

Forward Pricing Report

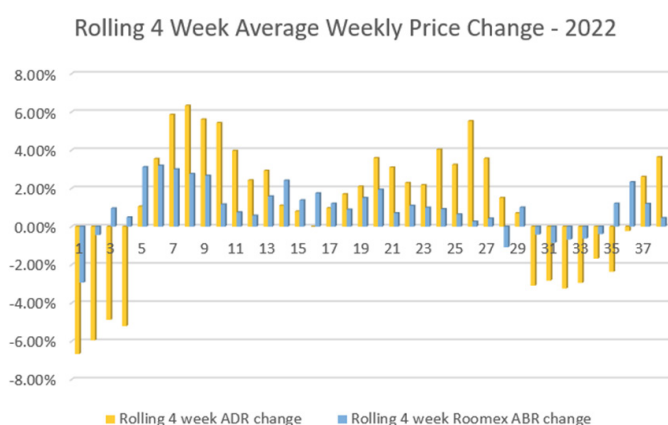


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Just as we thought prices may be stabilising, the picture might be about to become more volatile. After some flat months, are hotel rates back on the march? As energy costs, and borrowing costs become unpredictable what does it mean for the costs of business travel accommodation?

Introduction

In our Q3 Forward Pricing Report we were starting to see the first signs of prices stabilising. After a continuous upward trend in rate from the start of the year, we were beginning to see something softer coming through. It had been a mixed picture as we looked across the summer months into the autumn. There had been 28 consecutive weeks of rate increases, but the end was in sight.



This did continue to be the case and the Roomex Average Booked Rate (ABR) started showing small declines each week during the summer. However, in the last 4 weeks this has been reversed.

There are currently both upward and downward pressures on price and as these run into each other we are seeing an increasingly volatile and hard-to-read picture on rate direction. The first thing to note is that when there is a high level of flux in the market, looking beyond 4-5 weeks can become very misleading. Rate changes beyond that in a choppy market tend to point more to the revenue strategies of the particular hotel company than the market conditions. What is clear though is that the few weeks behind us are showing price increases, and the weeks ahead of us are looking softer.

All destinations	Dates	ADR Inner City	ADR Outer City	ADR Inner City Variance	ADR Outer City Variance
2 Weeks	11/10/2022	£115.1	£103.6		
4 Weeks	25/10/2022	£110.9	£99.7	-3.64%	-3.75%
8 Weeks	22/11/2022	£100.1	£96.1	-12.99%	-7.19%
12 Weeks	20/12/2022	£89.5	£82.2	-22.23%	-20.65%

Across all destinations price rates are declining on all lead times and all location types. 4 weeks ahead is down 3.64% and further out is showing much steeper declines.

There is a difference between gateway cities and other locations with Dublin and London falling fastest among these cities with London city centre down 17.14% at 4 weeks. Out of town locations aren't falling as fast but are still declining.

This Q4 Report is looking across a much-anticipated period in that there were high expectations for the strong return of corporate travel as office workers continue their move back to more normal work patterns after the pandemic. Anecdotally, this does not seem to be materialising as strongly as hoped. With increasing pressure on household disposable income, leisure demand is also being held back. Leisure demand can be a key driver of rates, and so is affecting corporate rates.

Many Roomex clients have dispersed demand patterns including many regional towns as much as gateway cities. Nottingham rates are holding up strongest and actually showing rate growth 4

weeks ahead, albeit slight. Cambridge and Peterborough are 'less weak' than others with small declines.

"Looking at the next 3 months it is so difficult to predict sales as the lead time is so short, the economy of so many countries is unstable, and travel from some parts of the globe has yet to return."

Daniel Simmons

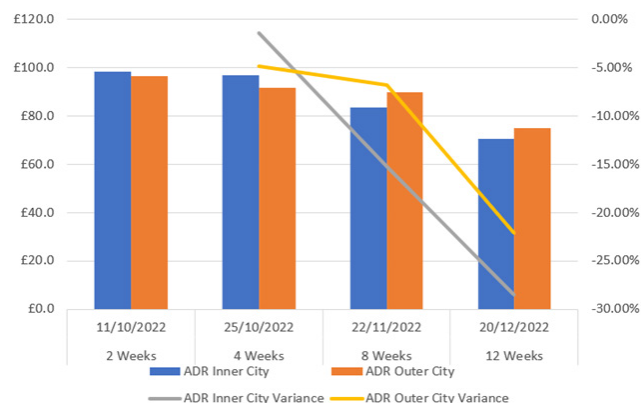
Chief Commercial Officer, HotelRez

On the hotel side it looks like it could be a very difficult autumn and winter. Energy cost issues are well reported, hotels are big buildings to heat and light, but increases in other costs are also coming to bear such as imported food and continuing pressure in the labour market. This, combined with soft pricing, will not be easy for the market to tolerate. Over the pandemic around 6-8% of UK hotel rooms have come out of the market due to closures and change of use. Once pointed to as an upward pressure on rates, this doesn't look likely to be significant with such strong headwinds.

Through the summer months there had been reports of strong on-the-books business and a high sense of optimism from hotels. What seems to be missing is the traditional surge in business travel, especially large-corporate travel.

At the start of the report we mentioned that the data becomes less reliable in terms of volatility the further forward you look. Hotel companies will be hoping so with the average drop in early December being 22.2%, with not much difference between location type - although gateway cities are set to fare worst.

Secondary Destinations ADR Variance



Summary

The long running price rises of the first half of the year are well behind us. From a client perspective, prices will ease in the weeks ahead. A lot of Roomex client travel is essential, meaning it has to continue, so this will be a relief for hotels. Customers have sought new ways of looking at their travel programmes over the last few weeks and considered more carefully the value delivered by hotel brands. 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

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