£100.0		
4 Weeks	23/08/2022	£106.3	£98.7	5.71%	-1.30%
8 Weeks	20/09/2022	£108.4	£99.0	7.79%	-0.91%
12 Weeks	18/10/2022	£105.9	£93.0	5.23%	-6.96%

Gateway city centres have the highest prices at £201.8 in mid august. Regional destinations show the greatest price change, peaking strongly into August and dipping sharply afterwards. Secondary destinations are the most level, but notably out of town secondary cities are steadily sliding from a current peak of £96.9 to £85.7 in mid October.

Whilst key gateway cities of London and Dublin are always heavily booked, Roomex clients tend to have a dispersed booking pattern across the entire region as they deliver projects and conduct maintenance/repair work. This downward trend in secondary and regional locations should filter through into budgets and start to ease some of the cost pressures that have been mounting in the first half of the year.

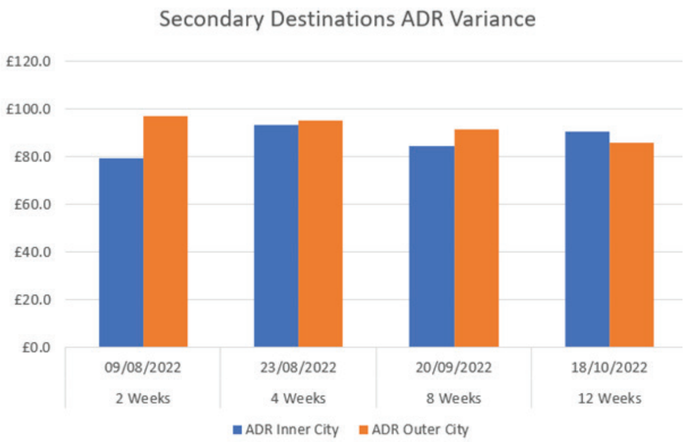
“We have certainly seen a strong return of corporate travel in the Spring period. London has bounced back well and combined with leisure August looks to be a strong month. Looking into September business on the books is on a par with Autumn 2019 in the corporate segment so the signs at this stage are positive.“

Andy Besent
Head of Sales, Jurys & Leonardo Hotels

As well as demand side fluctuation hotel companies are juggling volatile costs. Energy price rises in recent months are squeezing hotel margins – large buildings, particularly full service hotels are heavy energy consumers. As forward contracts expire many hotel companies are facing a sudden increase in their cost base. This combined with staffing issues and costs as the industry adapts to post pandemic re-staffing and a reduced labour pool is likely to provide continuing upward price pressure in the second half of the year.

For Hotel companies a key barometer of what lies ahead is business on the books. Anecdotally many large chains are reporting strong business on the books and at a comparable level to 2019. Whilst leisure will have dropped away and likely cost pressures in client companies, strong business on the books and rising hotel operating costs may well cause UK hotel prices to plateau rather than drop.

Looking further into the future usually becomes more about sentiment rather than business on the books, as hotel managers try to estimate how busy they will be. Overall, prices in October are split with city centres up +5.3% and Outer areas down -7.0%. Secondary cities drive the overall city centre increase, but gateway cities, secondary cities and regional towns are all showing declines in outer areas. So a strong and early growth in city centre prices that doesn’t slip in the autumn. More pragmatic revenue management in regional areas that are often attractive locations for workforce travel might see some easing of prices.



“BWH Hotel Groups 270 UK hotels are spread across the country and over eight brands including Best Western and WorldHotels. As with most of the market we have seen a continuous upward trend in rates. However, strong demand is one part of this with energy, labour and material costs likely to be forcing higher prices into the Autumn.“

Nina Smirnoff
National Sales Manager, BWH Hotel Group GB

Summary

Prices rising at 1% continuously wouldn’t appear to be a sustainable situation. Hotel rates across the UK and Ireland have now not only risen above the summer 2021 level but also 2019 pre-pandemic peak. However, demand pressures are only one part of the picture. Whilst some of these demand pressures will ease as disposable incomes that fuel leisure demand are eroded by inflation and business bookers review their travel plans, there will be a counter weight of supply side cost pressures. Put simply it will cost more to run a hotel this autumn than last autumn due to input costs and this will be a very strong upward pressure on rate. In the segment of business travel that we call Workforce, travel is often essential to delivery of the clients projects and services. In an environment where supply side costs are so unpredictable, how clients book and what they book has never been more important. Hotel savings should always be about a full picture of total accommodation spend across the year and project by project, rather than booking by booking. Roomex offer a complete Savings Analysis for clients quarterly to check strategies are always tuned for current conditions.

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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